



Kelly Scanlon: Joining us on this episode of Banking on Kansas City is Luke Einsel, the founder and president of Thirsty Coconut, a beverage distribution company that's located in the old Richards-Gebauer Airport. Welcome to the show today, Luke.

Luke Einsel: Hi Kelly.

Kelly Scanlon: It's great having you on here. It's so wonderful to talk to entrepreneurs like you who are really building Kansas City. Let's dive right into what Thirsty Coconut is. I said that you're in the beverage distribution business, but I actually think that you have expanded beyond that. Tell us about what you do.

Luke Einsel: We focus mainly on institutional food service distribution. We do a lot of work with schools, hospitals, nursing homes; places that look for B2B partners that are really consistent and have good products.

Kelly Scanlon: When you say you partner with them, what does that mean? What do you bring them?

Luke Einsel: We bring them free equipment because-

Kelly Scanlon: To dispense your product?

Luke Einsel: Yeah, to dispense stuff in high volume. We have to figure out how do you feed a thousand kids in an hour? That's a really hard issue to solve. If we can provide a system to do that, we can provide the training, we can provide the support when things go wrong because things always go wrong.

Kelly Scanlon: Oh yes.

Luke Einsel: That's what keeps us in business. Not only that, but then we have to consistently keep the supply line running 365 days a year when they're in operation. They want reliable partners.

Kelly Scanlon: What I heard you talking about was machines and training, so you provide the system. Do you provide the juice as well or...?

Luke Einsel: Everything.

Kelly Scanlon: Everything, okay.

Luke Einsel: It's a one-stop shop. We built this vertical of where we provide everything that they need, that they could possibly want in that system and try to make it this really seamless, pleasant experience.

Kelly Scanlon: Okay, so one-stop shop, they can get everything from you. I have to ask you about the name-

Luke Einsel: Oh, well, yeah.

Kelly Scanlon: You must get this a lot.

Luke Einsel: I did.

Kelly Scanlon: Yeah. You did? Thirsty Coconut, I get the Thirsty part, but where does Coconut come in?

Luke Einsel: Here's the fun part is when we went to pick a name, we just didn't think it was ever going to get to this scale. You just don't know where things are going to go, so we picked a happy, fun name that you would laugh. And when we started it was a completely different concept. Along the way people get to know your name, it's very memorable, and when you try to change your name-

Kelly Scanlon: Rebranding is a pain, yeah.

Luke Einsel: But your customers also revolt because they're like, "Hey, you got this awesome name, why would you want to change it to some boring, corporate... ?

Kelly Scanlon: Yeah. You got your raving fan base and it's kind of quirky, a little bit quirky.

Luke Einsel: Yeah, it sounds more tiki. And that was the thing is when we started as a rental company, it was a perfect moniker, perfect description. And then we started to get into this other area and the name less applicable, but we've kept it because, like you said, rebranding is a whole nother outcast.

Kelly Scanlon: Yeah, yeah. Well, and that's true. And maybe we should do that with you because I know there are companies that struggle through that. Now, the Thirsty Coconut though, it's just such a fun name and once people get ahold of it, like you say, "You've got your raving fan base and so why change that?"

Kelly Scanlon: Let's go back to your origin story. You've already alluded to the fact that you're doing something different than what you started for, but what was your inspiration for starting this company? I've heard it before and it really is quite inspiring. What prompted you to dive into this?

Luke Einsel: Well, the recession happened, right, as a lot of us were starting to get into the marketplace or the prime of our career, and I saw my second youngest brother try to get into the marketplace: two degrees, 4.0 student, no one would hire him. It was the most frustrating thing I've ever seen. And the more I thought about it, I said, "I can do better than this." And I really wanted to be able to employ a lot of friends and family that I saw struggle through the recession and just not have any hope or opportunity. I mean, it was bad.

Kelly Scanlon: Yeah, it was.

Luke Einsel: I mean, the world's coming to an end and I just said, "Man, what a perfect time to start a business."

Kelly Scanlon: Let me make sure I have this straight. Was your desire to make people employable or to give them jobs? Or did you think that you were really into the beverage distribution idea or could you have just started any business?

Luke Einsel: I think I could've started anything, but I also had worked for a Red Lobster, Olive Garden and I saw a lot of the issues that some of the big boys really missed the mark on. Their customer service was atrocious and I worked with it firsthand, and I really just thought, "Man, this is an easy fix." Right? I don't know why they just didn't hit the mark, but it was an opportunity and I thought, "Wow, here's an opportunity to improve something." I've got friends and family that don't know how to make money right now and can't find companies to hire them.

Kelly Scanlon: So, let's marry the two.

Luke Einsel: Yeah, let's just marry two. Let's marry two big problems and try and solve them.

