

Coffee Wars

By Lloyd Rain

Because I live only half a mile away, almost every day I have the pleasure of driving by the University of Oregon's Autzen Stadium (named after Thomas Autzen, class of '43, philanthropist) and right next to it, Moshofsky Field, the indoor full-size practice field (named after Ed Moshofsky, also class of '43, football lineman and lumber magnate) and the eleven acres of perfectly groomed practice fields, all of which, including the central office complex with a big modern "O" two stories high on its glass fascia, comprise one of the most beautiful athletic complexes in the nation. Immaculately landscaped, finely "architected", and remarkably effective, this complex radiates both beauty and success. It is called the Casanova Athletic Center, named after Lee Casanova, football coach from '51 to '66.

The park like grass practice fields, segmented on the street side by half a mile of wrought iron fence only three feet high so that spectators passing by on the ten-foot-wide sidewalks can get a full view of the field, usually sports two hundred-foot high scissors lifts topped by 25 square feet of fenced platform. On the platforms prance two or three "headsetted" occupants operating binoculars, radios, recorders, video cameras and other electronic equipment.

They are bird watchers.

Yes. Specifically, they are watching ducks. Not mallards. Not teal. Oregon Ducks, with a capital D.

On the grassy plain are several hundred Ducks, randomly distributed but rolling like waves in ever-changing patterns, all bedecked in their typical summer plumage of old and torn attire, occasionally with some recognizable letters in odd locations. They run, they stop, they mill, they crouch, they retreat, they coalesce, they scatter and reform into new patterns. To a sidewalk spectator, they are participants in an incomprehensible dance of intermittent, violent campaigns.

As one watches, one realizes that they are all plumed in combinations of green, yellow, white and the occasional black fabric. Indeed, they are quite recognizable as University of Oregon Ducks, at the time of this writing, the number one football team in the nation (Associated Press, 8/18/01) preparing for their fall season.

After passing this stunningly beautiful complex, my purchasing mind wanders to other, less pictorial UO scenes. At the main campus in downtown Eugene, just on the other side of the McKenzie River from the Athletic Complex, lies an equally beautiful but less visible 100-acre campus, populated with 200-foot high Douglas Firs and a plethora of other greenery.

Deep within that campus is a somewhat nondescript student union building called the Erb Memorial Union (named after Donald M. Erb, the university's eighth president who died of pneumonia in 1943 at the age of 43 years).

The Erb Memorial Student Union, as it is now officially called, and unofficially the "EMU", is quizzically notable for having been the scene of the famous food fight in the 1977 movie "Animal House," (much of which was filmed in Eugene).

The EMU sells around \$100,000 worth of coffee every year to the 18,500 students, the 6,000 staffers

and the perpetual parade of visitors. A lot of coffee, no doubt, but not a large procurement item, compared to the roughly \$50 million worth of procurement processed through the UO every year. In fact, it is one of the smaller items on anyone's bid list.

Nevertheless, in 1998, that coffee procurement got more press than any other purchase for either the UO or my own institution, Lane Community College, just down the street by a couple of miles, so to speak, with a purchasing throughput of about \$20 million.

Even though state law permits perishables such as lettuce, dairy products and coffee to be purchased without competitive bidding, the managers of the EMU, realizing that coffee was not just a commodity anymore, but indeed, a delicacy, decided to publish an RFP for coffee in order to select the best possible coffee to be served in the EMU and several other student locations.

And indeed, they drafted a killer RFP, one of the best I've seen. And in March of 1998 they issued it to all the coffee purveyors of the land. Nine responses were received.

The selection process was formidable. Not only was cost taken into consideration, in several number crunching processes with theoretical weighted average costs per pound of bulk and package prices for regular, decaf and espresso and a variety of blends — but products were rated on their flavor profiles, shelf life, freshness properties and yield (how many gallons of java can be squeezed out of a pound of ground beans). In addition to the product evaluations, each proposer was rated on its brewing equipment and grinders (as many as eight different locations), servicing, response times, brand name recognition, advertising, marketing and support programs, training support and references. Each category was enumerated in detail, right down to the rule allowing that each positive reference was worth 2 1/3 points and each negative reference, 0 points.

