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How
We Did It

Sustainability in a Bottle

Justin Guilbert and Douglas Riboud Harmless Harvest

Coconuts typically evoke a tiki hut on a beach, but to Justin Guilbert and Douglas Riboud, the tropical fruit inspired something much wonkier—an ethical supply chain. In 2008, the two Frenchmen found themselves on conventional MBA tracks—Guilbert as a marketing director at L'Oréal and Riboud as a vice president at finance firm Lazard. The former business school buddies had an impulse to start a company that could benefit consumers, its producers, and the planet—they just didn't know what it would sell. Seven years later, their San Francisco-based coconut water brand, Harmless Harvest, has 300 employees, 200 of whom live in rural Thailand, where the coconuts the company uses are ethically harvested, processed, and packaged. Guilbert and Riboud, now Harmless's co-chairmen, spoke to Inc. about its surpassing \$100 million in sales and becoming a top player in the hyper-competitive coconut water wars.



As told to
LIZ WELCH
Photographs by
CEDRIC ARNOLD

UILBERT: I WISH I COULD SAY Douglas and I were walking on a beach when a coconut fell from a tree and that we wanted to bottle how delicious it tasted. Our approach was actually more conceptual and aggressive. We both believe in deep ecology, which looks at the long-term effects of a product on the entire ecosystem versus immediate returns, and the constructive capitalism model, which allows the whole supply chain to benefit. This was our goal. So we said, “Let’s find an industry and then

a product to prove this works.” We narrowed it down to food, because that’s a tangible source with a quantifiable impact.

We were in Brazil looking for native fruits for possible drink products and used coconut water to tone down acidity. It was everywhere, but tasted terrible—nothing like fresh coconut juice. We did research and learned that a lot of the coconut water brands sold in the U.S. are made or co-packed at the

same plant. It's a joke! We searched for organic, Fair Trade, and sustainable alternatives, but they were nowhere to be found.

This was 2008, and coconut water was being marketed as the next-generation Gatorade—it has a similar chemical profile, but it's natural. So in 2010, when we learned that Coca-Cola and Pepsi were purchasing the smaller brands, we knew we could benefit from their marketing efforts as to why coconut water is great. All we had to do was come in and say, "By the way, this is how it's supposed to taste."

RIBOUD: WE HAD TO FIND the best-tasting coconut. I started searching in South America and Africa before settling on a variety in Thailand called the Nam Hom, which means "fragrant ones." They're small, with little water yield, but the taste is exquisite.

The average coconut water is a blend from different types of coconuts. In our case, we wanted to focus on one variety, and go deep in understanding how it is grown within the communities that harvest the crop.

GUILBERT: FARMERS SEE a lot of excited people come through, so it was very hard to develop a trusting relationship. They didn't want to give us a crop—they wanted to test us. Farmers wait until you come back six or seven times before they begin to trust you. It took us a year.

RIBOUD: WORKING CLOSELY with the farmers, I learned that the speed of extraction from harvesting to bottling is key to flavor retention, so we set up our plant in the middle of the farmland. Now we have thousands of acres of organic farms and are certified Fair for Life, which is even more rigorous than Fair Trade.

GUILBERT: THROUGHOUT THIS process, we realized that we had no clue what we were doing. So we reached out to people who had changed the food industry to be our mentors, like Stonyfield co-founder Gary Hirshberg and the global grocery coordinator for Whole Foods. We showed them preliminary prototypes, and they told us, "We'll walk by your side because you're being transparent." We had products that had failed in the beginning, but they let us know that part of the process of changing any



NEXT-GEN RED BULL

Last year, Harmless Harvest debuted its caffeinated coffee coconut water, which sources arabica beans from a Fair Trade cooperative in Peru. Below: A company farmer declusters coconuts before sending them off for processing; a Nam Hom ready to be juiced.



The Highs and Lows of Sustainability



Beverage Mavens

In September, Guilbert and Riboud stepped back, hiring former Coca-Cola executive Giannella Alvarez to be the company's CEO and Brad Paris, from POM Wonderful, for the COO position.



Cash for Coconuts

The company subsequently raised \$50 million, which will fund a new production plant in Thailand, along with expansion into new product categories.



Bottle Rehab

In December, Harmless suspended its bottling operations after the FDA complained about the safety of its methods in Thailand. The company has since developed a new filtration process.

type of industry is that you're going to have to fail a few times.

We started researching extracting and bottling methods and learned about heat processing, which everyone was doing then. But heat burns off the compounds that give coconut water its complex vanilla and almond flavor. After lots of trial and error, we settled on HPP—high-pressure processing, which uses pressure instead of heat. It has been used in preserving deli meats, but there was almost no application for beverages, so we worked with universities and scientists to develop a proprietary HPP technology for coconut water.

RIBOUD: WE KNEW WE WERE on to something big the day a bottle came out of one of our pilot HPP plants and we couldn't tell the difference between it and fresh coconut juice. We threw it into a cooler and brought it to Errol Schweizer, then the global buyer at Whole Foods. He drank it, and Harmless Harvest was on the shelves at Whole Foods a couple of months later.

GUILBERT: WE REALLY FOCUSED on one retail partner, Whole Foods. A lot of entrepreneurs hedge their bets and work with a lot of sources. We worked with literally one farm, one plant, and one retailer. That meant if something went wrong, everything went wrong, but the deal was to stay super focused, and Whole Foods as a footprint was humongous for us. Once we knew that we had something intrinsically exceptional, we didn't wait for the market to validate it, because then you're allowing yourself to be exposed to competitive forces that can crush you even if you have a better product. So we decided to stock up. We had a million units in a warehouse before we sold a single bottle. The idea was to suddenly appear out of nowhere. As a result, we were a best-selling item at Whole Foods within one year.

RIBOUD: THE MARKET DEMAND is fast, but farming is slow. It takes three years to grow a coconut to harvest. Our model has been to be a decelerator, meaning we absorb the speed and volatility of growth in our business model, rather than put that pressure on our farmers. We view our role as a bridge between the speed of business and nature. **1**