Kelly Scanlon: Yeah, so Thirsty Coconut was born, and you talked about your friends and family who were out of jobs during the Great Recession and it was your desire to help them find employment that prompted you to start a company. But at one point in your life, things weren't going so great either. I mean, you were homeless for a bit.

Luke Einsel: I was.

Kelly Scanlon: Tell us about that and what you learned during that period has helped you with the challenges that you've faced as an entrepreneur.

Luke Einsel: It's a really easy to fall through the cracks in society right now. There isn't a big safety net and once you fall through, it's really hard to get back on the horse.

There's a lot of things like, how do you get an apartment, how do you get a car, how do you get a job when you need all of these other things that you don't have access to? And I saw a lot of the darker side of life of where there's a lot of people that struggle and maybe one thing went wrong for them, maybe they have a medical procedure that bankrupted them, maybe they just fell through the cracks; and I realized how lucky I was. Great family, great upbringing, I've got an education. I'm living the American dream and I just didn't realize it, and it made me want to help more people find hope and find opportunity.

Kelly Scanlon: Yeah. Let's go back again. I'm going to make you go back to when you were in the one-car garage. Tell us more about the operations. You've referenced a few times that you're not today, you're not exactly the same business as you were. How did you start out and then we can talk about the transition?

Luke Einsel: Yeah. I was driving, I was doing every single role. I was driving a van that was probably worth less than \$1000 across multiple states delivering product. The product was worth probably 15 times worth-

Kelly Scanlon: What the van was? Yeah, you're crossing your fingers, it didn't break down in a bad place or something.

Luke Einsel: Oh yeah. It didn't have AC at one point, and that was fun driving through central Oklahoma-

Kelly Scanlon: Oh, I bet.

Luke Einsel: ... with no AC, but it really conditioned me to understand every little detail of that one-man operation. And so that when we grew, I knew how to really put people in the best chance to succeed because I've worked every single role, and I've been able to expand on that because I knew the business intimately.

Kelly Scanlon: Yeah. How has the business changed? What did you start out doing versus what you're doing now?

Luke Einsel: We transitioned into... We found this lucky break, right? And we survived long enough to find a lucky break, and that was school nutrition. And on the school nutrition piece, there was this huge shift when Michelle Obama came out with Healthy, Hungry Kids, it shifted the landscape. And sometimes when you're a small person at the right place, at the right time and you know what good opportunity looks like, you jump head first into it. And I was able to run with it because there weren't a lot of options and we worked tirelessly to build a good reputation to follow through with what we said we were going to do, and we were able to grow that into a pretty much bigger idea than what we started with.

Kelly Scanlon: Once you got the schools, you had a customer that was plentiful. Basically, their schools all across the country and they basically had a reason to buy what you were trying to sell because of Michelle Obama's initiative.

Luke Einsel: Yep. This healthy beverage concept, right? Because what did we have in there before? Coke, Pepsi. Our consumers got savvy. And actually in my first failure in Oak Park Mall, we had this little retail kiosk at one point, a lot of the feedback I got from Johnson County moms was, "I'm not going to let my kid have that. That isn't healthy." You take like those early failures and you look down the road and you're like, "Hey, maybe we should try to get ahead of the curve." And when you successfully do that, then you just hold on.

Kelly Scanlon: Mm-hmm (affirmative). Yeah, so you get your big break and then something else happens. You've referred to it sometimes as a gut check of integrity. I just love that. And you were honest and you did the right thing, and you turned what could have been a terrible situation into a wonderful opportunity. You have to tell us about it.

Luke Einsel: You can do your due diligence as much as you can, but sometimes you end up on the wrong side, and we bought stolen equipment off of Craigslist.

Kelly Scanlon: Oh my goodness.

Luke Einsel: Yeah. We tried to check around, make sure it was legit. I didn't even test the equipment. It looked brand new, and that probably should have set off some warning bells, but I eventually found the phone number to the rightful owner, which was put on the site.

Kelly Scanlon: Well, okay, so let me interrupt you here. What made you suspicious that it was stolen to even look for an original owner? What tipped you off?

Luke Einsel: Honestly, I didn't think it was stolen at that point. I just wanted more of it. I thought, "Wow, what a great deal." Right? Like, "Where can I get more of this?"

Kelly Scanlon: Okay, so you go back to the original owner...

Luke Einsel: Yeah, and I call the original owner and they're like, "Hey, I don't think you know this, but we're in litigation with this party and they never should have sold you this equipment because they're claiming it doesn't work." And I said, "Wow." I've been there, right? Everyone's had something stolen from them, and it's a terrible feeling.

