

Helping Consumers “Know Who Grows” Their Coffee: The Case of THRIVE Farmers’ Coffee

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Norbert L. W. Wilson, Ph.D.¹
Auburn University
Department of Agricultural Economics & Rural Sociology
100 C Comer Hall
Auburn University, AL 36849
WILSONL@auburn.edu

Adam Wilson
THRIVE Farmers International Headquarters
215 Hembree Park Drive, Suite 100
Roswell, Georgia 30076
adam@thrivefarmers.com

Keith Whittingham, Ph.D.
Rollins College
Crummer Graduate School of Business
1000 Holt Avenue
Winter Park, FL 32789
KWHITTINGHAM@rollins.edu

Abstract:

Michael Jones is the CEO of THRIVE Farmers Coffee. THRIVE Farmers International is a socially-oriented start-up with a new model for the coffee supply chain. The traditional supply chain for coffee is often criticized as being exploitative of farmers and the environment. The THRIVE system allows farmers to own their product further along the supply chain. Thus, the farmers function like a vertically integrated operation, selling a high-value product and retaining the corresponding profit margins—5 to 10 times what they would get in traditional markets. THRIVE markets beans through various channels with different costs and benefits in terms of communicating the THRIVE model and generating revenue for THRIVE. How should Michael optimize the portfolio of channels in light of the ability to manage the THRIVE brand? Given the price premium and the high quality of its product, does THRIVE need to worry about selling the brand and their story?

¹ Corresponding author

Helping Consumers “Know Who Grows” Their Coffee: The Case of THRIVE Farmers’ Coffee

The familiar sound of an incoming Skype call disturbs the cool, quiet January morning in suburban Atlanta, Georgia, causing Michael Jones, sitting at his office desk, to turn from his documents to his computer. Michael, chairman and CEO of THRIVE Farmers International, answers the call. After pleasantries are exchanged, Michael awaits the first question from his interviewers, a team of academic types seeking to understand THRIVE Farmers Coffee and the THRIVE model.

As one of the company’s co-founders, with Alejandro (Alé) Garcia and Kenneth (Ken) Lander (see Exhibit 1), Michael knows the THRIVE story well. This 43 year old, serial entrepreneur has started and led other firms, so, he is not new to the start-up world; however, coffee is a new area of work for him. Michael’s father-in-law introduced him to the world of coffee production and the challenge of coffee producers. Michael says that he wants to contribute to economic development of people in developing countries. Understanding the challenge of coffee farmers, he saw a way to use his passion for economic development, his entrepreneurial prowess and past experience with start-ups to help develop a new model to sell coffee. THRIVE Farmers International is a startup that is drawing attention from the media and the coffee world because of the creative destruction—the Schumpeterian idea that a new business model destroys and replaces the old, traditional model—of the THRIVE model to rewrite the economics of coffee.

With cool confidence, Michael explains the model. He takes great care to contrast the THRIVE model to the global value chain of fair trade coffees, but never negatively. The THRIVE model tries to get as much money into the pockets of the farmers as possible, all the while providing the farmers market-based incentives to improve the quality and sustainability of the product. Michael often argues that money in the pockets of the THRIVE farmers is money in the community: Money in the community means that kids go to school, nutritious food is on the plate, communities grow and develop—they thrive. Market incentives mean that farmers can make appropriate improvements in the product that they provide. Higher quality product means more money back to the farmer and the development of entrepreneurs who are not dependent on charity. Social entrepreneurship—businesses that generate social value as well as profits—at its best, as suggested by Ken Lander, Michael’s business partner, is businesses helping communities help themselves rebuild appropriate social and economic structures so that the communities can contribute to the vitality of their people.

As the conversation proceeds, Michael’s responses slow. The questions cause him to reflect on the marketing strategy of the company. THRIVE sells coffees through multiple channels. Each channel has different costs and benefits in terms of communicating the THRIVE model and generating revenue for THRIVE. Michael is called to question the current portfolio of marketing channels. Is the current portfolio the best for THRIVE in the near term? What are the implications of the marketing mix over the long term? Should THRIVE consider other marketing channels or eliminate some?

Given the price premium and the high quality of its product, does THRIVE need to worry about selling the brand and the story?

The Beginnings of THRIVE Farmers

The THRIVE Farmers story began in 2010 with Ken Lander and Alé Garcia, two small-holder coffee farmers in San Rafael, Costa Rica. Ken is from Atlanta, Georgia U.S., formerly-retired and is currently a coffee farmer after financial losses in the U.S. real estate market. Alé is a fifth-generation coffee farmer, working his way through the process of vertical-integration. After each founded their own coffee shops and roasteries in the tourist-heavy area of nearby Monteverde, Costa Rica, Alé and Ken realized the community of coffee farmers in San Rafael could do better collectively than they could do on their own. Calling themselves the San Rafael Sustainable Coffee Initiative (SRSCI), 13 farmers in the community came together under Ken and Alé's leadership and established a new channel in which to sell their crop directly to the end-user rather than simply selling their cherries into the traditional markets. The idea was simple—each farmer would consign coffee to SRSCI, Alé would mill it, Ken would roast it, either of the two coffee shops would sell the product, and the farmers would split the resulting revenues. But simple as it sounds, the structure represented a radical departure from the traditional coffee supply chain.

The new structure developed by the SRSCI caught the eye of Atlanta-based entrepreneur Michael Jones, who had been searching for ways to help his father-in-law, a coffee farmer in Jamaica, earn more revenue through a higher price for his coffee. Discussions began between Michael, Ken and Alé to implement a similar program in Jamaica. But Michael, ever the entrepreneur, soon realized that the SRSCI model could work on a much bigger scale and could add value to many more farmers than they initially realized. Michael immediately got to work raising capital and putting systems in place to bring coffee from Central America to the United States, and Ken and Alé got to work networking with other farmers in Costa Rica, Guatemala and Honduras who were interested in selling their coffee in this new way.

