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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**

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**Current Economic & Library Budgetary Environment**

- Unless you have lived under a rock, you know:
  - ~ Budgets are down or flat (at best)
  - ~ 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
  - ~ Information Resources
  - ~ Space
  - ~ People



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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”
- 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 lower 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

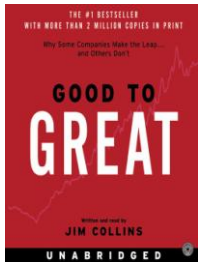


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## New Jim Collins Book

- What book will outline our future?



Graphics by Kelly Burr, University of Michigan

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## Thank You

Keep this going...please send thoughts to me at

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