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SPECIAL ISSUE

## Java Nice Day

*Can an upstart coffee company survive in the age of Starbucks? Mills Duncan has high hopes, and so far his cups runneth over.*

by Patricia Sharpe

**T**HE MINUTE I Poured cream in my coffee, I knew I had screwed up. I was having lunch with Mills Duncan—who had gone to great trouble to select, blend, and roast the coffee beans—and as I glanced across the table, I saw him wince. Poor guy. He must have felt like an artist discovering that some creep has drawn a mustache on the portrait he had painted.

To say that 35-year-old Herschel Mills Duncan IV is crazy about coffee is an understatement. He likes to drink it (ten cups a day), talk about it, and sell it. For the past 23 months, he has been hard at work building the Duncan Coffee Company, which he hopes will someday be the preeminent roaster and wholesale source of gourmet beans not just in Houston but in Texas and the surrounding states. While ambition fuels his passion, he also has a personal reason for wanting to succeed: In 1918 his great-grandfather Herschel Mills Duncan founded the original Duncan Coffee, and for 46 years, until the brand was sold to Coca-Cola, it was famous nationwide for its coffee. Mills is not going to be satisfied until the words “fine coffee” are once again synonymous with the name “Duncan.”

If you were assessing the present status of Duncan Coffee, you could say that it amounts to more than a hill of beans but less than a mountain. Its sales last year to upscale specialty shops and restaurants amounted to \$500,000, and it's producing 15,000 pounds to 20,000 pounds a month in roasters that can handle 25 pounds to 60 pounds at a time. But while those numbers aren't huge—by industry standards, it's only a midsize company, and some competitors have 600-pound machines—its clients are of a caliber that any business would envy: In Houston, the upscale restaurants Cafe Annie and Damian's Cucina Italiana and the fancy home-accessories and hardware store



**Cool beans:** Duncan's coffee costs, on average, a competitive \$8 to \$10 a pound.

Bering's; in Austin, the housewares and gift retailer Breed and Company; in Tulsa, the gourmet shop Mecca Coffee. So far, Dallas (and all of North Texas, for that matter) has been hard to crack, but Duncan Coffee does have at least one fan who transcends regional boundaries: George Bush. A coffee lover, the former president was so taken with the samples that Mills sent to his office that he invited the young entrepreneur to come chat about the coffee business. "I don't shy easily," Mills recalls, "but when I walked in, it hit me—omigod, it really is the ex-president. I was just blown away." This spring he showed Bush how coffee is roasted at Duncan's southwest Houston facilities.

One day earlier this year, right after my little faux pas with the cream, Mills took me for my own tour of his operation. The utilitarian space of about three thousand square feet is where almost everything happens, including testing, blending, roasting, bagging, and shipping. Six full-time employees work here, counting himself and his wife, Carolyn, who is the office manager; fifteen sales reps work independently in Texas and other states. His supply of the big bags of green coffee beans are stored in a nearby warehouse. In the middle of the largest room is one of several roasters, a drum-style machine about the size of three refrigerators. To demonstrate how it works, Mills whipped up five pounds of coffee, which took about fifteen minutes, and gave me one pound. I had asked for a French roast, which is quite dark. (He prefers a Vienna, or medium, roast because it doesn't cook away some of the subtler flavors.) At present, his repertoire consists of eighteen varietals, twelve blends (beans from two to eight regions), and more than one hundred flavored coffees. He buys from all over the world, and always top arabica beans—never the cheaper, virtually tasteless robusta beans that some other roasters use to cut costs. Duncan coffee costs a competitive \$8 to \$10 a pound retail on average, but if a customer wants pure Jamaican Blue Mountain beans—the beluga of coffee—Mills has them on hand. They retail for about \$52 a pound.

Despite its refined image, the gourmet coffee business is as tough as any. "If I had known how hard it was, I wouldn't have done it," Mills says—a bit of a misstatement, since many people he consulted told him it was hard and he went ahead anyway. Unlike a company offering a brand-new technology or product, a gourmet coffee company offers nothing particularly new or different. The ways a roaster can distinguish itself are the oldest in the book: through quality and personal service. Plus, the desirable clients are usually already taken; a newcomer has to

wrest business away from someone else and then be constantly on guard to keep it. "I'll bet that two companies a week try to kick me out of Bering's," Mills says. And even though he doesn't directly compete with Starbucks—he's a wholesaler, not a retailer, and he has no coffee bars—he does find himself countering its pervasive influence in other ways. For instance, it has led many coffee drinkers to prefer a very dark, almost charred roast, which Mills thinks overwhelms the flavor. But in general, he credits the Seattle-based chain with teaching the American public the difference between excellent and mediocre coffee beans.

