Is There a Future for Self-Op Campus Dining?

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With the slow but steady advance of food service contractors into the campus dining market, college and university administrators who still operate their own services may wish to consider whether they're on the right course.

Currently, fewer than 15% of all U.S. colleges and universities still maintain self-operation.

With an 85% penetration of the campus market and few major state universities likely to convert in the foreseeable future, food service contractors' growth opportunities are nearing, or possibly at, the saturation point.

For perhaps the past 10 years, each company has been able to expand its higher education portfolio primarily by taking accounts from other contractors – but the gains have been offset in turn by their losses, to their competitors.

Only the provision of a service can be contracted for, not the responsibility.
- *Contract Management or Self-Operation*, published by The Council of Higher Education Management Associations

Selling With Dollars

The result has been a buyers' market. The contractors have continuously improved their offerings, especially in fresh/local foods and sustainability, but virtually in tandem, leaving minimal differentiation among them.

For the Big Three contractors, Aramark Corp., Compass Group's Chartwells div ion and Sodexo, Inc., the result has been an increasing "battle of the dollars" – competitive offers of investments to college and university clients in exchange for long-term contracts.

Colleges who accept the dollars are able to upgrade their dining facilities and sometimes other campus facilities.

Is It Worth It?

The college that manages its own dining services misses out on this largesse. Is re-taining control of the service on campus worth bypassing this "free money"?

The answer is, "That depends."

The major state universities, with $20 million and more in dining service annual revenue, are bigger than all but the 50 largest food service contractors, as reported in *Food Management* magazine's 2013 industry rankings. They have all the resources they need to remain self-operated.

For the others, mostly independent, institutions, the reasons to resist outsourcing are mostly non-financial.

The decision often is based on the value the college sees keeping the service as an integral part of its campus community.

Some medium-sized and smaller colleges have a long history of self-management and have been successful.

Davidson College in North Carolina, Saint Anselm College in New Hampshire, Bates and Bowdoin Colleges in Maine, Middlebury College in Vermont, and Bryn Mawr College in Pennsylvania are examples. Some are perennial members of *Princeton Review's* "Best Campus Food" list.

Why Colleges Outsource

At one time, colleges would outsource their dining services because the contractor would claim that its buying power would enable it to reduce food costs.

That's no longer true. Contractors now retain all the advantages they gain through volume purchasing and promise to no more than to match local market prices – the same prices a competent independent man-ager could obtain.

Contractors usually have lower labor costs. They pay lower wages than a college typically would and offer lower-cost employee benefits.

In recent years, the three major contractors have been conducting a bidding war in their efforts to gain new, and retain current clients. They offer ever-larger investments – sometimes well into seven figures.

But the investments come with a string, sometimes a very long one: a contract for five to ten years; sometime longer if the investment is especially large compared to the annual revenue of the operation.

The college that takes the money may find that it can't terminate the contractor if its services prove unsatisfactory unless it is able to refund the undepreciated balance of the investment, some-times not possible.

Staying Self-Op

A college or university dining service is only as good as its leadership.

Colleges and universities most commonly turn to contractors when a long-term, competent manager retires or leaves and the successor isn't equally capable and/or cost are running out of control.

The solutions, if the college wishes to retain its own operation, involve planning ahead, so there is another competent person on staff when the manager moves on. It's wise to have a strong number two on board, even if his/her salary is higher than a typical assistant manager's.

The National Assn. of College and University Food Services (nacufs.org) is a prime resource for the college that wishes to become or remain independent.

Clarion Group consultants understand college and university dining services. To learn how we can help you operation, whether self-op or contracted, contact Tom Mac Dermott, 603/642-8011 or Angela Phelan, 609-619-3925 or e-mail us at info@clariongp.com.