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Bitter Coffee and Watered-Down Bourbon: Lessons for Libraries from Chase and Sanborn Coffee and Maker's Mark

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Bitter Coffee and Watered-Down Bourbon: Lessons for Libraries from Chase and Sanborn Coffee and Maker's Mark

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Abstract

The story of Chase and Sanborn Coffee provides a great morality tale for all organizations, including libraries, about how small changes may lead to larger problems down the road. Chase and Sanborn ranked with Maxwell House as one of the leading coffee brands in the early twentieth century. They were known not only for their fresh sealed coffee, but also for the Chase and Sanborn Hour variety show that featured many stars, including Don Ameche, Nelson Eddy, and Edgar Bergen with his wooden dummy Charlie McCarthy. In the years after World War II, there was a belief at the company that they could make small changes to the process to reduce costs, without changing the quality that much. A similar decision was made earlier this year by Maker's Mark to reduce their alcohol for their Kentucky Bourbon as a cost-reduction plan to help boost profits.

Using these two examples from the business world, the presentation will explore how small decisions can, over time, fundamentally change the very nature of any organization. For the library, the presentation will show how modest and sometimes seemingly consequence-free decisions about resources and services that a library provides can snowball into a complete change in the overall perception of the library. So changes that seem minor at the time, when considered together, transform and, more importantly, potentially undermine what the library is attempting to provide for their community. In the light of continued encroachment on a libraries space and budget, this type of conundrum might be easier to fall into than we might think or like.

The story of Chase and Sanborn Coffee and Maker's Mark Bourbon provide all organizations with a great morality tale about how small changes may lead to larger problems down the road. This is especially true of libraries, as we are looking at a world where the costs and demands are far exceeding our resources. The decisions that we make, or those that are made for us, will potentially have a great impact on our ability to serve our missions and purposes in libraries at every level. This might be particularly true of academic libraries, which are seeing contracting resources in four key areas:

- Space (student space, work space, and collection stacks)
- Staff (both librarians and other staff)
- Stuff (thinking primarily about purchases, print holdings, and legacy collections)
- Spend (the ability to acquire ongoing and new licensed materials, be they print or electronic).

In our current economic and library budgetary environment, we know that resources are flat or shrinking for the most part. Many, if not most,

Figure 1. Chase and Sanborn Coffee

Figure 2. Maker's Mark Bourbon

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libraries are not keeping up with inflation, leading to a real decrease in purchasing power. Libraries are left with one option, and that is to make the best of the situation and to operate with the resources we have. And while we have been singing the phrase “Doing More With Less” for years, it is clear that we would not know how to do more with more! There has been more emphasis on “keeping the lights on” in our buildings than trying to do something great, but that is understandable given our situation. Over the years, we have simply been doing less with less.

So when a former dean asks the question, “Do we provide a 4-star service when a 3-star service will do?” we realize that the glory days might be behind us. If we are questioning the level of access or the level of service that a library provides, then we are taking the first steps towards our own demise. And if we do this, we would not be the first “brand” that moves in this direction. To this end, I wanted to look at two different brands that were essentially in our position. One is a brand that failed and another is a brand that changed before it was damaged. The brand that failed is Chase and Sanborn Coffee, and the brand that changed is Maker’s Mark Bourbon. There are valuable lessons for libraries in these two beverages.

Chase and Sanborn ranked with Maxwell House as one of the leading coffee brands in the early twentieth century. These two brands dominated the market for home-brewed coffee through the 1940s. Not only was Chase and Sanborn Coffee known for their fresh sealed coffee, but also for the Chase and Sanborn Hour variety show that featured many stars, including Don Ameche, Nelson Eddy, with Edgar Bergen with his wooden dummy Charlie McCarthy. Given the competitive market for coffee after World War II, Chase and Sanborn found itself in a quandary. They appeared to not want to raise their prices, even with postwar increases for coffee beans.

To maintain profitability and customer pricing, they made very minor changes to their production method. In making these changes, there were no single changes that would have caused customers to leave the brand. Yet taken collectively and having them compounded, the net result was an inferior coffee. Some have referred to this as “death by 1,000 cuts.” And while none of these changes were malicious or negligent, it took the company from being a leader to an also-ran in the home coffee market. The issue that was key here was that they did not want to raise their prices, even though their costs were increasing.