By late 2011, the San Rafael Sustainable Coffee Initiative had become THRIVE Farmers Coffee. Instead of being restricted to one farming community and two cafés in Costa Rica, by the second year, THRIVE had expanded to over 400 farmers supplying tens of thousands of North American consumers via retail chains, coffeeshouses, churches, and roasters throughout the United States. Despite the increased scale, the structure is relatively the same as the SRSCI. Small farmers join THRIVE as partners and own the inventory until a customer (whether roaster, retailer or consumer) pays for it, and the farmer shares in the majority of the revenue generated from the sale. This supply chain allows the farmer to retain between 5 and 10 times higher profit margins than they would have obtained from selling into traditional markets. To better appreciate the THRIVE model; consider the traditional and the fair trade models:

Enhancing the Farmer's Position in the Supply Chain

The traditional coffee supply chain is comprised of seven principal nodes: the farmer, the mill, the exporter, the importer, the roaster, the retailer and the consumer (see Exhibit 2). This is, of course, only a basic structure and does not capture the potential complexities added by brokers between any two nodes or by varying levels of vertical integration. When small farmers participate in this market, they typically sell their cherries to a local association or cooperative that pays them based on current international commodity market (C-market) prices.

The traditional supply chain for coffee is often criticized as being exploitative of farmers and the environment, and accusations of low prices from market concentration are not uncommon. But even if all the players in the traditional market act ethically, a fundamental problem that prevents coffee farmers from obtaining sustainable revenues remains: most farmers sell unprocessed cherries, which are of inherently low economic value. In 2012, C-market prices had been below \$2 per pound (for processed, unroasted green beans) with some suggestions that it could drop to \$1.25 before mid-2013, a 3.5 year low. Currently the coffee supply is so great that some farmers, especially out of Brazil, are holding stock and waiting for a price increase. This problem is not new. In the early 2000s coffee prices had sunk to \$0.50 per pound (see Exhibits 3 and 4). In contrast to these prices the retail price for a high-quality, roasted specialty coffee can range from \$10-\$20 per pound.

Coffee prices are also very volatile. These low, fluctuating prices have larger implications than low and uncertain revenues: For example, Costa Rican coffee farmers face credit constraints because banks base loans to coffee farmers on the C-market price. Because this price has been low for years, coffee farmers are often denied loans for their farms. In these markets, farmers operate with very small and wildly fluctuating profit margins. This market structure puts farmers at a disadvantage in two primary ways: 1) farmers cannot retain the value-added from successive nodes on the supply chain, and 2) farmers are left exposed to often-drastic information asymmetries since information on consumer preference must pass through a complex supply chain in order to reach them. In short, producers cannot readily react to changes in consumer preference because of the structure of the supply chain and the agronomic realities of coffee production.

The Old Solution: The Fair Trade Model

Since the 1940s, the Fair Trade movement has led to enhancement in the conditions of producers of commodities in the developing world, beginning with producers of handicrafts to now include producers of coffee, cocoa, apparel and numerous other food and non-food items. While a number of different fair trade organizations exist, the basic mechanism of the Fair Trade model is a certification scheme, where a non-profit organization with a third party certifier evaluates the production practices of the group of farmers in a developing area. The certification supports the producers of covered products in three primary ways: 1) by providing a floor price, a minimum price below which the Fair Trade product will not be sold, and a

price premium when the C market price is above this minimum; 2) by linking producers directly with product importers, eliminating some intermediary nodes in the supply chain, and thus creating a competitive advantage for Fair Trade producers; and 3) the price premiums paid for Fair Trade products are reinvested in community development projects in the producer community.

While Fair Trade is well established and continues to find growing support in some quarters, its critics point out some notable flaws, including: 1) while limiting the downside under poor market conditions, relatively long-term contracts often preclude producers from taking advantage of upswings in the market and 2) market asymmetries often allow significant premiums at the retail end of the supply chain for Fair Trade certified coffee, while very little of that retail premium results in increased income at the producer end.

The New Solution: The THRIVE Model

In the THRIVE system, farmers consign coffee cherries, and they pay the variable costs for milling, export and import, and shipping to a roaster if the coffee is sold green. THRIVE Farmers International makes all the capital investments, pays the fixed costs and pays all roasting and marketing expenses. This system allows farmers to own their product until one of THRIVE's customers (be it a roaster, retailer, or consumer) pays for it. As the farmers retain ownership of the coffee until it is sold, they receive the price that the buyer pays less a percentage return for selling the coffee through THRIVE. When product is sold green to a roaster, the farmers retain between 75 and 80% of the final price, and THRIVE receives the remaining 20 to 25% of the price. However, if THRIVE roasts and markets the coffee, the farmers retain 50% of the price while THRIVE receives the remaining 50% of the price. The end result is a model in which farmers act as if they were a vertically integrated operation, selling a high-value product and retaining the corresponding profit margins—5 to 10 times what they would get in traditional markets, all without having to make the capital investments typically required. For example, if THRIVE sells green coffee from Costa Rica at \$4 per pound, the farmers receive \$3 (75%) less the variable costs of getting it to the customer. These variable costs typically total around \$0.70 per pound for wet milling, dry milling, export/import taxes, packaging and shipping, resulting in “farm gate” revenues of \$2.30 in this example. By contrast, farmers that participate in Fair Trade certified cooperatives are expecting farm gate revenues of no more than \$1.20 per pound this year, according to Ken Lander. Comparing this with a baseline cost of production of around \$1.16 per pound, farmers who participate in THRIVE are making a profit of \$1.14 per pound compared with a somewhat shocking \$0.04 per pound in the Fair Trade model.

The traditional and Fair Trade models leave farmers in an extremely fragile situation. Consider the current epidemic in Central America of the fungus *Hemileia vastatrix*, commonly called “roja” or “coffee rust.” This fungus can decimate harvest yields and requires expensive investments of pruning and fungicide application to keep it from spreading. At such slim profit margins in the traditional markets, it is no wonder that many farms are going bankrupt and the Costa Rican, Guatemalan and Honduran

governments have declared a state of national emergency and are allocating emergency funds in the tens of millions of US dollars to assist affected farmers.

