

Avi Katz took the coffee-shop world by storm by offering an entire menu for NIS 5. Now he prepares to make the same momentous shift for discount grocery stores

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شارع شلّمو ابن جَبيرول
SHLOMO IBN GABIROL st.

Revolution man

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(Courtesy)



(Courtesy)

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(Irving Spitz)

Pocket-changing the world



Avi Katz, the founder of Cofix and the upcoming supermarket version, is out to change the world – NIS 5 at a time

• ORIT ARFA

After grabbing my morning cappuccino at the Givatayim Cofix branch, I told owner Shlomi Amram that Avi Katz would be coming at 3:30 p.m. to conduct the second part of the our interview for *The Jerusalem Post*. He grimaced and waved his hand in dismissal.

“Well see,” he said, before handing a cappuccino to the next customer in line.

Why so skeptical? Did he harbor some sort of resentment toward the man responsible for his livelihood? Since the first pilot store opened on Ibn Givrol street in Tel Aviv in September 2013, Cofix did what no other cafe did: it offered the 12-18 NIS cappuccino – and almost every caffeinated variation – for only NIS 5. With an everything-for-5-shekel food menu to match (and now alcoholic beverages at some locations), customers flocked to the sleek, street-side cafe. But was Amram’s branch not doing well?

Couldn’t be. I never saw the branch on Katzenelson Street without a crowd of at least half a dozen people munching and drinking away NIS 5 at a time. Did the numbers not add up? Was Katz a rich snob who treated Cofix franchisees with derision?

Katz arrived on time at 3:30, preceded by a courtesy call saying he was looking for parking. He pulled up in his famous “first” Mercedes, and left it double-parked because who can find parking in Givatayim these days? Amram wasn’t even there to greet him – he had gone to his apartment nearby to run an errand, not keen on waiting around.

Katz ordered and paid for an iced coffee and chocolate croissant (which he requested unheated), and sat down on one of the stools outside. He was quick to mention a very important fact that inquiring Cofix minds might want to know: Angel Bakeries, the current baked-goods supplier, will soon be replaced by another supplier with whom Cofix has partnered to equip with a facility to fast-freeze the 60,000 baked items sold to Cofix chains daily.

“So after you thaw it, it’s fresh,” he said mid-chew, noting Cofix is not allowed to carry ovens, hence the need for advanced freezing methods that allow for the perfect thaw.

And then came one of his mottoes – one of many – which in addition to *divrei Torah*, rabbinic allegories (Rabbi Yisrael Salanter’s being his favorite) and personal anecdotes, turn an interview with Katz into a master class in social entrepreneurship.

“Whoever is stubborn or blind to his problems won’t get ahead in life,” he said.

Now, he sets out to solve one of the decade’s greatest problems in the Jewish state: the rising cost of living. The problem took over headlines in 2011 in what became known as the “cottage

AVI KATZ, as the CEO of Cofix, has spent decades as an entrepreneur with the goal of providing quality goods at a low cost. (Courtesy)



THE FIRST Cofix established on Tel Aviv's Ibn Gvirol Street in September 2013. (Niv Elis)

cheese protests," in which Israelis packed tents in Tel Aviv to complain about the country's high cost of living, evidenced in the high cost of cottage cheese. Israeli dairy goods took another PR hit in 2014 when Israeli expats in Berlin made headlines, notoriously bragging about how cheap chocolate pudding is in the German capital compared to Israel's Milky brand.

This month, the first branch of SuperCofix will open, applying the everything-for-five-sheqels model to supermarket staples, particularly cottage cheese and Milky.

AMRAM FINALLY showed up and took a stool next to Katz. They had met in passing when the 29-year-old entrepreneur attended Cofix-related business meetings.

Gone was Amram's sour face; he simply took it for granted that Katz would be too busy to visit. He greeted Katz with a wide smile, as if they were best friends

who hadn't seen each other in a while. They even finished each other's sentences.

Cofix is Amram's second round at a café franchise. Previously, he and his partner had narrowly averted serious financial loss after opening a Café Café franchise in a Hod Hasharon mall.

"The compound where we were located didn't have enough movement of people to really work and succeed the way it should," Amram said.

"And who paid the price?" Katz asked.

"It was us," Amram conceded.

When Katz opened the first Cofix branch in 2013, he waited until the model proved successful before offering it to franchisees, of whom Amram was one of the first. Amram took over the chain once it was already established, hence minimizing his risk.

Today, the Givatayim branch is one of the most successful of the 50-plus Cofix branches located through-

out the country – although Amram won't reveal how many items he sells a day. A branch must sell at least 1,000 items daily to make a profit. According to Katz, a Cofix branch on average earns the owner a net income of NIS 33,000 a month. The cost for a franchise is NIS 500,000, with franchisees putting down an initial investment of NIS 150,000.

There's a waiting list of some 1,000 aspiring Cofix owners. If all goes according to plan, Cofix will be traded publicly on the Tel Aviv Stock Exchange this month.

