

Value-added procurement

Avendra boosts casino bottom lines with volume buying power on food and supplies, and with consulting and quality assurance services

By James J. Hodl

Outsourcing some of a company's business functions as a way to maximize its efficiency while lowering costs is a practice that is gaining traction. Think APD and payroll functions, IBM and computerization or Hewitt and human resources operations. And now the ability to outsource procurement operations is being offered to service industries like lodging, golf and, most recently, gaming, by Avendra LLC, based in Rockville, Md. By using its procurement expertise, casinos can not only reduce costs through more informed and efficient purchases of needed food and supply, but also free up internal resources to focus on things of more strategic importance to the bottom line.

Joining forces

Avendra was formed in 2001 by four hotel chains (Fairmont, Hyatt, Intercontinental and Marriott) and one golf course management firm (ClubCorp USA) to provide procurement services for the hospitality operations of the founding firms and other clients. The idea was that by combining the buying power of client companies, all would benefit by securing the quality products and services they needed at below-market prices.

According to Avendra president and CEO Dennis Baker, these lower prices are secured not only through volume purchasing, but through the work of company experts who understand what constitutes quality and value in specific product areas (meat, seafood, coffee, linens, light bulbs, etc.).

In addition to procurement services, Avendra also offers many value-added services, including business consulting, quality assurance and reports providing exclusive insights on marketplace trends.

Yet Avendra, through its Avendra Services Group (ASG), can also customize the services it offers to meet the specialized needs of each client.

During 2005, Avendra's procurement services covered more than \$2

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billion in purchases made by customer businesses.

Since forming ASG in October 2004, Avendra has been offering its expertise as a procurement service provider beyond its base in lodging and golfing operations, and into cruise lines and assisted living centers. Late last year Avendra further expanded into the gaming industry, which Baker sees as an important parallel market and profit center.

"Casinos have very similar needs to lodging operations," he explained. "They require food and beverage, room supplies, furniture, fixtures and golf and grounds maintenance equipment and supplies."



Dennis Baker

Robert L. Waggoner

Avendra at a glance

Avendra LLC

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Executives:

- Dennis Baker, president and CEO
- Scott D. Hollis, senior vice president of strategic contracting
- Robert L. Waggoner, senior vice president of sales and services
- Tim Clarke, vice president of strategic markets

Employees:

230

Meeting casino needs

ASG offers casinos six service lines that can be secured on a standalone basis, or packaged with Avendra's core procurement services. These are:

Specification Development Services, which help casinos establish and evaluate the best quality products and brands for their hospitality and other operations.

Purchasing Information and Analysis uses Avendra's reporting and analytical tools to reveal spending patterns, rate supplier performance and point out incremental savings opportunities that can boost casino profitability.

Quality Assurance Audits and Services puts at a casino's disposal Avendra's experienced team of 55 procurement experts to ensure supplier qualifications and performance, audit food handling processes, and help casinos establish their own quality assurance programs.

Customer Support and Services assures casinos that they will get immediate and long-term value from suppliers through a variety of field support operations managed by Avendra.

Operational and Best Practices Consulting helps casinos enhance a broad range of operational practices from improving back-of-the-house operations to conducting studies that can

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Major business services:

Procurement services for food, beverages, room operations, engineering, golf pro shops, golf course maintenance, spa equipment and products, gift shops and retail, and replenishment services for restaurant equipment and decorative furnishings. Also provides administrative, professional and financial services to client companies.

Major customers:

Hotels, resorts, casinos, golf courses, cruise lines and assisted living centers.

Other vital statistics:

Procurement Services deals with 900 suppliers covering 2.2 million products and currently serving about 4,500 customers with \$3 billion in purchasing power.

-James J. Hodl

Delivering relief

Avendra steps up to the challenge of supplying hotel customers' needs following Hurricane Katrina

When Avendra claimed it would stand behind its customers, come hell or high water, it meant it, as its actions last September in the aftermath of Hurricane Katrina proved.

Within hours of reports that the levees in New Orleans broke, Avendra received feedback from its hotel customers in the area that emergency suppliers were urgently needed. People were stranded in hotels along the Gulf Coast. There was an influx of displaced people looking for shelter and of relief workers coming to help. But damaged roads made regular deliveries from the east impossible.

To serve its clients, Avendra immediately set up a mission control in Houston and contacted its master distributor, Glazier Foods, to secure the urgent supplies and get them shipped to the flood area on what might be dangerous terrain. By late that day Glazier sent out the first trucks stocked with canned and frozen foods, janitorial supplies, tools and paper goods. Glazier responded to the emergency by going beyond its contractual

agreement and ran double shifts for weeks to get all the emergency supplies out.