The identifiable presence of the farmer much closer to the consumer end of the supply chain also facilitates a relationship between the consumer and producer, a factor that is increasingly desirable to growing segments of contemporary consumers. The consumer-perceived value of this source-specific differentiation may result in additional price premiums in which the farmer can share (see Exhibit 2).

One of the greatest challenges to the THRIVE model is the timing of payments. Because the farmers consign their coffee to THRIVE, they are not paid immediately after harvest. In the typical coffee supply chain, the farmer gets paid by the cooperative, miller, or whoever is the first buyer of the coffee cherries immediately after harvest. In the THRIVE model, farmers typically get paid when the roaster or retailer pays for the product. At minimum, the wait to receive the first payment is four months long, as it takes at least three months after harvest to get coffee to the market, and it takes additional time for THRIVE to complete sales and return payments to farmers. While waiting on receiving payment, the farmer has to bear the cost of getting the product to THRIVE's facility in the U.S., and must make immediate investments in pruning and fertilization for the following year's harvest. Currently, THRIVE is developing mechanisms and partnerships to help producers along the way through operating loans. As suggested earlier, typical commercial loans based on the C market price are hard to obtain and often carry very high interest rates; therefore, THRIVE is exploring alternative markets for these necessary operating loans.

Beyond the payment timing, another challenge to the THRIVE model is convincing farmers and consumers of the differences in the model compared to the traditional model and to fair trade. For the farmers, the difficulty is moving from a mindset of producing a bulk commodity to selling a high-quality, differentiated product. THRIVE has to work with the farmers to assure quality and consistency of product. For the consumers, educating them about the THRIVE difference is a challenge in terms of marketing and branding.

Who is THRIVE Today?

THRIVE Farmers International, LLC is the parent company with subsidiaries in Costa Rica (THRIVEWorx Costa Rica), in Guatemala (THRIVEWorx Guatemala) and in Honduras (THRIVEWorx Honduras). THRIVE denotes that it has a staff between 10 and 50 people. The sales staff is divided by channel: half work with roasters and the other half work with fundraising, retail and direct sales. Fundraising sales are made to non-profit organizations (schools, religious organizations, civic organizations, etc.) to raise money for social causes. The sales team is responsible for identifying and signing up roasters and retailers. Ken Lander, one of the co-founders based in Costa Rica, is charged with identifying and signing up farmers to the THRIVE program.

THRIVE has experienced substantial growth in terms of the coffee that it moves through its marketing channels. Currently, THRIVE sells its entire product in the U.S. In

the first year of operation, 2011, THRIVE moved 20,000 pounds (9,072 kg.) of coffee. That year was more of a “proof of concept” year. In the 2012 crop year, THRIVE moved 350,000 pounds of coffee. In crop year 2013, they expect to move one million pounds (453,592 kg). They anticipate that in crop year 2014 that they will move five million pounds (2,267,962 kg). Farmers are fairly evenly distributed across the three current source countries, Costa Rica, Guatemala and Honduras, and THRIVE is actively recruiting farming partners in other producing nations. In terms of the number of farmers in the THRIVE model, in 2011, they worked with 15 farmers. In 2012, they worked with 400 farmers. This year, they are working with over 1000 farmers, and they predict that they will work with 6000 farmers in 2014 (see Exhibits 5-7).

THRIVE moves coffee through three general channels (these will be broken out into more defined channels later): roasters (Green-Sales Roasters: Green-Affiliate Roaster with Co-Brand, Green-Affiliate Roaster and Green-Roaster Traditional Sales), retail outlets (THRIVE Roasted-Retailer), and other (THRIVE Roasted-Direct: the THRIVE website, fund raisers, etc.). In crop year 2012, the Green-Sales Roasters received 60% of the beans. THRIVE Roasted-Retailer received 25% of the beans and the THRIVE Roasted-Direct received 15% of the beans (see Table 1). Across the three channels, 95% of sales from THRIVE were to customers on the East Coast of the U.S., the geographic region where THRIVE is headquartered. In terms of THRIVE direct web sales, 20% are from subscriptions, the Coffee Club, while the other 80% are one-off sales.

Facing the Market

THRIVE considers this unique relationship with the farmer to be the most compelling part of the company’s value proposition for buyers. Every opportunity to tell the story, to connect the face and name of a farmer to the coffee-drinking experience at the end of the supply chain, adds value to the THRIVE Farmers brand. *However, THRIVE is not always in position to tell the story to the end consumer.*

As THRIVE scaled rapidly, and tried to balance supply and demand, numerous paths developed by which consumers obtain coffee grown by THRIVE’s partner farmers. These include:

- Sale of roasted coffee directly to end consumers via internet, which also includes fundraiser sales (**THRIVE Roasted-Direct**),
- Sale of roasted coffee to grocery stores or other retail outlets (**THRIVE Roasted-Retailer**),
- Sale of green coffee beans to affiliate roasters, who purchase coffee on consignment and market to the end consumer and retail outlets with the THRIVE logo on bags (**Green-Affiliate Roaster with Co-Brand**),
- Sale of green coffee beans to affiliate roasters, who purchase coffee on consignment and markets to the end consumer and retail outlets without the THRIVE logo on bags (**Green-Affiliate Roaster**),

- Sale of green coffee beans to a roaster, who purchases coffee outright without consignment and markets to the end consumer and retail outlets without the THRIVE logo on bags (**Green-Roaster Traditional Sale**).

Each of these channels is unique in that they offer THRIVE more or less ability to tell the story of their brand, as well as offering different margins and volumes (see Table 1).

Table 1. Marketing Channels of THRIVE Farmers

Channel	Relative Control of Story	Relative Margins	Relative Volumes
THRIVE Roasted-Direct	High	High	15%
THRIVE Roasted-Retailer	Medium-High	High	25%
Green-Sales Roasters	Low-Medium	Low	60%

The THRIVE Marketing Channels

Roasted-Direct

The most direct contact that THRIVE makes with customers is through its web site (<http://www.thrivefarmers.com/>). This connection includes direct sales and sales through the fundraising programs. The site provides the full array of THRIVE coffees. All of the coffees are roasted beans and packaged with the farmer’s picture on the package. For each coffee, the site provides details of the farmer, the origin, the variety, the altitude and many other quality descriptors. Through several portals, the site directs readers to learn more about the THRIVE model and to purchase the coffees and related products directly from the THRIVE site. Little on the site provides evidence that THRIVE coffees are available on other sites or retail outlets. The one notable exception is the blog which has stories of roasters and retailers.

