

Case Study

Helping a Company Adjust to the New Reality

One of a series of reports of the results of Clarion projects, illustrating ways in which dining services are improved and new opportunities to create value are created. Names and identifying details are omitted to protect our client's anonymity.

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The boom times of the 1990s and early 2000s had been good to this company. But like most others, it had to retrench when the recession struck in 2008.

At its peak, the company occupied six buildings on a campus, with dining facilities in four of them. The dining service was heavily subsidized, a benefit to its large professional, technical and support population. The downturn in the economy resulted in reduced population and other cutbacks, including the closure of two cafes.

THE SITUATION: The company had a long-standing, cordial relationship with its food service contractor. Company management considered the overall dining service to be very satisfactory and responsive.

The contractor had downsized its operation and reduced costs as the two dining centers were closed. But management wasn't sure costs had been reduced as far as they could be, or that all the opportunities for efficiency had been fully implemented.

We were asked to evaluate the dining service to determine whether more could be done to cut costs without sacrificing the caliber of the services provided to employees and guests.

WHAT WE FOUND: The dining service was generally good – well-prepared meals, attentive service, a capable, interested general manager, a skilled, well-organized executive chef and a competent staff at the main building café.

But at the second, smaller unit, standards, meals and service were at a lower level than in the main facility. The manager here, a one-time bartender, was genial and popular with customers but did little more than man the cash register. The manager and four hourly employees served fewer than 200 customers a day. Food safety procedures were lax and the level of sanitation was low.

Seven hourly employees were assigned to provide conference room catering services for an average of 85 guests a day and maintain 23 office coffee stations – the same number as were assigned to the main café, where an average of 350 customers were served at lunch per day.

Staffing and other costs had been reduced since 2008, but not as much as business in the cafes or catering activity. The manager acknowledged that two positions could be eliminated with no harm to the operation.

Financial statements the contractor submitted to the company were uninformative. Catering sales were credited to the main café, but catering labor and some food costs were charged to office coffee service, making it impossible to determine the performance of any of the three units of the service. At the smaller café, total costs were three times sales, including labor costs that were double sales.

The operating contract was more than 15 years old and outdated.

Through vendor rebates and excessive overhead charges, the contractor was generating three times more profit for itself than the fees shown on the statements.

WHAT WE DID: We met with executives of the contractor and discussed our findings. We learned that they knew their manager at the smaller café was inadequate, but were afraid to do anything about him because he seemed to be so popular with both customers and

management. They agreed to fully cooperate in the implementation of our recommendations.

We advised:

- Reduce the small café's staffing to a chef-manager and two hourly employees.
- Reduce the catering/office coffee staff to five persons, more than is needed for 85 or so guests a day.
- Tighten up cash handling and accountability procedures.
- A modest renovation in the small café would permit more to-order meal preparation, reducing waste and bringing the high food cost down to 50% to 55% of sales.
- Rationalize the financial reporting system to provide separate operating statements for each café, catering services and office coffee service.
- Renegotiate the operating contract to include a higher fee for the contractor, but cap its overhead charges and base the fee on operational and financial performance.
- The contractor also should share a portion of its vendor rebates with the client.

Now it's up to the contractor to make the changes needed. If our recommendations are fully implemented, the company's subsidy could be reduced by half.

CLARION'S VALUE: We could see things neither the company or contractor did because of their familiarity with the service. Our experience in corporate dining service and knowledge of the contractor enabled us to make realistic recommendations and discuss them in terms both parties understood.

Clarion can help you improve your dining and other hospitality services and reduce costs. To learn how, contact Tom Mac Dermott, 603/642-8011, Angela Phelan, 973/544-6223 or Ernie Wilder, 904/940-1208 or e-mail us at info@clariongp.com.