Because of the unusual circumstances caused by the flood, Avendra made additional contacts with other suppliers for items not normally carried on Glazier trucks. These included blankets, flashlights, batteries, toothbrushes, extension cords, pillows, rubber boots, ready-to-eat snacks, cleaning supplies, chafing dishes, instant coffee and bottled water.

Security was an issue once trucks got into the flood area. With reports of looting and hijacking along Glazier's route, Avendra had to arrange with the Federal Emergency Management Agency (FEMA) for clearance certificates, military escorts and armed guards. At the military's request, some shipments were made in unmarked trucks, which Avendra secured on short notice.

Despite the complexities, the supplies got through with Avendra clients. The Metairie Marriot Courtyard Inn and the Baton Rouge Marriott Hotel also doubled as satellite depots for serving more remote clients. In all, 12,000 SKUs of supplies were delivered, reported Avendra Senior Director Don Hecht. And all for no reward other than knowing it was a job well done.

—James J. Hodl

pinpoint areas where changes can yield the greatest rewards.

Custom Contracting Services can personalize procurement, either targeting specific products or services to certain casino operations, or even develop a supplier diversity program for achieving minority supplier goals.

In pursuing casino business, Avendra emphasizes its ability to react quickly to any need. As proof, the firm cites its efforts to get food and other essentials to client hotels in and around New Orleans after Hurricane Katrina last fall.

Within two days of the levees breaking, Avendra responded by setting up an emergency command center in Houston to direct food and other necessities to client hotels around the flood area where stranded guests, displaced people and an influx of relief workers were taxing regular supplies. During the next several weeks, employees working double shifts moved more than 12,000 SKUs of canned and frozen foods, janitorial supplies, back-of-house tools and paper goods into the flood areas, often with trucks moving over less than ideal roads.

Bettering the business

Another reason casinos might look to Avendra is the value-added services it offers with procurement services.

One such important service is helping maintain food safety. According to Robert L. Waggoner, senior vice president of sales and services, about 76 million Americans contract food-borne illnesses each year, nearly all of which could be

prevented if risk factors are eliminated from food distribution.

"Avendra has a large staff of food safety experts who repeatedly check up and down the supply chain to assure that everything meets all standards and regulations of the U.S. Food and Drug Administration and the restaurant industry's HACCP (Hazard Analysis Critical Control Points) program," Waggoner said. "We check the plants where foods are processed, the warehouses and refrigeration equipment where foods are stored and even the trucks and loading docks where foods are transported. The goal is to assure all points are clean and hazard free."

But Avendra doesn't stop there. As food-related illnesses can occur due to poor food handling and preparation techniques inside restaurant kitchens and buffets, the company also has a program to train kitchen staffers and food handlers in client food-and-beverage operations how to maintain food safety on premises, Waggoner noted. This ranges from proper storage to the proper cleaning of foods and tableware and the importance of hand washing.

Other value-added services include:

Menu analysis. Avendra has on staff about 50 consultants who can check out a client's restaurants and, after reaching an understanding as to what the operation is trying to accomplish, suggest substitutes in the menu that offer better quality at lower prices. Experts on food and cooking, these consultants will inspect everything served, from soup to

salad dressing, through tasting and other methods to determine what might work best in the restaurant's overall brand strategy. And they may even suggest a few new menu items, Waggoner said.

Labor cost management. Avendra consultants can examine an operation to determine how a client can get the most from its employees. This can include determining if the right people are doing the right job, if staffing levels are correct and even whether some tasks can be eliminated (by switching to pre-cut, pre-packaged foods, for example, so staffers who prepped foods by slicing can be more productive in the kitchen).

Avendra also has a Replenishment Services unit that enables clients to add or replace equipment (coffee pots, furnishings, refrigerators, ovens, etc.) quickly. Through supplier agreements, Avendra can offer clients the best price without shopping around and ship the items immediately, Baker said.

Another company service provides clients with financing to complete these purchases as soon as possible, he added.

Since expanding into the gaming industry, Avendra reports having signed 10 casinos as clients, the largest of which is the Radisson Silver Palace Resort Casino in the Bahamas.

Now Avendra is especially pursuing clients among Native American casinos, where double-digit growth has occurred during the past several years and is expected to continue into the foreseeable future, Baker said. **CJ**