Case Study

Picking a New Operator to Revive a Dining Service

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

After some 16 years, the relationship between the company and its food service contractor had become frayed. Management believed the operator was giving less than its best effort for the cost of the subsidy. In short, they questioned whether they were getting their money's worth. To find out, they decided to accept proposals from other companies.

After Sixteen Years, it was time for a change.
But change to whom?
We helped decide.

THE SITUATION: Eighteen years ago, the company retained Clarion to perform an operational and financial evaluation of their dining services. At the suburban main campus, there was a manufacturing plant, a research center and an accounting office, in order of size. Five small packaging plants were scattered around the metropolitan area. The evaluation found the services, operated on a subsidy by a national company, were mediocre at best and weakly overseen by a district manager with too many accounts to handle. We issued a Request for Proposals and the company selected an up-and-coming, energetic local contractor.

As is usually the case, the new service started off well – interested management, energetic on-site teams, good food, happy customers, then slid gradually down hill.

Over the years, the company closed its smallest facilities and concentrated operations on the main campus. They hired an experienced dining service professional to oversee the dining and vending services. We maintained our relationship with the company and its corporate dining services officer, performing operational and financial audits and other projects.

THE PROJECT: We were retained to work with the dining service officer and a purchasing specialist to participate in the new competitive selection process. We drafted a project timetable and prepared a list of five local and regional companies to participate, plus the incumbent. Company management believed, accurately, that the operation would not benefit from retaining a national company to whom it would be a small, low-profit account.We collaborated on developing the RFP in the company's format, incorporating dining service operational and financial data and terms. The RFP was issued to the six companies.

WHAT HAPPENED: The incumbent and three other companies attended the pre-proposal conference and submitted proposals following the required outline. We prepared a side-by-side comparison of the operational and financial proposals to help the dining service officer and purchasing specialist in their evaluation.We all quickly agreed to eliminate one company from consideration and scheduled non-financial review conferences with the other three "finalists". The companies introduced their key executives, executive chefs and other support personnel, explained their plans for the service and responded to questions.

The incumbent may have sensed it was in a losing battle. Their chairman, its most dynamic leader, did not attend their presentation. They offered a continuation of their present operation with the same on-site management and a few minor tweaks.

After the conference, site visits to the proposers' other operations and telephone reference checks, the field was narrowed to the incumbent and one other proposer.

The other company was much like the incumbent had been 16 years before – young, growing, innovative and tech-savvy, with a magnetic founder-leader and a competent and eager management team. To them, the company would be an important client and a stake in a new market. They promised extra support to their on-site team at no cost to the company.

THE OUTCOME: The dining service officer brought our consensus recommendation to retain the new company to senior management. They were not sure they wanted to make a change, but finally agreed. With the contract settled, the incumbent was given its notice and the new operator came in to set up its services. Of 36 employees on the incumbent's payroll, 22, including two unit managers, moved over to the new company's employ. By agreement, they retained their wage rates and paid time off entitlements (some had three or more weeks' vacation time).

CLARION'S VALUE: With our long-term relationship with the company and knowledge of its people and services, we fit easily and effectively into the selection team. Our knowledge of the regional industry and experience with competitive RFP processes complimented the dining service officer's knowledge and experience.