The THRIVE site is structured in a way to draw the customer into a full coffee experience. With information on the coffee industry, brewing techniques, fundraising activities, etc. THRIVE uses its website to educate customers and to generate excitement around the products. The site is oriented to create a community of fiercely loyal brand enthusiasts. This community has repeat customers who want, almost exclusively, THRIVE coffees, and they are interested in bringing in others to the community—similar to the communities of Apple and Harley Davidson customers. While THRIVE reiterates its high quality throughout the site, the overarching theme is the THRIVE model, which means connecting the customers with farmers, the company, the

industry, and the recasting of the coffee supply chain. THRIVE argues that customers can “know who grows” their coffee through their model, and this concept pervades the website. The farmer’s stories are integral to the product display on the site. Customers are asked to join a coffee club to receive a regular supply of coffee via THRIVE direct from the farmers. THRIVE uses the usual social media outlets Facebook, Twitter, YouTube, etc., to cultivate a community of coffee enthusiasts.

In this direct interaction with the customer, THRIVE completely controls the message and the brand. Additionally, the margins earned are the highest of the channel options because no intermediaries exist between THRIVE and the customers. Sales volumes, through this channel, are on the lower end of the spectrum at 15%.

THRIVE Roasted-Retailer

The second channel through which THRIVE reaches customers is retail outlets. Currently, THRIVE has a regional grocery store chain in the Southern U.S. and other retailers that sell the coffee. These retailers provide shelf space for the coffee along with other specialty, single-sourced coffees. The product is roasted and packaged by THRIVE. Therefore, the package has the picture and name of the farmer that produced that product. As a result, the customer can make a connection to the coffee farmer. The THRIVE story, in short form, is readily available on the package. THRIVE provides the store point of sale promotional material. The regional chain hosted events where Alé and Ken talked with customers.

THRIVE has medium-high control of the message through this channel because these products are packaged by THRIVE, and THRIVE provides the content for the displays and has opportunities to connect directly with customers. This channel also provides high margins for THRIVE; however, this channel represents lower volumes relative to Green-Sales at 25%.

Green-Sales Roasters

Green-Affiliate Roasters

The majority of THRIVE coffees are sold through a rapidly growing number affiliate roasters, which are located throughout the U.S., mostly in the eastern portion of the country. The Affiliate Roaster Program allows roasters to act as part of THRIVE and aligns the economic incentives between farmer and roaster. Under the Affiliate agreement, THRIVE Farmers consigns coffee to the roaster and the roaster pays for coffee only after it is “sold” to the final consumer (Specialty coffee roasters work hard to insure roasted coffee is in the hands of the end user as soon as possible after roasting to insure freshness; thus THRIVE accounts the green product as “sold” to a roaster once they have roasted the coffee). THRIVE invoices the roasters for the coffee once they report it as roasted, and the Affiliate agreement stipulates the time frame in which the coffee must be used, penalties for returning the product to THRIVE, etc. The affiliate roasters also agree to insure the coffee against loss. This structure aligns the farmers’ incentives to sell coffee together with the roasters’—both parties are equally driven to

see the roaster make sales since revenues can only be shared and delivered back to the farmers once the customer roasts the coffee. In order to support roaster sales, THRIVE offers free digital media (written farmer stories, videos, photos, labels and graphics) and passes through the cost of hard media such as printed posters, signs, PR events, and so forth. The farmers themselves also participate in this effort by joining video calls with customers of the roaster so that the customers can “know who grows” their coffee.

These affiliate roasters are attracted to THRIVE for at least two reasons 1) high quality beans and 2) direct trade coffee. Quality is paramount for these roasters, and THRIVE provides them exceptional quality. Many of the affiliate roasters are also committed to the idea of direct trade coffee. While direct trade takes on many different meanings, the basic concept is roasters have some knowledge of and connection to the producer of the coffee. Even if the supply chain is long the roaster generally knows something about the farmer, and is assured that the farmer played an active role in the negotiation of the price. The THRIVE model meets this interest in an innovative manner.

The key distinction between sales from THRIVE and retailers to the affiliate roasters is that the affiliate roasters transform, through roasting, the green coffee beans that they purchase from THRIVE. Roasting is an art and a science. Roasters have distinctive methods to enhance flavor of the high quality beans. As quality is the key, roasters are careful to distribute only the highest quality in coffee; therefore, roasters are meticulous about roasting techniques and the product that they sell. A bad roast can hurt their sales. Because the retail price of THRIVE coffees can be above other Latin American coffees, roasters are extremely careful to roast the product well. Additionally, the high quality of the THRIVE product makes roasting easy. The quality is readily seen as in the figure provide (see Exhibit 8). The number of defects (underdeveloped, broken, discolored or misshapen beans) is relatively low for THRIVE coffees sample compared to a lower quality product from a large importer. The lower quality and priced products are harder to roast well because of the variation in quality and defects. The extreme care that Rob Tuttle, Vice President of Operational Excellence, provides in terms of quality assurance gives roasters confidence and the capacity to roast a coffee well. Unlike with large importers, roasters can easily communicate issues of quality with THRIVE and the farmers—some of whom are “friends” on Facebook. Probably the greatest aid to the roaster is that the roaster does not pay for the coffee until it roasted. A method of payment that is extremely useful, since cash flow is a primary management challenge for roasters who must buy large quantities at a time to save on shipping costs (coffee is a relatively heavy product—the minimum order size for most green coffee distributors, including THRIVE, is 750 pounds (340.19 kg)).