In addition to all the technical requirements, was a 60-minute presentation in which each respondent was permitted to expound on its wares, the process meticulously specified including the one, only, permissible 8 1/2- by 11-inch handout.

It was a tenuous selection process, each of the possible 100 points precisely detailed to the last smidgeon, and then, (Are you ready for this?) capped off with a taste test.

There would be no chance of a protest on this RFP. Every step was objective, precise and germane. Well, not exactly.

In the initial stages, all went well. Nine proposers responded — three local, five from within the state and one out of state — a welcome and well-rounded set of responses. They were Caffè Orsini (Eugene), Custom Roasting (Eugene), Royal Blue Organics (Eugene); Allan Brothers (Corvallis), Burlap's Gourmet Coffee (Portland), Boyd's Coffee (Portland), K&F Select Fine Coffees (Portland), Portland Roasting (Portland) and Seattle Coffee (Seattle).

The selection committee set about to score and rank the proposals. It was no simple task. Indeed, there were a number of subjective judgments to be made, regardless of the objectivity defined within the RFP. Proposers were rated on a 100-point scale: 30 points for consistency, quality and flavor; 30 points for total price and yield; 10 points for equipment; 10 points for reputation; 10 points for service; 5 points for marketing and promotional support; and 5 points for training support.

In the initial analysis, the committee ranked four of the proposers in the first tier. Those who made

the cut were Seattle, Orsini, K&F and Royal Blue, with Orsini taking first place numerically.

Then came the taste test. It was advertised throughout the EMU and in the Oregon Daily Emerald, the UO newspaper. Students were invited to cast their ballots for the coffee of their choice. The four coffees, in respective caffienations and varieties, were set up in a side room of the EMU and students were invited to respond with both ballots and email votes. That was when it all began to unravel.

We all work in a higher ed environment. Enough to know that you don't leave anything to chance where university students are involved. At least, on the issue of coffee selection, there is definitely a seriousness contingent — those who are so deadly serious that they would stake their lives on the selection of their favorite brand — and those who would like to play with the system regardless of which brand is chosen, i.e., to them the selection of a brand is about as meaningful as who gets elected as the local dog catcher, their aim being to have as much fun as possible during the enterprise (these are the students you often see stuffed into telephone booths and Volkswagens).

The students who were serious about their coffee, not only voted in the taste test, but they got their friends, relatives, friends of their relatives, roommates, friends of their roommates, relatives of their roommates, and anyone else they could find to vote. Then they got them to vote again, this time on email. Then they got them to vote again in person. And so on. Then a few stuffed the ballot boxes, just for good measure.

Then there were those who just wanted to have fun. They also got their friends, relatives, friends of their relatives, roommates, friends of their roommates, relatives of their roommates, and anyone else they could find, to vote. Then they got them to vote again, this time on email. Then they got them to vote again in person. They didn't care which company they voted for. Most of them didn't bother to taste any coffee.

The very serious ones were supported by the environmental delegation, a strong and highly visible assemblage on the UO campus — and, of course, they supported the only company with “organic” in its name, regardless of the taste of the coffee. They actually instituted a “get out the vote” campaign and ran truckloads of unknowing and uncaring students to the EMU to “vote their conscience.” Sure.

It was turmoil. The perfectly contrived, totally objective RFP turned into chaos in one day. No one knew how many votes were cast. Or who cast them. No one could tell how many votes were cast by those across whose lips nary a drop of coffee had passed.

In the final analysis, there seemed to be a preponderance of votes for Royal Blue Organics (surprise!). All that one could say at that point was that Royal Blue was one of the more expensive coffees but its company certainly had the student's sympathies.