To separate himself from the pack, Mills concentrates on three things. First is freshness. Houston customers are the luckiest because their coffee can be delivered within hours of being roasted. "Sometimes it's still warm when it gets here," says Robert Del Grande, the chef and owner of Cafe Annie. "We like to stand around and hold the bags and smell it." Out-of-town customers get their shipment the next day. Mills also keeps the shelf life short, because coffee goes stale fast. "After seven days, it's like flat Coke," he says. He urges clients to keep only a week's supply on hand. There's also service: Mills does whatever it takes to keep a customer happy. If a restaurant calls him at home because it has run out of coffee halfway through dinner, he or someone else makes an emergency run, no matter how late it is. Last Christmas Day the roasters were going from three in the morning until midnight so that Bering's and other Houston retail outlets could have fresh coffee to sell the next day. Mills slept on the floor of his office Christmas night. Finally, there's blending. "My great-grandfather was a great blender," he says. "People who knew him tell me I have inherited his knack for it." The technique is not dissimilar to winemaking; it has even co-opted some of the same arcane vocabulary. He showed me a table full of plastic bags of unroasted beans. "Take these, for example," he said, pointing to a bag of plump gray-green beans. "This is an African estate coffee. It's spicy, with an up-front flavor and a clean finish." Indicating a slightly darker sample, he continued, "Now, here's an Indonesian coffee. We might blend it in to add a fuller body and give an earthy aftertone."

Coffee is an obsession of Mills's mainly because of his family history. He felt a strange attachment to the memory of the old Duncan Coffee Company, even though it was sold the year he was born and his own father had gone into the real estate and adoption businesses. But because he had been named for his great-grandfather, Mills identified with him. "My name was

always associated with this great coffee company," he says. "Here I was with a name that sounded like I was a little rich kid—Herschel Mills Duncan IV—and everybody expected me to be somebody famous. Only I wasn't." Not to get mythological about it, but Duncan Coffee became the focus of a kind of quest, something that Mills had to undertake to find out who he was.

As quests will, his took a while to get off the ground. Mills joined the Army for four years, did marketing and sales for the Coors beer company, read "every book that was ever written" on coffee, and finally got a degree in communications. To make a living, he sold commercial real estate. Then, in 1992, he got serious. He started socking away excess money from the commissions he earned on his multimillion-dollar sales. For five years, he says, he and his wife, Carolyn, lived "well below" their means while they started their family (they now have four sons) and worked on a business plan. In October 1997 he made the jump. Using only his savings, he bought the assets of Praiswater Coffee Roasters (owner Mike Praiswater stayed on for a year to teach him the ropes). As a spiritual offering, he went out to the cemetery and sprinkled some freshly ground coffee on the graves of his great-grandfather and great-uncle, the two men who had built the original business. After 33 years, Duncan Coffee was back.

Today Mills is contemplating the next rung on the ladder. He'll move into a new 10,000-square-foot warehouse, office, and "cupping laboratory" (that is, coffee test kitchen) late this year. He intends to proceed cautiously toward his goal of becoming the best coffee company in the region, but he's not obsessed with size or huge profits. He has put some \$250,000 of his own money into the business and says he is making enough now to run it. He expects to use his savings for unusual expenses and has established a line of credit with his banker. For now, though, it feels good not to owe anything. "I answer to my wife and kids, and that's it," he says.

As I was stuffing the bag of beans in my purse and getting ready to leave, I asked Mills where he thought Duncan Coffee would be in a generation or two. "In fifty years," he said, "I hope that my sons will be running it." A coffee dynasty. Of course. But I couldn't help playing devil's advocate: "What if they don't want to go into the coffee business?" He seemed surprised. "Then they'll do something else," he answered. But it's clear he can't imagine such a thing. All his life he felt adrift from his family heritage. Now that he's reconnected to it, he doesn't intend to let go. ♣