As these roasters transform the THRIVE product, the packaging and information on the bags of roasted coffee may have little to no information about THRIVE. These affiliate roasters sell product directly to customers as roasted beans or drinkable coffee for roasters/coffeehouse and wholesale to other retailers and coffee shops. If the roaster is also a coffeehouse, some information about THRIVE may be available at the point of sale; however, that information tends to be limited, and variable depending on the roaster, as these roasters are selling a wide variety of coffees from a number of

different providers. If the roaster sells coffee wholesale or via the internet, the roaster may provide little or no information about THRIVE to their customers. As a wholesaler there is little opportunity or incentive to convey the THRIVE story. Two types of affiliate roasters purchase from THRIVE: co-branded and non-co-branded. Generally, affiliate roasters provide low margins for THRIVE, and this channel has medium-low to medium control over the message.

Green-Affiliate Roasters with Co-Branding

Co-branded affiliate roasters sell THRIVE coffee with the THRIVE logo along with their own logo on the package. The co-branding allows the roaster to promote THRIVE coffees. These roasters understand the value proposition of THRIVE, and they try to communicate that message to their customers. As partners with THRIVE, these roasters see themselves as part of the THRIVE community, and they want to bring their customers into this community. For example, some of the roasters/coffeehouses that co-brand have hosted Meet-the-Farmer sessions. These video conferences are available to retailers so that customers can meet a THRIVE Farmer in an online, video forum. The customers develop a community with each other and the farmers.

Because the level of engagement between THRIVE and co-branded affiliate roasters, THRIVE has, on average, medium control over the message. These firms generate low margins for THRIVE but reflect a minority share of the Green Sales volumes of sales.

Green-Affiliate Roasters

Non-co-branded affiliate roasters sell THRIVE coffee without the THRIVE logo. These roasters tend to have very little to no information about THRIVE on any of their products or promotional material. While these roasters are interested in the THRIVE model, they choose not to share this information directly (if at all) with their customers.

THRIVE has little control over the message with these roasters. However, these roasters represent the majority share of Green Sales volume and generate relatively low margins for THRIVE.

Green- Roasters via Traditional Sale

These roasters purchase THRIVE coffee outright, that is, not on consignment. These roasters make no effort to identify the THRIVE product. While they appreciate the high quality product that THRIVE offers and value the sustainable trade mechanism, they are not to be interested in promoting or “selling” the THRIVE model.

THRIVE has little control over the message of these firms about their coffee. These roasters provide THRIVE low margins and account for a small minority share of the Green Sales volume.

Michael and the THRIVE Team

The interview has sparked new ideas for Michael because it gave him perspective and a time to think. Michael knows the all too familiar trap in business and in life of focusing on the next thing and not the present. The activity of getting a business up and running is at times a distraction from the deep thinking necessary to grow a start-up to a well-established firm. But to grow the business, Michael needs to consider who and what THRIVE is now—to its farmers and customers, and to him and his staff. In the span of an hour, Michael had the opportunity to slow down and reflect on the opportunities and threats that THRIVE faces.

Michael wants THRIVE to do more. He sees that THRIVE can do more. He considers the reasons that he got into the coffee business: economic development of farmers in developing countries and a chance to earn a profit. There is a delicate balance between those two. When it comes to telling the farmers' stories, how can he keep "the main thing" as the main thing? His deep ethical convictions are pushing him to reconsider the marketing strategy. Michael knows that it is time to gather Ken and Alé in Costa Rica and his team in Atlanta for a Skype conference. What new direction, in terms of the marketing strategy and channel portfolio, should Michael send the firm, the affiliate roasters, and the THRIVE farmers?

Appendix

Exhibit 1. Biographical Sketches²

Michael Jones, Founder & Chief Executive Officer

After exiting a healthcare services company in January of 2011 that he had started ten years prior, Michael had planned to spend some long-needed time with his family while deciding what his next course in business would be. It was during this time that he was revisiting a conversation with his father-in-law, a long-time Blue Mountain coffee farmer in Jamaica, about the severe disadvantages in the value chain of coffee, that ultimately led to the creation of THRIVE Farmers – an innovative platform to change the world of coffee and align the interests of producers and consumers for the first time.

Michael is the quintessential entrepreneur, having founded and operated several privately held companies. He has managed high growth companies and has been successful in building significant market value for shareholders. Most recently, Michael founded Implantable Provider Group (IPG), a provider of market-based medical implant solutions for payers, manufacturers, providers and patients. In his role as President/COO, Michael was named one of Atlanta's top 25 entrepreneurs by Catalyst Magazine in 2008 (#4). Jones was selected because of his role in founding IPG and turning it into one of the country's fastest-growing businesses. In 2008, Inc. Magazine ranked IPG as the sixth-fastest growing healthcare company in the country (1,500% three year growth rate) and the 138th fastest-growing overall. FORBES Magazine recently ranked IPG at #5 in its list of 100 Most Promising Companies in America.

Michael has been instrumental in raising capital from high profile private equity firms including Sequoia Capital, arguably the most revered venture capital firm in recent history due to its investments in Apple, Atari, Oracle, Cisco, Yahoo, Paypal, Google and others, who invested in IPG in early 2010. Michael's background prior to IPG includes an early career in the financial services industry in corporate finance. He then segued into healthcare in the mid 90's pursuing two other ventures.

Kenneth Lander, Founder, President & Chief Origin Officer

As a retired trial lawyer from Georgia, Ken has extensive experience in advocating client's interests on long-term projects as well as in complicated litigation in both the private and public sectors. After 14 years of the practice of law, Ken decided to move with the entire family to a coffee farm in Costa Rica. With the transition from trial lawyer to coffee farmer, Ken quickly began to understand the injustices that farmers face in the current value chain of coffee.

With the combination Ken's never-failing passion for advocacy and his new found vocation as a coffee farmer, Ken decided to make the case for the coffee farmer and to reveal the truth about your morning cup. THRIVE Farmers is the direct result of Ken and Alejandro starting the San Rafael Sustainable Coffee Initiative in mid-2010. The SRSCI

² All of the biographical sketches are from Thrive Farmers Coffee www.thrivefarmers.com.

became the initial local platform and test case for the farmer in San Rafael. THRIVE Farmers is the natural next leap to take the case of the coffee farmer to the entire world.