Luke Einsel: And here was an opportunity to help somebody make that situation right and actually live by your principles, and so I did everything I could to help them. It ended that litigation that week. It had been going on for eight months. They got made whole. And as a part of it, I created a friend and that friend said, "You really should get into school nutrition. This is a really good market. You already

have the equipment to do it now, that you've paid for, and we're going to let you keep because you helped us get whole as well." And I still have a relationship with that person after five years, so it does pay to do the right thing.

Kelly Scanlon: Oh, no question, it definitely does. You have a situation where you go into the schools, and you had the situation where you had unemployed friends and family, and so you're going to create a job for them. And then you, yourself, had been homeless at one point and you drew on that period in your life to get you through the startup stage and various other challenges. All these things are impacting the beginning days of Thirsty Coconut, but then the next thing that comes along, the birth of your daughter. And some people might say, "Well how does the birth of a child impact a business?" But I guess a better question is, how did it impact your approach to the business when your daughter was born?

Luke Einsel: When my daughter was born, I thought that I had a great work ethic before that. But when something so small and fragile depends on you to put food on the table and your wife looks at you and says, "Is this going to work now?" I mean, you dig deep and really find a whole nother level to make to make sure it's going to be a success, and there was nothing that was going to stop us at that point. Yeah, there was like a switch that flipped at that point.

Kelly Scanlon: Yeah. And did it just make you work harder? Did it make you think of things that previously you thought were impossible possible, or I'm going to make them possible?

Luke Einsel: I think a little bit of everything. You just draw deep for every source of inspiration. My mind was always working. I'm listening to every podcast, everything I can get ahold of. If there's a person that I remotely think can help me, I'm calling them. There's probably a lot of people in Kansas City that I reached out to and just, I had no idea what to ask for. I'd just like, "Hey, I want to get here. How can I do it?"

Kelly Scanlon: You are expanding so much. You have come so far since 2012 when you first introduced Thirsty Coconut to the marketplace. Let's talk, there's three real big areas from a space standpoint. My goodness, you're one-car garage to, I believe, unless you've changed on me again, 18,000 square feet out at the old Richards-Gebauer plus a 6,500 square foot space in Phoenix.

Luke Einsel: We've grown, yeah.

Kelly Scanlon: You have, so what do you do with all that space? What are you using it for?

Luke Einsel: We move a lot of product. You have to get really efficient when you start to get at scale. And if you don't have a way for a full semi-load to pull up to your dock and unload it in 30 minutes, you're burning money. You've got to get really efficient. And we doubled our space in Kansas City since that 18,000 square feet.

We've already moved into a new building in Phoenix. We've added a hub in Tulsa and we're looking to add our fourth and fifth hubs.

- Kelly Scanlon: Yeah. You said something interesting there. I always hear about, you have to measure everything, and you obviously have moved into a more sophisticated phase of your business when you know already that you have to have those big semis unloaded in 30 minutes. You measure that. And just for others who are out there listening, other entrepreneurs who are out there listening, you have to know what those points are, and so how did you come upon the ones you need to measure?
- Luke Einsel: Oh, by suffering.
- Kelly Scanlon: Oh, and I think that's probably true with most entrepreneurs, to be honest.
- Luke Einsel: Yeah. When we were out of the one-car garage and then into the two-car garage phase, we had to go directly to the loading docks for like Saia and the big freight movers, and we would have to drive all the way like 45 minutes, hand load into our van, drive back and hand load into the garage. It was like a half a day ordeal.
- Kelly Scanlon: Wow. Yeah, it would be.
- Luke Einsel: Stuff that would take us 15 minutes now. We weren't set up to be efficient. And every step that we made in growth, we tried to get more efficient at what we did, take less time and use our resources better.
- Kelly Scanlon: You have acquired more space. You've also done a huge deal with the 7-11's in Mexico that just brought lots and lots and lots of equipment into your business. Talk to us about that transaction.
- Luke Einsel: There was a point that we were buying a lot of new equipment and we had a better way of refurbishing equipment that had been used, just to stretch our resources further. I don't come from a wealthy family. I definitely don't have a trust fund, so a lot of it's been either growth that can be supported by cashflow or loans here or there. And we saw an opportunity to buy 3,200 convenience stores worth of beverage equipment that were sitting there. And it was a dream of mine. Years before, I said if I ever get an opportunity like this, I'm going to move heaven and earth to make it happen. And it took probably about six or seven months, seven months, to not only secure the financing, right? We bid on this with no money. That's insane. I can say it now because the deal is complete, but we bid on it with no money and pieced it together with local people and eventually got an SBA loan to cover the whole transaction. But yeah, it was 36 semi-loads of beverage equipment.

Kelly Scanlon: That's crazy. Out of Mexico from 7-11's. This desire to create jobs, this desire to give others a leg up, do you know where that comes from or where that's going to go?

Luke Einsel: I've got big dreams about where it could go.

Kelly Scanlon: Well, you going to share them with us?