A similar decision was made in 2013 by Maker’s Mark to reduce the alcohol for their Kentucky Bourbon as a cost-reduction plan to help boost profits. In February 2013, Maker’s Mark’s parent company (Beam, Inc.) announced that profits increased by 43% on strong bourbon sales. The following week, they announced that, in order to meet the higher demand for bourbon by consumers, they were going to take a unique approach. In order to meet this demand, they would be watering down the alcohol level by 3% (45% to 42%) in their Maker’s Mark Bourbon, but they promised that there would be no change in flavor. It would, however, have less of a kick. One wonders, quite honestly, what they were thinking. What they could have done to meet the greater demand for bourbon is simply raise the prices. This is the premise of supply and demand economics. However, the issue is that Maker’s Mark had an important role to support other Beam brands in their family of products. A higher priced Maker’s Mark might hurt overall sales across the Beam product line. As you might imagine, they received great criticism and restored the alcohol level without implementing this change.

With both of these stories, there are elements that are similar to the plights faced by libraries. First, both companies were dealing with either increased costs or demand (which would drive up the cost). Second, they were trying to keep pricing the same or at least in line. Third, there was no single decision that would change the brand that much. The perceptions of the products would be fundamentally the same, at the similar price, with a minor, almost undetectable change in the overall product. Instead of raising the cost, they sought to lower the quality a tiny amount. This created the illusion of continued value of a slightly inferior product.

It is this last part that brings us to the work of the great German Psychologist Ernst Weber. Weber discovered that one could measure stimulus and determine the “just noticeable difference” (JND). As you might imagine, JND occurs when something has changed enough for us to notice. So if a company or organization institutes a change that is smaller than the JND, then customers will not likely be able to tell the difference and the company saves money. In the manufacturing world, a penny change could translate to a big increase in profit through lower price. This could be found in a number of different scenarios:

- Aging bourbon 5 years and 360 days instead of 6 years can save money over time
- Can you tell the difference between 600 thread count sheets and 590?
- What if we make our clothing a bit thinner, we save money right? (Do not ask lululemon.)
- What if we remove the higher paid librarian from the desk and replace them with a graduate student?

This issue is of particular note for libraries which are typically revenue-constrained entities. Libraries balance budgets by spending less as opposed to increasing revenue (which relatively few of us have control over). Small changes we implement each year can fundamentally change our work and perception by the communities we serve. While libraries have focused on the acquisition and implementation of discovery layers and mobile connectors, we have also seen the contraction of services for our communities. Many libraries have removed the reference desks in favor of appointment-driven services. Many libraries have also been strongly promoting self-service, which is ideal when you know what you are looking for, but not great when a researcher is stumped.

In an effort to keep resources flowing through our library, we find ourselves trimming services and hours. This might cause us to wonder what our real contribution as a service and teaching unit is. We should not be measured only by what we have, but how we direct patrons to the information they need. And while many of these changes are necessary to meet our budget constraints, is it changing who we are? Is it changing what a library is on a campus or in a community? Many of these changes, while necessary to meet budgetary constraints, are fundamentally altering what a library is and how we can help patrons get what they need. And as we march along this path, we might someday see a book that covers what this journey is like. After all, which book would we like to tell the story of the libraries in the twenty-first century? *Good to Great* or *Great to Good*.

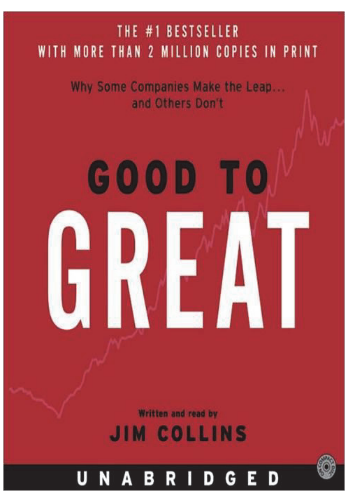

Figure 3. Future *Good to Great* Book Cover

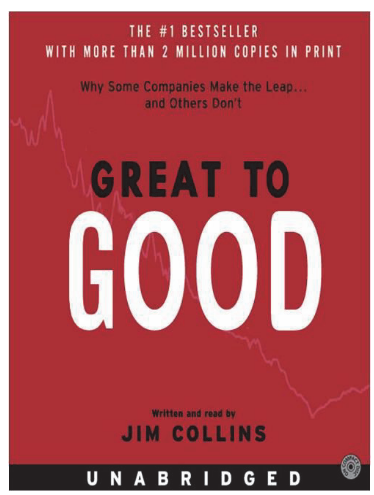

Figure 4. Future *Great to Good* Book Cover