As President and Chief Origin Officer of THRIVE Farmers, Ken seeks to find, advocate and project the voice of the farmer and to tell the world that a new day has come in the world of coffee. His passion to stand and advocate on behalf of his fellow coffee farmers has found its place in THRIVE Farmers.

Prior to law and farming, Ken was a marketing director with Feld Entertainment, Inc. working in public relations and marketing for Ringling Brothers and Barnum & Bailey Circus and Walt Disney's World on Ice.

Alejandro Garcia, Founder and Managing Director, THRIVEWorx International

Alejandro is a fifth generation coffee farmer. The name of the family farm is Finca Santa Marta located in San Rafael de Abangares, Costa Rica. The Garcia family had a vision that a farmer could participate at all levels of the supply chain of coffee, which arose from a necessity of survival. The farm had its challenges in the late 90's and early 00's stemming from the inability of the cooperative to find sustainable markets.

Through guiding and educating groups of students around Central America for the University of Washington, Alejandro found new insight into the world of coffee and the true injustices in the system to farmers. Alejandro came to the U.S. where he worked tirelessly for more than two years, saving enough money to return and invest in the farm. Under his leadership, the farm was completely overhauled and the family vertically integrated the processes from seed to cup using modern equipment and sustainable farming practices, and delivering coffee to the end user by opening a coffee shop at the mouth of the Monteverde Cloud Forest. The entire family is involved in the operation with brothers overseeing production and processing including wet-milling, dry-milling and roasting, and his sister in charge of various administration aspects of the operation. Their father, "Don" Alejandro still works the farm every day and participates with his wife and children in the operation of the new vision of coffee at Finca Santa Marta. Café Santa Marta is named after Luis Alejandro's mother, Marta Villalobos who greets every visitor of coffee tours to the farm with a warm smile, a cup of Cafe Santa Marta, and a home cooked empanada or fresh baked bread.

The farm has been recently recognized by the Food and Agricultural Administration of the United Nations for its innovative initiatives in sustainable production of coffee, receiving top prize including \$10,000, in a global competition of more than 300 applicants across five continents. Alejandro's work resulted in the founding of the San Rafael Sustainable Coffee Initiative with Ken in June of 2010. THRIVE Farmers is the realization of Alejandro's desire that the farmer participate at a meaningful level in the world of coffee. Alejandro is representative of a new generation of coffee farmers, and he is the voice of the farmer at THRIVE, through which Alejandro is taking his family's vision and sacrifice and applying it to bring hope to farmers around the world.

Exhibit 2: Contrasting Coffee Supply Chain Models

Figure 1a: Traditional Coffee Supply Chain (simplified)

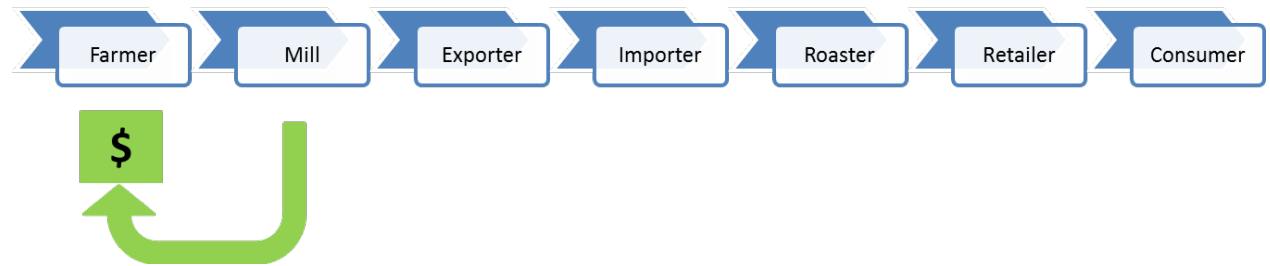


Figure 1b: Fair Trade Coffee Supply Chain (simplified)