Then came the interviews. Proposers not only dealt with taste, but with such issues as marketing assistance, training capabilities, ability to deliver a consistent product on a regular and predictable basis, and of course, the yield. A few days later the selection committee resolved in favor of Seattle. The university picked Seattle Coffee Company, which sells the brands *Seattle's Best* and *Torrefazione Italia*, for the three-year contract, worth as much as \$100,000 per year.

There was an uproar. No, not from the students. The students basically didn't care. They had had

their fun. The furor came from the proposers.

The Eugene coffee companies steamed over the selection of a Seattle competitor to supply the University of Oregon's student union. In fact, the EMU administrators were quite surprised at the amount of sentiment favoring a local supplier, even though in purchasing parlance, such preferences are overtly frowned upon.

"I'm a very bitter bidder," fumed Alberto Miranda, owner of Custom Roasting in Eugene. Miranda, who has roasted coffee locally for the past 14 years, said he offered the lowest overall price — \$4.60 a pound versus Seattle Coffee's \$7.12. (As it turned out, Custom Roasting's yield was not the best at all.) Max Orsini, owner of Caffe Orsini in Eugene, took his complaints directly to Barbara Edwards, special counsel to UO President Dave Frohnmayer. Orsini warned that he would lodge a formal protest. He said the university's five-member selection committee appeared to rank his company's written proposal first. The selection committee acknowledged that Orsini's company was a leading contender, but said Seattle Coffee eclipsed the competition in the final one-hour oral presentation required of the four finalists.

Theresa Coleman-Kaiser, UO Food Services Director, said that several companies came very close, but Seattle Coffee was the committee's unanimous choice even though it wasn't rated first in taste or price. "The panel was impressed by the company's experience with college campuses. Seattle Coffee supplies coffee to the University of Washington and Harvard University, among others. Brand-name recognition was a major factor." She explained that brand consciousness is much more evident than 10 to 15 years ago. "The students are much more savvy about what they will or will not drink."

The owner of Custom Roasting said he was "all messed up." Alberto Miranda, who claimed to have offered the lowest price, complained that the taste test wasn't valid because it wasn't conducted blindly. He also said that some bidders encouraged their own loyal customers to participate in the test numerous times. (Little did he really know of the tasting day chaos.)

Three Eugene Companies, Caffe Orsini, Custom Roasting and Royal Blue Organics, filed protests complaining that the taste tests and scoring by the five-member panel were unfair. Because of the formal protests, and because the UO is a public institution, essentially a state agency, the protests were immediately forwarded to the Oregon Attorney General's office for a ruling.

The attorney general ruled that the procurement be invalidated because the taste test was uncontrolled and did not provide an objective and fair analysis. He said that if a taste test were to be employed as part of a selection process, it would have to be objectively executed and totally impartial, just as if it were a scientific experiment, with control groups, measurement systems, specimens in plain containers marked only with numbers, statistically selected groups of impartial voters and performed at a location and time of day that would not prejudice any proposer.

And thus, the entire procurement was discarded and begun again.

In a letter faxed to the nine original proposers, the UO acknowledged that parts of its RFP were "not as explicit as they might have been and caused an unneeded and frustrating opacity" in the selection process. The letter also said that the public taste test that was part of the process was "neither practical nor reliable." What a shame.

“It is the most fair route to take,” said Vicki Warner, UO assistant to the director of business affairs and the official in charge of handling the protests. “The one thing we strive for is to ensure the integrity of the competitive process.” In reviewing the bid, she found that the rating system was unclear, particularly in two critical categories: taste and price.

Indeed, several proposers felt that even a redo was not at all fair. “We played by the rules and we won by the rules,” said Max Orsini, owner of Caffè Orsini. “The problem is that now, all the companies know about everything in our proposal. We had our chance and had it taken away.”

And they did it all again — from the beginning.

