

Picking the Right Food Service Contractor

It's not easy or simple and usually takes longer than you would expect

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First article in a series about the selection of a food service contractor.

Sooner or later, you probably are going to want to take a look at alternatives to your present dining service operator. Even if you're more-or-less satisfied with the present campus or company service, you might want to see what others are offering, and maybe make a change.

Many company purchasing managers recommend seeking proposals every three to five years, regardless of the merits of the incumbent operator. All federal and state agencies, and most local ones, require that contracts be re-competed regularly.

As discussed in the Spring issue of *Insights* (Is This a Good Time to Change Food Service Providers?), it's usually best to see whether your current operator (employed or a contractor) is really doing a good job, or can improve the service. A thorough competitive selection process is time-consuming and may not result in the financial or service improvement you were expecting – or promised.

Homework Assignment

To get started on a selection process, first find out which contractors provide the type of service you have (or wish to have) and have the resources needed. For example, a company that has no vending operation is not a good bet if vending is a big part of your operation. Some contractors focus on a very specialized market that may not include your organization. Ask colleagues at other, similar companies or institutions about their experience.

Ironically, the smaller your organization, the greater selection of potential operators you will have. Only the big national contractors and some of the larger regional companies have the resources for a very large, complex or multi-unit campus or corporate dining service.

It's best to have at least four and up to six companies in the competition. One or more are likely to drop out of the process for reasons not apparent when you issue your Request for Proposals, even if they seemed interested initially.

Seller Before Buyer

To ensure prospective proposers are interested in your dining service, you have to sell your advantages to them. The more desirable your business, the more likely that you will receive favorable proposals.

Especially if yours is a smaller operation (\$1 million or less in annual sales), think about the additions to the café you can offer. Vending and office coffee service are two attractive options. Both are more profitable than the student or company café. On a college campus, the opportunity to operate a convenience store may be attractive (ensuring it doesn't compete directly with your bookstore).

If your in-house catering is minimal and your facility and location make it feasible, consider offering the operator the opportunity to use your facility to support other locations and/or for on-site or off-site catering to outside groups. These and any other advantages you may be able to offer should be described in your Request for Proposals near the front, so they will be read first.

Before planning a Request for Proposals, there are some questions to ask yourself and answer.

What Kind of Contract?

There are three basic contract forms. Which best suits your circumstances?

- *Profit-and-Loss (P&L)*: The contractor operates for its own account and takes all risk of profit or loss, sometimes paying a commission on revenue and/or a share of profits. P&L contracts are most common at colleges and companies with high populations or that have other profitable services.
- *Management Fee*: The client has all financial risk. The contractor is paid a fee for its services.
- *Performance-based Management Fee*: The contractor's fee includes incentive bonuses and penalties, depending on operational and/or financial performance.

Corporate headquarters, professional firms and organizations that have high service requirements or provide food service as an employee benefit typically have subsidized, fee-based contracts.

What Are the Basics?

Your RFP will have to describe the size and type of facilities; population (including demographics, if possible); café service hours and annual revenue; types and volume of catering activity; vending services and office coffee services, and other details so proposers will know how to develop their operational and financial offers.

Do you expect the contractor to make an investment in the facilities? Most contractors will want to make some renovations, or at least a facelift, to the servery. If you want an investment in kitchen or support facilities, you need to describe your specific requirements. It will be helpful to provide plans of the dining facilities.

What Kind of Services?

You need to decide what types and level of services, menus and operational standards you expect. This is especially important if you want to change the services you have now, or want a new type of service.

Take the time necessary to develop a good plan as the basis for your RFP. The more information you provide, the more likely it is that you will receive realistic proposals.

Take Enough Time

Assume a timetable of at least 90 days from date of issuing the RFP until you are ready to award a contract. Trying to rush the project will be counterproductive.

The next article in this series will discuss RFP preparation and the selection process.

Clarion helps colleges and companies to plan RFPs, manage the selection process and negotiate an equitable contract. For information, call Tom Mac Dermott, 603/ 642-8011 or Angela Phelan, 973/544-6223 or e-mail us at info@clariongp.com.