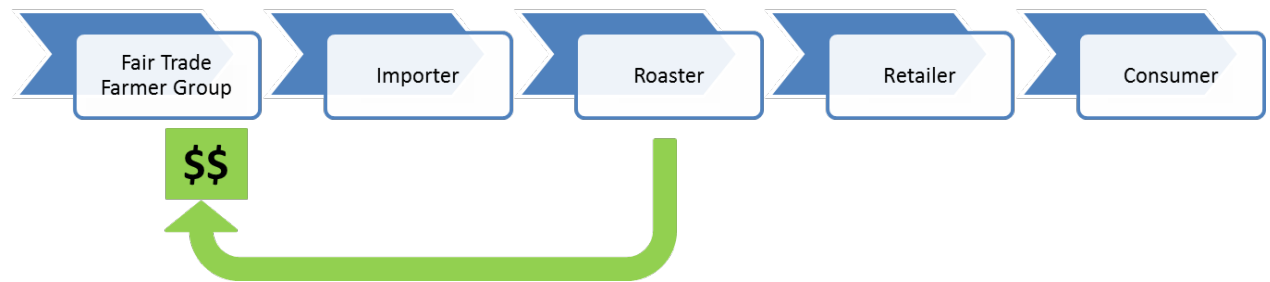
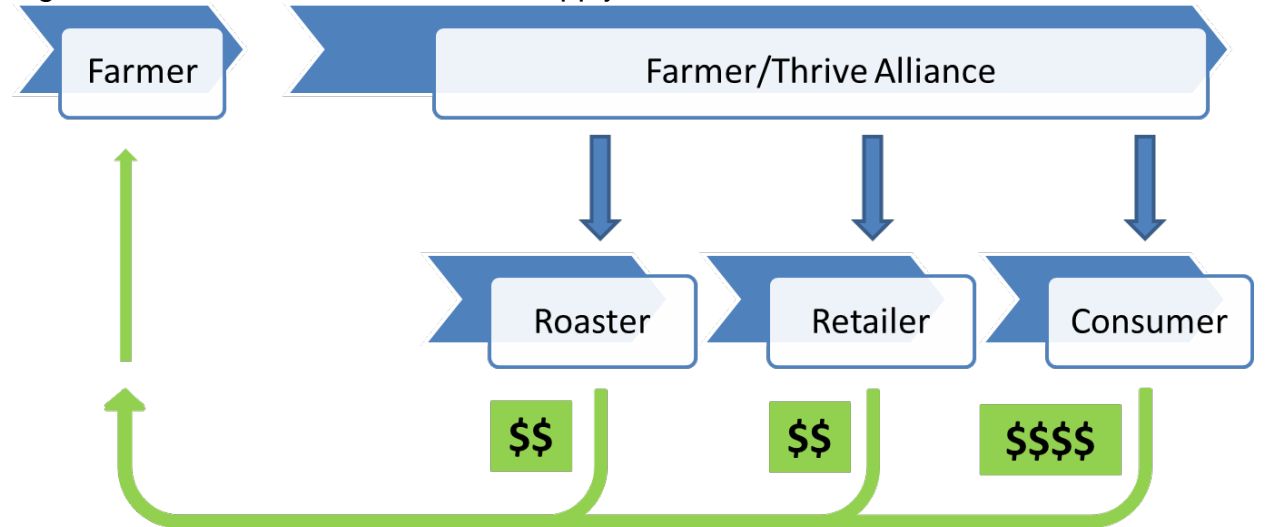
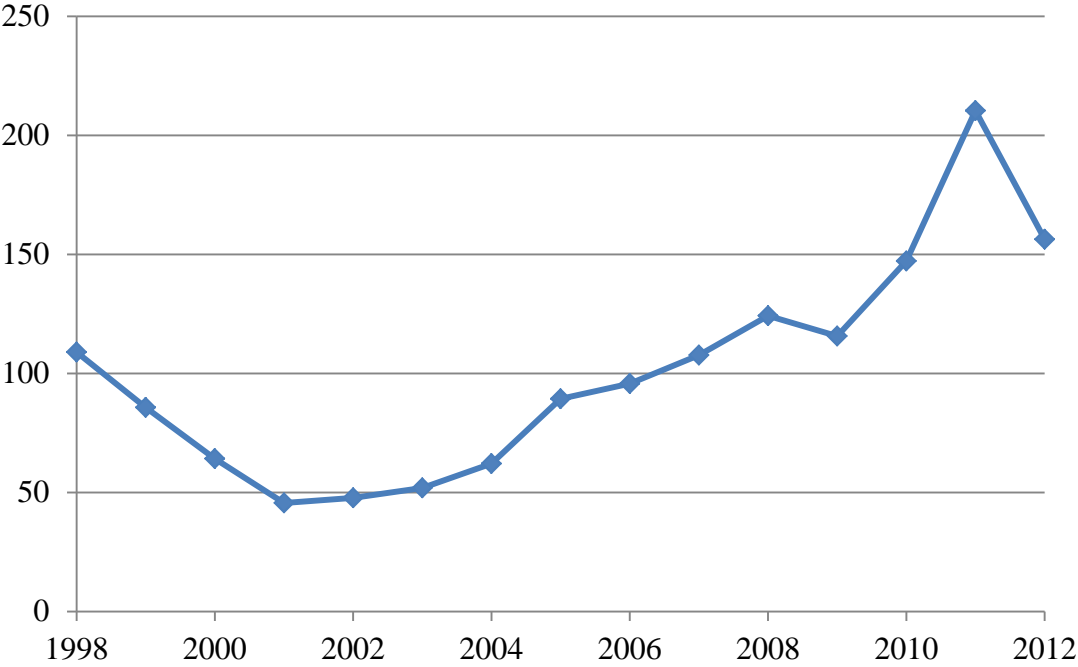


Figure 1a: THRIVE Farmers Coffee Supply Chain



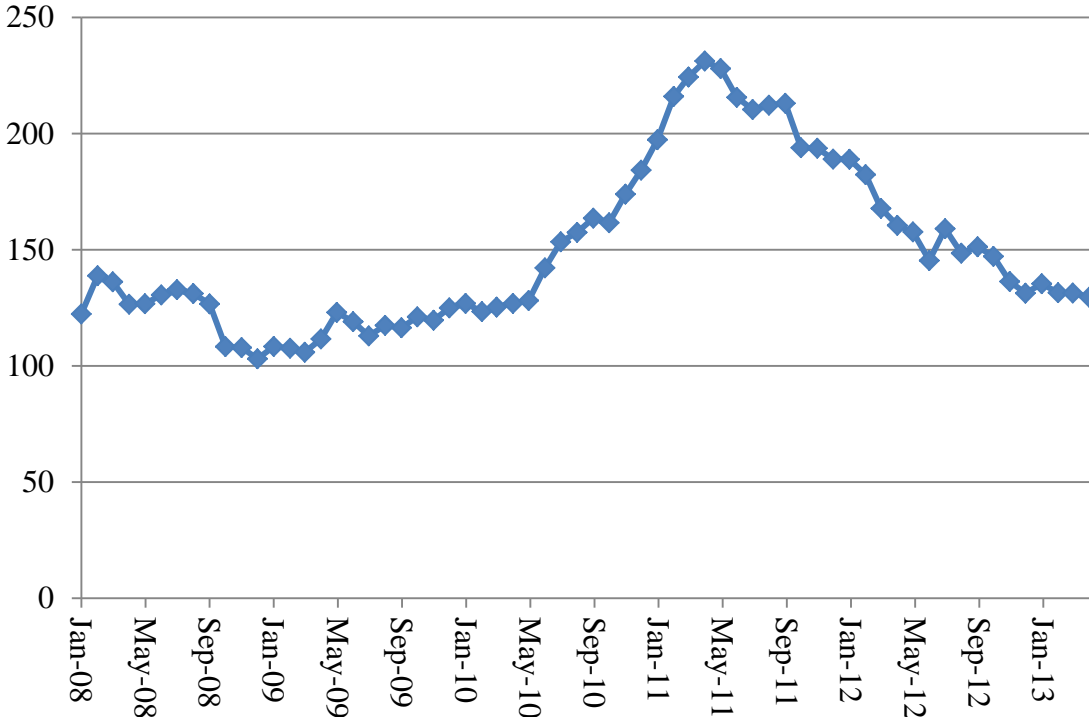
Blue arrows represent flow of coffee. Green arrows represent flow of revenue to farmers.