Luke Einsel: I want to help as many people as I can, and it really feels good. And I think that one of the things that... We've got a shift right now and there's quite a few people that don't know how to engage in the workforce and it's forced us to say, it's a very competitive labor market right now. We've had to-

Kelly Scanlon: Oh yeah, low unemployment.

Luke Einsel: Yeah, very low and we have some of the lowest unemployment in the country. And when you can't fill jobs, when we put job ads out and no one responds, we've got to go a little bit extra. We've developed our own training programs. We have really shook hard the tree to find as many applicants as we can. And what we found is that when you give people opportunity that haven't had it before, they're loyal. They stick around.

Kelly Scanlon: Oh, no question, yeah.

Luke Einsel: They really value their work quality. They put out tremendous work. And so not only do you like help somebody that maybe just needed a little bit of a break, you're getting some of the better side of work. It's not this high turnover, so it's really rewarding.

Kelly Scanlon: You also talk about another vision that you have. You've referred to that as a dream, so a dream, a vision where no food is wasted for. Talk about that.

Luke Einsel: Oh yeah. We waste about half of our food through our food system and some of it is due to inefficiency. Sometimes crops don't get picked out of fields in a timely manner, sometimes you're not able to get that food fast enough to the grocery store or maybe it's imperfect. Maybe it doesn't fit the specifications that a grocery store wants to sell, and why can't we take that food, much like we don't waste people, why don't we not waste that food either and use it as a base product? That's a dream at some point is, let's create a new product that is not only good for you, but we save food waste and we do it with some of the people that are the more undesirable workforce in the country.

Kelly Scanlon: Yeah, see how you have a triple whammy there, a triple win. Yeah. No, that's a great goal to have, and it sounds like you're on your way to accomplishing at least part of that right now. How's your recent acquisition and the ones that you're contemplating for the future going to help with that?

Luke Einsel: We got to get to scale, right? Food is a scale game. You have to have a lot of customers make that manufacturing or make the distribution process really efficient. And if you can't do it at scale, it gets really pricey. And when it gets pricey, it means that your target demographic can't afford it. Let's get it to a point of where everybody can afford \$1.50 smoothie, where you're not going to pay five or six bucks. I mean you really kind of exclude the portion of the population you want to target.

Kelly Scanlon: As we wrap up here, Luke, what would you say to entrepreneurs who they're getting started or maybe they're established, but they're going into a phase of growth so it feels like start up again? What would you say to them about perseverance?

Luke Einsel: It's much like a marathon. You're not going to win a marathon, right, right in the first hour. You really have to prepare yourself to run that race well, and I would tell you a lot of it begins in your personal life. You've got to prepare yourself for some of the sacrifices you're going to have to make. I would tell you to live way below your means. Because if you have to choose between your personal life and instant gratification or the business, as a business owner, you're always going to pick your business. It is your baby.

Luke Einsel: As my wife likes to joke, I've got two marriages, one to the business and one to her; and the business is the most important sometimes. But eventually, I'll be able to shift that burden, but for some of us that this is everything, you have to go all in on it and that means that you've got to be able to make those sacrifices and make it work. And you don't win the race by being the fastest, sometimes you win it by being the one that you don't slow down. You have the most endurance. And I think that that's what I grew up with in the Midwest is that that endurance, that depression-era mentality of not wasting resources, being frugal, pushing efficiency to the maximum.

Kelly Scanlon: Yeah. You've been a wonderful source of inspiration, of wisdom, solid business advice today. Thank you for taking the time to stopping by and talking with us. I really appreciate you being on this episode of Banking On Kansas City.

Luke Einsel: Thank you, Kelly.

Mary O'Connor: This is Mary O'Connor, executive vice president of Country Club Bank. Luke really speaks to the power of perseverance and the power of ingenuity. Life can be rough for all of us sometimes, and some might have more struggles with the darker side of it than others. But, as he demonstrated in his journey from struggling at one point with homelessness to running an expanding, thriving business, it takes perseverance and a willingness to help others find hope and opportunity to make our world better for each of us. "I can do better than this," he told Kelly. "I can do better than this."

Mary O'Connor: His experience in working for larger national corporations gave him an inside view of what works and what doesn't. When it comes to treating clients and partners well, he knew he could improve the standard and he did. Luke and the Thirsty Coconut team strive to bring their business clients a seamless, pleasant experience, acting a one-stop shop for beverage and product distribution.

Mary O'Connor: At Country Club Bank, we too know a little bit about offering a one-stop elevated experience for all of your financial needs. Success is about perseverance. It's about ingenuity. It's about knowing you can do better. We're here to help you in that pursuit. Thanks for joining us for this week's episode. We're banking on you, Kansas City. Country Club Bank, member FDIC.