

Viewpoint:

Is your on-site service contractor really a partner – or a supplier?

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We'll be your partner," says the sales rep for the food service or other on-site services contractor. "Partner" and "partnership" are words sprinkled liberally throughout proposals and are an integral component of contractors' vocabulary.

But is the operator of your specialized on-site services a partner or a supplier?

A partner has a financial interest in an enterprise and shares in the risks and rewards, profits or losses in proportion to his/her percentage of ownership. A supplier's revenue and profit is your organization's expense, or your students' or employees' expense when the service is operated at the contractor's P&L risk.

Anyone who's a partner in a professional firm can tell you about sharing risks and losses as well as rewards and profits.

The contractor's concept of partnership does not extend to sharing risks and losses. Like any business, the contractor strives to make a profit and naturally, the bigger the better; certainly bigger than last year's.

When your organization experiences a downturn – say, a reduction in population – the contractor is unlikely to bear a lower profit or a loss with a smile. They'll look to you for relief, such as a price increase, reduction in service hours or a subsidy.

A service contractor may make an investment in your facilities, usually in exchange for a longer term contract, and will amortize or depreciate the investment as an operating expense. Sometimes, the investment will be amortized "below the line" – there's no direct recovery.

Does that make the contractor a partner? Not really. The investment is recovered as an operating cost and/or considered a selling expense, like the sales rep's salary or commission.

There's certainly nothing wrong with a client-supplier relationship, so long as the parties understand their respective roles and responsibilities and deal with each other fairly and honestly.

Your organization is entitled to competent, professional service at a reasonable cost – even excellence, if you're willing to pay for it. The supplier is entitled to fair compensation for its work – the ability to recover its costs and earn a fair profit.

How fair? How should it be derived? That's a subject for Viewpoint in the next issue of *Dining Insights*.

- Tom Mac Dermott

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