Exhibit 3. Nominal Annual Composite Price from the International Coffee Organization (ICO) (in cents per pound)



Source: ICO http://www.ico.org/coffee_prices.asp?section=Statistics

Exhibit 4. Nominal Monthly Composite Price from the International Coffee Organization (ICO) (in cents per pound)



Source: ICO http://www.ico.org/coffee_prices.asp?section=Statistics

Exhibit 5. Pounds of Coffee Moved by THRIVE Farmers in Crop Years 2011-2014

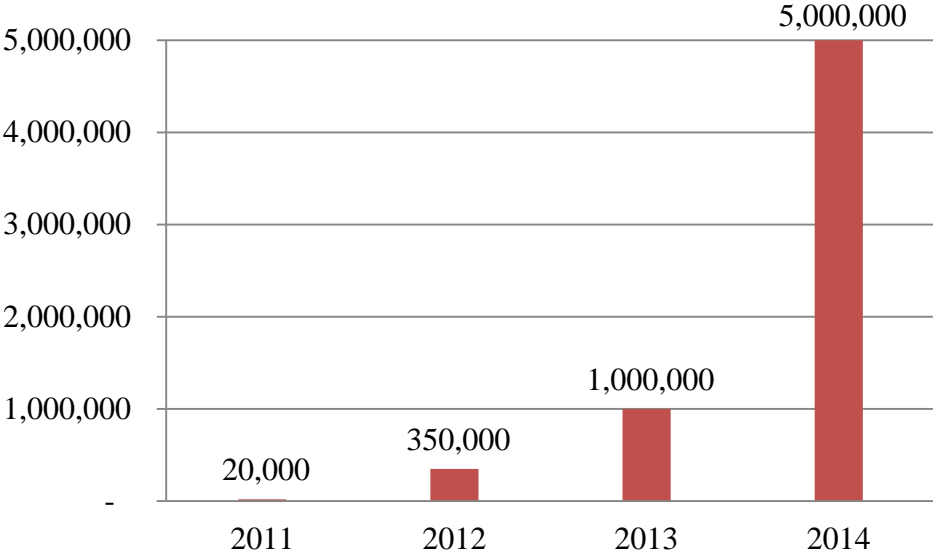


Exhibit 6. Number of Farmers Participating in the THRIVE Network

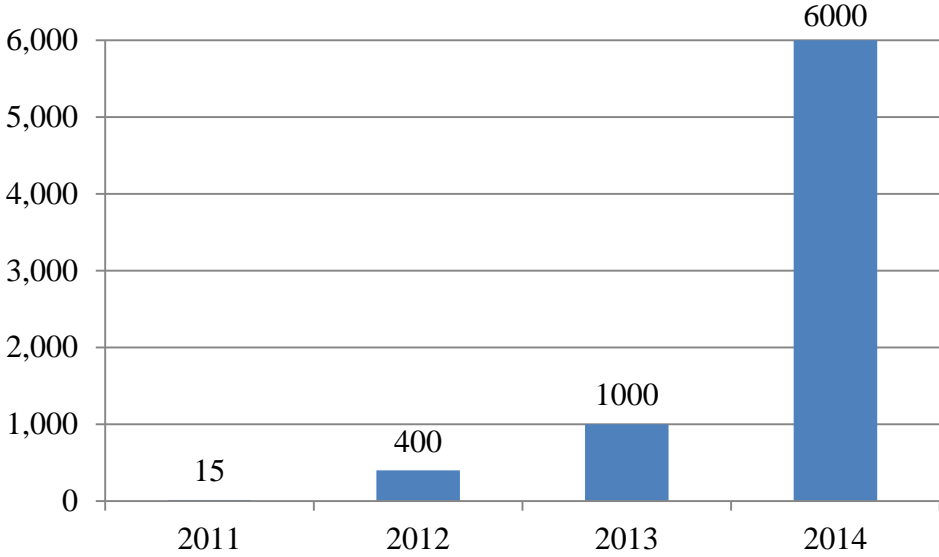


Exhibit 7. Pounds of Coffee per Farmer Moved by THRIVE

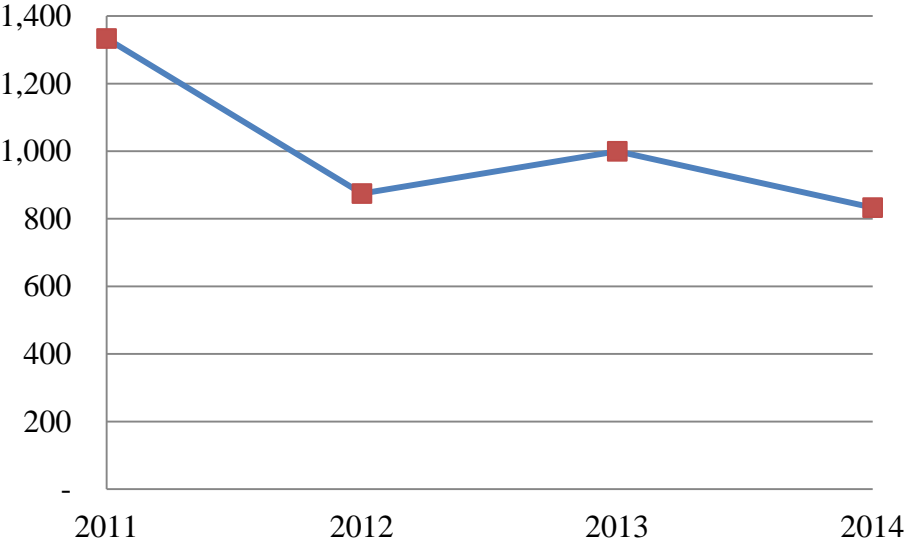


Exhibit 8. Quality Differences



Random samples of coffees drawn from THRIVE and a leading competitor.