The replay wasn’t near as interesting as the first round. The very same RFP was used but with the taste test exorcized and the yield calculation somewhat better defined. Proposers were even permitted to allow their prior proposals to remain on file and be re-used for the second round. Some did, some didn’t.

And of course, Seattle came out ahead again. End of process, (except for a few unsuccessful appeals).

The following editorial in the Eugene Register Guard sums it up nicely.

“The University of Oregon should have known there'd be trouble when it chose the Seattle Coffee Company as the supplier of coffee to be served in the Erb Memorial Union. Several local coffee outfits lost out in competition for the big contract, but dissatisfaction with the winning bidder stems from more than hometown favoritism. Let it be said: The Seattle Coffee Company's brew just isn't that good. It's like Folgers with an attitude.

“The five-member committee that made the choice went through an elaborate process of rating each coffee's flavor and price, as well as each company's equipment, reputation, training, service and marketing. With such a process, it's no wonder the committee got lost.

“Ask any coffee drinker: all that really matters is flavor and price. If coffee tastes good and doesn't cost an hour's pay, no one will care if it's brewed with a paper towel in a kitchen sieve and served by the world's most sullen nose-ring wearer. A company that can serve a good, cheap cuppa Joe won't need to worry about marketing, and its reputation will take care of itself. As for training, learning one's way around an espresso machine is practically a rite of passage for Eugene youth, a cool alternative to flipping burgers — so there'd be no shortage of experienced workers.

“Local suppliers finished at the top in both the flavor and price categories, but the Seattle company finished first overall. So now, unless appeals succeed or UO officials wise up, those poor Ducks will be stuck with that {Seattle} Torrefazione stuff. It's hot, it's brown, and not much more can be said.

“At least the selection committee didn't pick that other Seattle coffee company, Starbucks, the Wal-Mart of coffee franchises. Starbucks has already thoroughly colonized the 13th Avenue {university} district. Even so, with two Seattle outfits controlling so much of the coffee supply on and around campus, it's starting to look like a Husky plot.”

For those unfamiliar with the peculiar jargon of the Pacific Northwest, the last sentence is a tongue in cheek reference to the University of Washington football team, the Huskies. And why not. It's not

really about coffee. What it's really about, of course, is football. That's what matters most to the students.

There are several afterthoughts that have to be addressed — like, what happened to Starbucks? It turns out that Starbucks was initially interested but quietly faded away in the initial stages of the RFP and never did respond. A weakling in the face of strong competition? I don't think so. Smart as a fox. Starbucks, that very month, was quietly closing the lease on a building on the corner of 13th and Alder Streets, half a stone's throw from the UO Bookstore, two banks, eight restaurants, two nightclubs, one gargantuan hospital and essentially smack dab in the middle of the highest UO student purchasing activity in the city. Now, Starbucks gets all the business and doesn't have to comply with any of the public institution rules and reg's. Out of the whole lot, it seems that Starbucks were the smartest — by a long shot.

Just last year, the UO Residences used the same RFP to solicit responses for several Espresso kiosks in the dorms. Orsini won that one.

There were several things to be learned from the process (aside from the obvious need for an impartial taste test). One was that the selection criteria had to be more than explicit on the meaning and application of price and yield. Yield was one of the unclear aspects of the RFP.

But perhaps the most interesting aspect of this unquestionably obscure solicitation is that anything can be front-page fodder on a slow news day. In all, the Eugene Register-Guard published seven articles and an editorial on the 1998 coffee wars at the UO. Good thing there wasn't a real war going on at the time.

All quotations are taken from Eugene Register Guard newspaper articles. The editorial is directly quoted from the Eugene Register Guard, March 30, 1998. All quotations and reproduction of the editorial are reprinted with the kind permission of the Eugene Register Guard Newspaper, Jim Godbold, Managing Editor.

•----- End -----•

This article was originally published in Higher Markets' Purchasing Pulse newsletter in October, 2001.

© Lloyd Rain, 2004