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

**2013 Charleston Conference
Shotgun Session - November 8, 2013**

Corey Seeman
Kresge Business Administration Library
Ross School of Business (University of Michigan)

Current Economic & Library Budgetary Environment

- Unless you have lived under a rock or are 2 years old, you know:
 - ~ Budgets are down
 - ~ At best, many budgets are flat
 - ~ Almost all of our costs are sensitive to inflation (ongoing resources and salary)
 - ~ Buying power has been shrinking

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Cutting Costs vs. Raising Revenue

- Libraries are left to make the best of the situations
- We can operate only with the resource we have
 - ~ Space
 - ~ People
 - ~ Information Resources

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Doing More With Less

- **This is the HORRIBLE MANTRA of the Day**
- We have been doing more with less for so long – we do not know how to do more with more!
- More energy put to “keeping the lights on” than doing anything else.
- We are doing LESS with LESS

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Stuff vs. Service

- How do they see us?
- Storage or Service?



- What can help our patrons?

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Price vs. Quality

- How do they see our future?
- Are we growing or contracting?
- “Do we provide a 4 star service when a 3 star service will do?” – Former dean at Ross School of Business.
- Anyone can cut a budget – there are resulting savings and costs to each move.

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Examples from Two Consumer Goods

Chase & Sanborn Coffee



Maker's Mark Bourbon

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Chase & Sanborn

- Chase & Sanborn stood with Maxwell House and Hills Brothers as the market leaders for home brewed coffee.
- Major radio show sponsor in the 30s and 40s.
- Given the competitive market, Chase & Sanborn did not want to raise prices, even during post-war increases for coffee beans.
- To maintain profitability and customer pricing, they had to reduce production costs.
- This is was their path to extinction.



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Chase & Sanborn

- No single change would have caused customers to leave the brand.
- But these changes were compounded and the net result was a coffee that was inferior.
- The total effect was that they destroyed the overall quality of the coffee.
- Now, Charlie McCarthy would not touch it.
- “Death by 1000 cuts”



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Maker's Mark Bourbon

- February 4, 2013 – It was announced that Beam Inc. (Maker's Mark parent company) profits increased by 43% on strong bourbon sales.
- The following week, they announced they would be meeting the higher demand for bourbon by watering down the alcohol level by 3% (45 to 42) – but there would be NO change in flavor.
- They would not change the price, or the “flavor”, but it would have less of a kick.

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Maker's Mark Bourbon

- To meet the greater demand, they could raise the prices (supply and demand).
- But Maker's Mark has a role to support the other Beam products, and a higher priced bourbon would be less appealing – possibly hurting overall sales.
- They received great criticism and restored the alcohol level without implementing this change.

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Just Noticeable Difference

- In both these instances, these consumer goods were attempting to **maintain pricing for consumers** while responding to either greater costs (Chase & Sanborn) or greater demand (Maker's Mark).
- Instead of raising the cost, they sought to lowered the quality.
- This created the illusion of continued value of a slightly inferior product.

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Just Noticeable Difference

- The key concept here is from the great German Psychologist Ernst Weber
- He discovered that one could measure stimulus and determine the “Just Noticeable Difference (JND)”
- JND occurs when something has changed enough for us to notice.

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Just Noticeable Difference

- So if we can institute a change that is less than a JND, then people cannot tell the difference and we save money.
- Could be a penny change that is one each good – which can translate to a big profit.
- Could be aging bourbon 5 years and 360 days instead of 6 years – Can you tell the difference?

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What Does This Have to Do with Us?

- Libraries are typically revenue-constrained entities – *OK – We are ALWAYS revenue-constrained entities!*
- We balance budgets by spending less – not charging more.
- Small changes we implement each year can fundamentally change our work and perception by the communities we serve.

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Doing Less with Less

- 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.
- Reference desks have been removed in favor of appointment driven services.
- Self-service is nice when you know what you want...but when you don't, it stinks.

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What Does This Have to Do with Us?

- In an effort to keep resources flowing through our library, we find ourselves trimming services and hours.
- Our real contribution is our role as a service and teaching unit.
- We should not be measured only by what we have, but how we direct patrons to the information they need.

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Is this Erosion of our Brand?

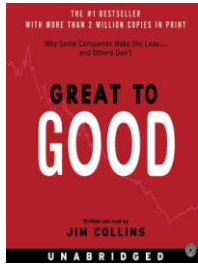
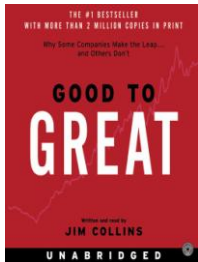
- Many of these changes are necessary to meet our budget constraints.
- However, some of these changes are fundamentally altering what a library is and how we can help patrons get what they need.
- Long Tail vs. Long Wail

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New Jim Collins Book

- What book will outline our future?



Graphics by Kelly Burr, University of Michigan

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Thank You

Contact Information

Corey Seeman

cseeman@umich.edu

Kresge Business Administration Library

<http://www.bus.umich.edu/kresgelibrary/>

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