"A week after he bought it, he could have sold it for more than he paid," Katz said, as Amram nodded. What attracted Amram to Cofix, even after feeling burned by Café Café, was the sense of family, honesty and transparency he experienced among Katz and his associates.

"I'm the same with everyone," Katz maintained. "What you see is what you get," he added, looking down at his button-down shirt and slacks, his tall countenance capped by a knitted kippa. He's proud that no one could mistake him for a hotshot tycoon just by looking at him.

"I don't have a secretary," he told me. "You didn't make an appointment with a secretary." True – but was he just trying to impress a reporter? No offense, he continued. "Maybe it would have impressed you if two secretaries answered."

He estimates his personal worth at about NIS 300 million (he stopped counting after NIS 100m.), but feels like a "common man" – and the "common man's champion."

"It's no small *hochma* [wisdom] to change a country at the expense of young people," he said, again to Amram's enthusiastic nod. If not for the Cofix opportunity, Amram said, he might have left Israel to try his luck in the US.

KATZ IS a true rags-to-riches story.

"I always remember where I came from," Katz, 52, asserted. He grew up in an ultra-Orthodox household in Bnei Brak, the fourth of five children. His father died when he was six, leaving a widow of 38 and a destitute family. When his mother had to take his well-worn shoes to a shoemaker for repairs, he decided he >>



'I'M THE same with everyone, what you see is what you get.' (Courtesy)



PATRONS AT one of Cofix's locations in Jerusalem. (Marc Israel Sellem)

wouldn't be poor when he grew up.

His ambition crystallized when, at age 11, his successful uncle from the US told him not to be an *am ha'aretz*, a boor. He urged the young Katz to read. Since then, he's been a voracious reader.

"What has given me the most in life are the books I read," Katz said. "A lot."

With about two to five hours of sleep a night, Katz always makes time to read at least a book a week. He gives a weekly shiur at his Kfar Saba synagogue, writes divrei Torah for newspaper outlets and manages to watch some TV. He recently completed the first season

of *House of Cards* in one week – a show he likes because it's about a man who goes after what he wants (shady means aside). He has children ranging in age from 11 to 30, and two grandchildren.

Two books in particular had a lasting impact: *The Fountainhead* by Ayn Rand, about the rugged, "gingy" individualist architect, which shaped his non-conformist mind-set; and Leon Uris's *Battle Cry*, which prompted him to leave haredi life and serve in the IDF, although he refuses to be labeled. "I'm Avi Katz. The minute you put me into a box, I failed."

At his office on Granit Street in Petah Tikva, the

image of the successful, ambitious, "uncommon" businessman begins to emerge. The rooms emit an "anything is possible with positive thinking" vibe; the ladies room is decorated with signs that say, "Think out of the box" and "Dream big."

The sofas in the reception lounge affirm a love for the good life – and his office door is a few steps away from the entrance, letting him see whoever walks in. A glass cabinet encloses portraits of his family and pictures of chain stores he founded or acquired, and later sold, making him one of Israel's most coveted retail magnates: Kfar Hasha'ashuim (Toy Village), Neeman, Vardinon and Doctor Baby.

Katz's favorite "child" – his "baby" – is Keren Hagshama, an investment company that allows members of the middle class with disposable income to join him in multimillion-dollar investments throughout the world. The office floor consists of 50 employees: lawyers, accountants, analysts, salespeople, marketing experts and customer service representatives, serving the 20,000 investors who participate in commercial or residential projects for a NIS 100,000 investment. The firm minimizes investors' risk through expert staff, experience and Katz's own equity.

"Keren Hagshama, from a social perspective, is a much more impressive business, much more life-changing and significant than Cofix," Katz explained. "It touches a different sector than Cofix. All of the businesses in my life were gamechangers."

With "gamechanger" being the operative word. His first real fortune came after he sold his Kfar Hasha'ashuim chain, which did for toys what Cofix did for coffee. The neighborhood toy store made Lego and Barbie affordable to Israeli parents, so that they didn't have to wait for relatives from the US to bring their children these brand-name goodies.

The idea for Cofix actually came around the time of Katz's rise in the retail world.

"In 2002, two things happened. First, I bought my first Mercedes. Second, Menta, the first convenience store opened – because it's convenient to 'screw you over,'" he quipped. "At the time you couldn't buy anything on the



KATZ IN his office in Petah Tikva. 'Singles, pensioners and young couples, they don't need 'buy one, get one free,' they don't need to buy in bulk,' he says. (Orit Arfa)

highway between Netanya and Ashdod, only there [at the Geha Interchange]. I went out with my partner to the store – we bought two coffees, cake, gum. We brought only NIS 50 so that we didn't have to carry our wallets. We had to go back to get another NIS 12.

"An elevator technician was parked next to us, and he said: 'Wow! You're also going back for more change?' I said to myself: If I have a new Mercedes with 40 stores and this hurts me, how does he feel?"

