Case Study

How Quality Improvement Plan Gets the Best from Contractor

***Dining Insights,* Summer 2016**

One of a series of report of the results of TM Consulting Group and Clarion projects, illustrating the ways dining and hospitality services are improved and new opportunities to increase value are created. Names and identifying details are omitted to protect our clients' anonymity.

This study is by Ted Mayer, Clarion Executive Vice President and President of our associated firm, TM Consulting Group.

We all know the familiar situation where a contractor starts off "great guns" and over time, food and service erode.

The frequent solution is to go out to bid. But this requires a lengthy process often with a challenging transition.

Establishing a Continuous Quality Assurance Program can address concerns and at least, provide a rationale for going out to bid.

If you do go put to bid and select a new vendor, setting up a QA program at the start of a new contract is a prudent step to maintaining standards over the long term.

In these case studies, we explore how two operations, one with an existing contractor was revitalized and in the second, a newly- selected vendor was held accountable for maintaining a quality program.

Case One

THE SITUATION: A private university with 13,000 students; approximately 3,000 resident students on meal plans; in the fifth year of 5-year contract; contractor has all risk of profit or loss.

A new president is coming in two years. This is the second year of a 10-year campus-wide physical plant renewal program

Pros:
- Student satisfaction: Good
- Catering satisfaction: Adequate
- Vendor investments: Reasonable

Issues:
- Changes in contractor corporate management is resulting in slow response.
- University vice president in charge of dining doesn't know who to call.
- Program, though running smoothly, shows no recent innovation.

Challenge:
- Go out to bid or renew contract?

WHAT WE FOUND: Our initial assessment included a financial review and on-site observation of operations, interviews with students and administrators.

We found many inconsistencies in the existing program.

WHAT WE RECOMMENDED:

- Set up a Continuous Quality Program in a revised contract. The vendor's monthly reports to show Key Performance Indicators (KPI).

- Several KPIs have financial rewards and penalties to incentivize the vendor.
- Evaluations each semester by TMC/ Clarion; observe operations and interview students and administrators; a campus survey administered by TMC/Clarion.
- All results summarized in detailed reports documenting performance over time.

THE RESOLUTION: At the close of the third year of the new contract, financial and operating performance remains high and student satisfaction is at an all-time record.

Case Two

THE SITUATION: A selective residential college with some 2,000 students; 95% of resident students on a meal plan. The current provider has been serving the campus for 15-plus years under a cost-plus-fee management contract.

A new executive vice president who oversees the VP overseeing dining service contract wants to see what the competition offers.

Pros:

- High student satisfaction with dining.
- Catering considered very good.
- Vendor seems to maintain cost controls set forth by the College.

Issues:

- Long-term relationship raises concerns about financials and innovation with the executive vice president.
- Financial reporting is without detail; suspicion of vendor financial reporting.
- Existing contract was the vendor's boiler plate version signed at the start of the engagement more than 15 years ago.

Challenge:

Go out to bid or renegotiate contract

WHAT WE FOUND: After an initial assessment including a financial review and on-site visit to observe operations, interview students and a wide range of administrators, we found a number of areas that were dissatisfied with the operator.

Additionally, the vendor's pricing of catering services was inconsistent with several highly visible departments receiving "freebies."

WHAT WE RECOMMENDED: Go out to bid and allow the existing vendor to compete.

THE RESOLUTION: A new vendor was selected. A new contract with a waiver of the first two years of the management fee was negotiated along with clear directives for reporting requirements, indicated in the new contract, with incentives and penalties for student and catering satisfaction scores (survey provided by an independent source) and penalties for not meeting mutually agreed cost per meal and meals per staff hour.