

## ***Case Study***

# **A University Picks Its First Food Service Contractor**

*Dining Insights, Summer 2009*

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

Since its founding, the private university had managed its dining services directly. But costs and rising student dissatisfaction forced the administration to consider alternatives.

“It became apparent to us that the operation of food services is not a core competency of ours,” the university’s CFO said. He decided a food service contractor would be a viable solution.

**THE SITUATION:** The university enrolls 4,500 undergraduates, of whom more than half are campus residents, and some 1,000 graduate students, some of whom also live on campus. There are five dining facilities: a resident students’ dining hall; a food court and a pub in the campus center, a faculty club and a convenience store.

The CFO set four principles for the selection of a contractor:

- Improve quality and service.
- Provide a capital investment in the dining facilities.
- Contain costs.
- Protect the 80 dining service employees’ jobs, wages and benefits.

This last provision was a potential problem: the staff was covered by a union contract. The CFO defused the issue by notifying the union in advance of its plans and intention to protect employees’ jobs and to require the new operator to honor the union contract.

Students were brought into the process from the starting with an open forum to discuss the project. Clarion was retained to prepare the Request for Proposals and manage the selection process.

**WHAT WE DID:** Our first step was to learn about the current service. We spent three days on campus to observe the operation. We interviewed the dining service management team and key stakeholders – financial and student services administrators, alumni and development directors and others. We held several focus group meetings with students.

We also reviewed financial statements, staffing schedules and other, relevant documents and facility plans. As a result, we had a solid background on which to build a Request for Proposals.

We identified four companies qualified to submit proposals and, when approved by the university, notified them in advance that a RFP would be issued.

**THE PROCESS:** Ten days after the RFP was issued, we participated with the CFO and other university officers in a pre-proposal conference for the invited companies.

The contractors were each permitted two days to conduct on-campus surveys as part of their proposal preparations.

**Proposals were received** 30 days after the pre-proposal meeting. We reviewed the proposals and provided the university with a summary of the offers, including a side-by-side comparison of the operational, financial and investment proposals. We met with the university’s selection committee,

consisting of administrators, faculty and students, to review the proposals.

Proposers were invited to make presentations to the entire campus community. The presentations were attended by several hundred students, faculty members and others, including dining employees.

The committee selected two companies as “finalists” for further consideration. The initial negotiations focused on the services the contractors offered and their plans for facility renovations. These were attended by the full selection committee.

Subsequent negotiations focused on the financial aspects of the proposals: meal plan rates, retail pricing, commissions and investment and amortization terms.

We prepared a draft contract for each company as the basis for negotiation. It became apparent that one company’s offer was better, but the other would be a viable alternative. In the final round of negotiations, the preferred company accepted the university’s terms, including waiver of a waiting period for employees’ eligibility for health, vacation and other benefits.

**THE OUTCOME:** The contract was awarded at the end of May for a July 1 start, giving the company a month to organize and three months to prepare for the start of the academic year. The union contract was settled and renovations were completed on time and students were greeted by a new dining service when they returned in September.

**CLARION’S ROLE:** We provided the knowledge of the food service industry and expertise in selection processes, contract preparation and negotiation that the university lacked. Our experience in college dining services enabled us to understand the university’s needs and forge a successful agreement.