

Coffee Republic designs a revival with Terence Conran

High-street chain opens flagship London cafe on the road back from administration

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Coffee Republic's previous interiors looked 'almost as if a teenage boy had designed them', says chief executive Tariq Affara, Photograph: Garry Weaser for the Guardian

The high-street chain Coffee Republic, which collapsed into administration two years ago, aims to reinvent itself with Terence Conran-designed interiors, a fresh expansion programme and a revamped franchise structure under new Middle Eastern owners.

Coffee Republic will open a flagship cafe in London's Tottenham Court Road on Tuesday in the first stage of an effort to move away from financial problems that led to it building up £3m of debt in 2009, when the company's shares were delisted from the stock market and KPMG were brought in as administrators.

The chain has 135 outlets, of which 90 are concessions inside shops and hotels, and it has a deal to install automated coffee machines in 450 Shell petrol stations. Chief executive Tariq Affara is targeting 20 further sites and hopes that a new design, with an airier feel and lighter colours, will help to compete with the likes of Costa, Starbucks and Caffè Nero. "It was almost as if a teenage boy had designed the previous Coffee Republic interiors," says Affara. "They were black and red, quite dark, quite cave-like."

Affara is the son of Mohammed Affara, the Yemen-born founder of Arab Investments, who rescued Coffee Republic by buying the business from the administrators. Arab Investments's other activities include building the 63-storey Pinnacle skyscraper under construction in London's Bishopsgate.

Coffee Republic was among the first of the espresso-based coffee chains to appear on Britain's high streets; it was founded in 1995 by brother and sister team Bobby and Sahar Hashemi, who wrote a book about their creation called *Anyone Can Do It*. They surrendered control in 2007 and Coffee Republic hit a wall in 2009 when the recession began and consumers cut back on their lattes and cappuccinos.

Affara blamed the company's property structure for its failure, saying the parent company was named on the leases of all its franchisees' stores, leaving it vulnerable to the credit crunch from landlords when troubled store operators failed to pay their rent: "What we had was a company that went into administration because of its structure. The central plc was on the head leases for all the franchised stores. When things got a little bit tough, the franchisees stopped paying those leases."

Coffee Republic gets its coffee from Italy and is copying Pret a Manger by requiring all sandwiches and snacks to be prepared on the premises of each store. Affara insists that since the initial slump in sales in 2009, the business has withstood the recession firmly: "The little luxuries are the ones we keep. The big ones are the ones people are putting off."

His optimism was borne out by figures from research firm Allegra Strategies, which found that sales grew 12.9% to £1.94bn at Britain's branded coffee shops last year, far oustripping a 2.5% increase in turnover for high street retailers as a whole. The market leader is Whitbread's Costa Coffee chain with a 37% share, followed by US import Starbucks on 23% and faux Italian brand Caffè Nero on 14%.

Anya Gascoine Marco, an analyst at Allegra, pointed out that "indulgent treats" sometimes enjoy an uptick during recessions: "There are certain things that are a given in the daily routine, certain things that get people through when times are a bit rough. It seems coffee has become one of them."