

ENTERPRISE | By Gwendolyn Bounds

## Green Beans Comes Marching Home

Mobile Coffee Supplier  
To U.S. Troops Opening  
Retail Cafes Stateside

**A**S CHIEF OF 55 COFFEE CAFES located on U.S. military bases overseas, Jason Araghi has faced his share of obstacles, from learning to brew Espresso Chai Lattes with sketchy water and electrical supplies, to outmaneuvering Iraqi insurgents who use his mobile shops for target practice.

But one of the greatest tests yet for Mr. Araghi comes today when he opens his newest cafe—in sunny California U.S.A. It will be the first leg of a domestic push for Green Beans Coffee Co., a name familiar to thousands of U.S. soldiers stationed in countries including Iraq, Afghanistan and Kuwait—but unknown to most stateside consumers. Unlike its overseas ventures, the U.S. Green Beans cafes won't have the luxury of banking on a captive audience of servicemen and women. Instead the company seeks to wrest a piece of the \$34.5 billion U.S. coffee market from bigger well-known players such as Starbucks Corp., Dunkin' Brands Inc.'s Dunkin' Donuts chain and Peet's Coffee & Tea Inc.

As such, the Green Beans domestic launch presents a curious marketing hurdle: how much to highlight Green Beans heritage as a "military" coffee shop at a time when the war is increasingly unpopular among many consumers here at home.

"We don't want to be a company associated with just the military," says Mr. Araghi. Yet, he notes: "The military is our heritage. That's where we got our legs."

His predicament highlights a broader challenge many entrepreneurs face: how to grow a business beyond its original concept, without losing sight of what made money in the first place. The answer for Green Beans? Acknowledge their heritage—just not too much.

In some ways, the military connection makes tiny Green Beans, based in Larkspur, Calif., stand out. There are some 13,000 coffee cafes across the U.S., according to MarketResearch.com, and Green Beans' \$15 million in revenue last year is dwarfed by Starbucks' \$7.79 billion for fiscal 2006. To that end, Green Beans will be opening most U.S. stores near or on military bases—close to its established core—offering soldiers 10% discounts and giving veterans of the most recent Iraq or Afghanistan wars the opportunity to buy and operate U.S. Green Beans franchises with a 10% discount on franchising fees.

What's more, most civilians, even those opposed to the war, typically warm to "supporting the troops," and Green Beans will allow customers to buy gift cards for soldiers. Stores also will have literature touting that Green Beans gives back a percentage of gross sales (up to 2%) to charities that support families of troops. That message will also be printed on cups.

Still, the company also wants its java in the hands of average Joes not neces-



Inside a Green Beans cafe at Camp Falcon in Iraq.

sarily attracted by the red-white-and-blue connection. So Green Beans is working to present itself more as a global, organically friendly chain. It recently changed its brand to Green Beans Coffee World-Cafe, and logos now boast an eagle like the one found on covers of U.S. passports as well as stamp-like images with names of other countries. The company is also highlighting the "Green" part of its name

"You can make your own in your room or work location, but it is not good."

It's that loyalty Mr. Araghi of Green Beans hopes to capitalize on back in the U.S. When he and his brother, Jon Araghi, opened their first cafe in 1996 near a military base in Saudi Arabia, there wasn't a big war involving American troops. The original concept was simply to provide a hip coffee place for the expatriate community; Green Beans roasting facilities are in San Francisco, and all product is shipped from there. Word spread about the cafe, which catered to Western palates, and Army officials soon asked the brothers to open a cafe on a nearby base. More cafes on other U.S. bases followed.

But it was after the Sept. 11, 2001, attacks and subsequent military actions, that Green Beans unexpectedly got its biggest business boost; today the company serves some 15,000 customers daily in Iraq and Kuwait alone working via the U.S. military-exchange service.

To be sure, being at war has presented operational difficulties: In Iraq, insurgents often fire at the cafes in transport to bases; and inventory control is tricky because of sudden troop movements, which can instantly deplete the customer base. Still, "because of the war, we got a large amount of exposure that we wouldn't have" otherwise, says Jason Araghi, the company's 42-year-old president. Now, he says, timing is right for expansion in the U.S. because of Green Beans' brand recognition.

The company is opening its first two U.S. stores near Travis Air Force base in California. It plans to expand through franchising into Texas, the Carolinas, Washington, D.C., and Colorado Springs this year—both on military bases and off. It will soon begin selling its coffees, teas and gift cards online at [www.greenbeanscoffee.com](http://www.greenbeanscoffee.com).

"Every soldier in a [recent] war has gone through our shops," Mr. Araghi says, noting that the changing political climate might lead to troop withdrawals. "We want to be there when they come home [or] they will drink somewhere else."

### In Summary

**The Situation:** A small business with a captive audience now is seeking to broaden its consumer base in the U.S.

**The Background:** Green Beans Coffee operates coffee cafes on U.S. military bases overseas, including in Iraq and Afghanistan.

**What's Next:** The owners try to use their military connection stateside, while appealing to mainstream patrons.

by using recycled materials for paint, wall and floor coverings as well as all organic coffee beans and tea leaves.

The good news for Green Beans is that gourmet coffee shops are one of the bright spots of the U.S. restaurant industry, says Harry Balzer, a vice president of market-research firm NPD Group Inc. based in Port Washington, N.Y. "There is lots of room in that area," says Mr. Balzer. "The question won't be getting people to try them. It will be, once I've tried it, what will drive me to them every day?"

It won't be low prices. A Green Beans Cafe Latte with a double shot of espresso runs about \$3.25 while a Mocha Frappe with four shots tallies about \$5. "The cost of the products they sell are acceptable but can put a pretty good dent in a military member's wallet if they drink it a lot," writes Scott Whitley who is stationed in Camp Bucca, Iraq. Still, Mr. Whitley says he tries to go to Green Beans every day, and is a "big fan" of the Vanilla Chai Latte. "The locations to get a good cup of coffee are very limited," he writes.