

Case Study

How the Contractor Saved a Prized Account

Dining Insights, Summer 2011

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

The company has a long-standing practice of rebidding its service contracts every five years, including management of its dining services. As a result, over the past 15 years it has had three different food service contractors. The latest contract was due to expire and the company again prepared to issue a Request for Proposals.

The operator considered this to be an especially important account and wanted to keep the business.

Clarion was retained to participate in preparing the RFP, evaluate proposals, advise management in the selection on an operator and draft a new contract.

BACKGROUND: In the previous year, we had performed an evaluation of the dining service with a focus on executive dining, high level catering and financial reporting. (*Case Study, Spring 2010*) The company, with 1,300 employees at its headquarters, has more than \$3 million in dining service sales, of which some 40% is executive dining and conference and event catering services.

We identified the sources of dissatisfaction with executive dining services and catering and advised both our client and the contractor on how to resolve the issues and improve the operation.

The contractor's financial statements showed it was losing money. They had agreed to share the profits with the company, but there were none to share. Our review of the statements and supporting documents showed cash sales were being mishandled. Errors in reporting made the financial results appear worse than they actually were. The operation was generating a profit.

The contractor took our advice and improved executive dining menus and services and corrected its cash management and accounting problems. Now, the challenge was to retain the account.

THE SITUATION: With the prior year's problems resolved, the contractor had some advantages. Their on-site manager was resourceful and popular with the company's management. The staff café service was better than it had been under prior operators. The contractor had been proactive in finding solutions to issues in office coffee service, including upgrading both equipment and the quality of the coffee.

THE PROCESS: We prepared the Statement of Work and new contract terms, incorporated into the company's standard RFP format. The new terms included clear definitions of the costs that could be charged to the operation and required a small percentage of revenue would be returned to the company, instead of a share of profits that may or may not exist.

The RFP also required a significant commitment to healthy meals, local sourcing and a fully sustainable operation. We also provided a detailed outline for responses so that features and offers could be compared, and specific forms for financial projections and offers.

Six companies, ranging from local to national, were invited to submit proposals. Four responded, including the incumbent and a former operator hoping for a return engagement.

We provided a detailed, side-by-side comparison of the operational and financial proposals for use by the company's selection committee.

The comparison clearly showed two proposers, the incumbent and one of the major national contractors, stood out from the rest. The major company had an imaginative approach to the operation, with a strong emphasis on quality, service and sustainability – but so did the incumbent. While the offers differed in degree, neither proposal was superior to the other.

The committee interviewed both companies and visited other operations of the outside proposer. Which one to select?

THE OUTCOME: As the old saying goes, the devil you know is better than the devil you don't. While neither proposer qualified as a devil, it became apparent to the committee that there was no gain to be had by changing contractors, and some risk in the possibility a new company wouldn't perform up to its promises, as had happened with several prior operators.

The incumbent was awarded the new contract. It was successful because it had overcome the dissatisfaction that led to our evaluation a year prior, improved its operation and mended fences.

CLARION'S ROLE: Because of our prior work with the company, we were able to provide continuity to the RFP project. Our experience in managing contractor selection processes enabled us to ensure that the company could make its selection with accurate, unbiased information and secure a contract that fully protects its interests.

Clarion's experience in competitive contractor selection processes can add value to your process, from developing the RFP through to negotiating a contract. Contact Tom Mac Dermott, 603/642-8011 • TWM@clariongp.com