That's when Katz conjured a plan for a "dollar" coffee shop. He had even secured a location in Ramat Gan's Diamond District, but the plan got shelved

to buy in bulk." Moreover, this sector won't drive to the periphery, where discount supermarkets like Rami Levy are generally located.

The ingenuity of the idea is in its simplicity. Katz's business calculations involve simple addition, subtraction, multiplication and division. Pages of math problems could be written based on Cofix-inspired solutions, with a special lesson on multiples of five.

Katz took out a yellow legal pad and started charting the numbers – and the savings. At SuperCofix, consumers could buy single to double servings of pastrami, milk, bread, coffee, pasta – and throw in a carrot juice (NIS 5 each) –

The first step in building SuperCofix was to identify the staples of every Israeli pantry... newly packaged items, in smaller quantities, that will sell for NIS 5 each

when he was presented with more lucrative business deals. In 2013 his daughter, a successful businesswoman in her own right, revisited the plan and set it in motion, initially to the laughter of suppliers who didn't believe coffee could be sold for NIS 5.

Cofix is just the prelude to his next gamechanger: SuperCofix, which has the potential to singlehandedly revolutionize the supermarket industry and provide real private-sector solutions to what he considers a "fictitious protest." Katz interpreted the cottage cheese craze as more of a social happening than a real demonstration against Israel's rising cost of living.

"You have mothers protesting, and they come with their strollers and protest the high cost of baby items," he said. "I was the importer of Doctor Baby; I understand the prices of strollers. I sit in front of the television, and I tell my wife: 'There's no stroller there that doesn't cost less than NIS 5,000. You can't go around with a Bugaboo stroller and protest; it's a joke.'"

WHILE "HEVRE" were "hanging out" at demonstrations, and government ministers were gathering in the Knesset halls to tackle economic issues, Katz was reaching into his own pocket to take a risk to save the pockets of regular Israelis.

"My business philosophy was to identify a need – not to have an interesting business idea and pursue it – but to identify a need and adapt an interesting idea to one I had already thought of," he recounted.

"There's a whole sector of the population – that's about 30 percent of the market – that can't use the tools the market gives to lower the prices," he noted, referring to the supermarket industry. "That's singles, pensioners and young couples. They don't need 'buy one, get one free,' they don't need

for less than the cost of one family-sized package of pastrami.

To make SuperCofix a reality, Katz dipped into his children's inheritance to the tune of NIS 10m. – NIS 2m. for each the first four stores, and another NIS 2m. for start-up costs. As with Cofix, he will open up the brand to franchisees once it's proven successful.

The first step in building SuperCofix was to identify the staples of every Israeli pantry. He hired Nielsen, the international consumer analysis company, to identify the 38,000 Israeli items sold on Israeli supermarkets shelves – their costs and amounts sold. His team then deleted the superfluous food items, to narrow the SuperCofix inventory to the most popular, essential 600 goods.

His staff approached the largest food manufacturers in Israel, like Tnuva and Tirat Zvi, to work together to create newly packaged items, in smaller quantities, that will sell for NIS 5 each. No longer will singles, senior citizens and young couples have to toss stale bread, moldy cheese and leftover cold-cuts into the trash bin. Even Milky will be sold at two for NIS 5 – competing with Berlin.

Tnuva and other major food conglomerates were eager participants. "If you bring a company a solution to a real problem, they'll join you," Katz contended.

Furthermore, these companies will be able to wholesale the newly packaged items to other stores, thus adding to their market base – and their public reputation.

Katz is not bothered by what may seem like competition. In fact, he's encouraged by competition – which he said in the long term pushes entrepreneurs to excellence.

He's fully aware that Cofix has inspired many copycats. The most obvious, Cofizz, started by a former employee, would likely give him grounds for a

lawsuit. But he's not interested in the hassles of litigation.

"A few years after I created Kfar Hasha'ashuim, a toy store opened in Netanya – the World of Toys or something like that," he recalled. "They took a flyer I made for kids' costumes, in which pictures of my own kids appeared; they took the exact same flyer, made it a newspaper advertisement in Netanya, and put their name on it... I called my lawyer and said, 'Come over now.' He brought over a bottle of champagne and said: 'I don't know what we'll do next, but first let's open a bottle of champagne because they copied you.'"

Katz never sued. He seems amused by the Cofix copies, and he's proud of the hundreds of millions of shekels Cofix has collectively saved for Israeli consumers.

Cofix has also indirectly forced major café chains like Aroma to lower their price for takeout coffee by NIS 5. It remains to be seen if and how major Israeli supermarkets will adjust to SuperCofix.

But Katz still doesn't think he's made it. "At least twice a week, I wake up in the morning and tell my wife: 'Wait and see. I'll be successful one day.'"

And for him, being successful also means being loved, by the common man – who, thanks to him, doesn't have to feel so common anymore.

"The difference between me and other wealthy people is that I also use my own money to realize a dream, to change the world. And I want to change the world." ■



COFIZZ IS one example of the numerous NIS 5 shops inspired by Cofix. (Courtesy)