

Questions for Critical Thinking

1. Supporters of PayNearMe argue that the technology gives businesses options to service a broad economic range of consumers—not just those who can swipe a credit or debit card. What might critics say about PayNearMe services?
2. With a market of more than 100 million unbanked consumers, how might other businesses implement strategies to reach this potential group of customers?

Sources: Company website, www.paynearme.com, accessed March 11, 2014; Anisha, "PayNearMe: Bringing Convenience to the Financially Underserved," *Nerd Wallet*, accessed March 11, 2014, <http://nerdwallet.com>; Meredith Whitney, "America's Unbanked Masses," *The Wall Street Journal*, accessed March 11, 2014, <http://online.wsj.com>; Andrew Ross, "PayNearMe Attracts Serious Money, Big Partner for Unbanked," *San Francisco Chronicle*, accessed March 11, 2014, www.sfgate.com; Richard Todd, "Rise in Smartphones Puts More Financial Tools in the Hands of the Unbanked," Federal Reserve website, www.minneapolisfed.org, accessed March 11, 2014; "Banking the Unbanked: A How-To," *Forbes*, accessed March 11, 2014, www.forbes.com.

CASE 16.3

New Harvest Coffee Goes Beyond Fair Trade

"Fair Trade has always been part of my legacy in coffee," says Rik Kleinfeldt, president and co-founder of Rhode Island-based New Harvest Coffee Roasters. "That's where I started with New Harvest." But in less than a decade, New Harvest's business model has evolved beyond Fair Trade to something different.

New Harvest is a small-batch coffee roaster specializing in certified organic coffee that is grown and harvested by farms with sustainable practices. Rik Kleinfeldt notes that he built his company on two pillars: 1) the highest quality coffee, and 2) sustainable sourcing practices. "But these two weren't really gelling at first," he admits. At the beginning, Kleinfeldt tried to source from Fair Trade cooperatives, but this wasn't really fulfilling his objective. "Fair Trade is based on the commodity system," Kleinfeldt explains, "which creates a floor price at which coffee can't drop below. But it doesn't really address the issue of quality." The groups that work with Fair Trade are large cooperatives, sometimes encompassing several thousand small farms. All the coffee is blended together as a commodity, so it is impossible for a roaster like New Harvest to deal directly with each farm, selecting the specific harvest that it wants to buy.

Kleinfeldt is quick to point out that when Fair Trade began around a decade ago, it was a lifeline to small farmers because coffee prices were at an all-time low—these growers were selling their crops for less than it cost to produce them. Without Fair Trade, many of these farms would have gone out of business. With the coffee market somewhat stabilized though, commodity pricing brings its own set of problems. "The commodity pricing usually has nothing to do with the coffee itself," says Kleinfeldt. Prices are set at the New York Stock Exchange, not in the growing fields of Costa Rica or Colombia. He notes that roasters, retailers, and consumers may end up paying way too much or way too little for a particular year's crop.

So Kleinfeldt has become part of what he calls the Artisan Coffee movement—growers, roasters, and retailers who prefer to deal directly with each other as individual businesses. "We connect directly with our growers and determine price based on quality," he explains. Kleinfeldt and his staff, along with some of his retailers such as the owner of Blue State Coffee and the owner of Pejamajo Café, travel to the farms in Costa Rica and Colombia where they actually taste the coffee before purchasing a crop. Kleinfeldt believes this is the only way to get the best coffee on the market. These visits help develop strong relationships, find solutions to problems, and develop strategies for surviving and thriving as businesses. Through visiting, he says, "we can understand their challenges." One farm in particular is located in Colombia. The farmer decided he didn't want to participate in a large Fair Trade cooperative—instead, he wanted to develop a market for his own coffee. So he approached New Harvest with the idea, and the match was ideal. He is now one of New Harvest's premier growers.

Sourcing the coffee beans directly from individual farms also helps New Harvest keep close track of organic and sustainability practices. Gerra Harrigan, director of business development for New Harvest Coffee Roasters, notes that this is an important part of the firm's business. The owners of local coffee shops—and their customers—like the reassurance that New Harvest stands behind all of its claims. Harrigan takes the hands-on approach. "When we deal direct-trade coffee, the coffee has to be cared for a little more," she explains. Harrigan grades the coffee on several factors before pricing it for New Harvest.

Kleinfeldt wants consumers to know they are getting a great deal when they ask for New Harvest at their local shop. He points out that the price differentiation isn't as much as people might think. A visit to the supermarket reveals that Starbucks and Green Mountain sell for about

\$9 to \$11 per pound, whereas most New Harvest coffee sells for about \$11 to \$13 a pound. Because of the richness of New Harvest, most customers actually get more cups of coffee from a pound of New Harvest than they do from the other premium brands.

Kleinfeldt hopes that the Artisan Coffee movement, as he refers to his company's practices, will flourish and grow. He believes that if you're going to drink a cup of coffee, it should be really fresh and of the highest quality—with beans preferably roasted by New Harvest.

Questions for Critical Thinking

1. What are the benefits and drawbacks of treating coffee as a commodity in the marketplace? What do you predict will be the future of Fair Trade?

2. Should the entire coffee market be regulated in any way? Why or why not? If so, how?
3. How would New Harvest change as a business if it made an initial public offering (IPO)?
4. What is your opinion of the 'so-called Artisan Coffee movement as a business model? Do you think it will be successful in the long run? Why or why not?

Sources: Company website, www.newharvestcoffee.com, accessed March 29, 2014; "New Harvest Coffee Roasters," *Green People*, accessed March 29, 2014, www.greenpeople.org; Richard Garcia, "Pejamajo Café & New Harvest Coffee Roasters," *Chefs Daily Food Bank*, accessed March 29, 2014, www.chefsdailyfoodbank.com.