

Maximizing Purchasing Power



College and university foodservice operations are always looking to get the most bang for their buck. Some schools have found success by turning to buying groups and group purchasing organizations (GPOs).

In this and upcoming issues of *On-Campus Hospitality*, we will look at a school and the GPO with which it is working.

Patti Klos, director of Dining and Business Services at Tufts University in Medford/Somerville, Mass., recently started working with group purchasing organization Avendra.

"In 2005, my purchasing manager retired, and he'd been with the department for more than 35 years," she said. "He was very effective, but in an old-school way. The industry changed around us, and we knew that we'd approach it in a different way when we replaced him."

The person they hired had experience in the hospitality industry. "He said, 'In the hotels, I have been working with this group called Avendra,'" said Klos. "We approached our university purchasing department, because the current director of our purchasing department, Diane Devlin, is very process oriented. It is not just what you pay per item, it is how you go about your procurement. We involved them in a process improvement project, which actually took quite a bit of time to develop. It resulted in an RFP [request for proposal] and a new strategic way of thinking about how we buy."

The Company

"We were founded in 2001 by five hospitality companies: Marriott, Hyatt, Intercontinental Hotels, Fairmont and Club Corp.," said Tim Clarke, vice president of Strategic Markets for the procurement services organization. "Engaging in a form of co-opetition, these five companies came together to aggregate spend across their broad property base and increase their leverage throughout the supply chain. Avendra recognized that developing a sustainable business model meant that all stakeholders in the supply chain had to benefit," Clarke continued. "Therefore, our business model was based on passing on increased efficiencies we provided to our suppliers in the form of improved overall value to our customer base. We were never in business to take our suppliers out of business; the idea is to help them take costs out of their system by

improving, among other things, predictability and production efficiencies. We then pass along these efficiencies to our customers in the form of reduced pricing, increased access to quality products and services and enhanced control and visibility throughout the supply chain."

While Avendra started with those five founder companies, the organization quickly expanded to partner with others. "The idea for us was never to stop at those five customers; it was to expand the model and accompanying value proposition. We recognized that adding new customers was critical to expanding our capabilities and increasing our value-add. By adding more customers, we could spread our fixed costs over an expanding base and look for additional ways to create value beyond our core offering of sourcing and contracting. Since our inception, we have grown our spend under contract at double-digit rates – we now have about \$3 billion in spend going through our contracts."

Supplies and Services

Avendra contracts with more than 900 suppliers for products including food and beverage, disposables and consumables, engineering supplies, light bulbs, air filters, office supplies, toners, cartridges, paper and linen.

The company is involved in more than getting optimal prices for their customers. "It doesn't stop at better prices, we bring several other value-added services to our customers," said Lindsay Hargett, manager of Market Strategy with Avendra. Maintaining a safe and secure supply chain is another focus area for Avendra. She continued, "Many of us have traditionally relied on federal, state and local authorities to assure the food supply system is safe. However, as we have experienced in the past several years, these organizations are becoming increasingly overburdened and under-resourced. Avendra has rigorous standards in place to certify all suppliers before they partner with Avendra and monitors their compliance to these standards throughout the lifetime of the relationship. Avendra also performs "meet-the-truck audits," where our Quality Assurance team meets the truck at the dock to ensure the temperature is correct, the food is properly stored and packaged and what they receive is exactly what they



ordered.”

Price auditing and customer advocacy are other components of the company’s services. “We also audit our suppliers to ensure that they are charging our customers the correct contracted price,” Hargett said. “Avendra also provides customer support in the field, online and over the phone, just to make sure that our customers are satisfied with their suppliers. And if they have an issue, our customer service department is there to escalate that issue and make sure it is taken care of. If we need to go to a higher level in the supplier organization to make sure something is done, we do that for our customers.”

While the company does not get involved in the actual purchase or setting the specifications for its customers, it does look at what they have purchased and makes suggestions to save money, including switching to a similar lower-cost product or a supplier with the same product at a lower price point.

Customers use myAvendra, the company’s online information system, to browse products and suppliers available to them. “Customers can login to myAvendra and view information that is customized to their unique relationship with Avendra. They can see which suppliers are available in their area, what those suppliers offer in terms of products and services, as well as reporting tools,” said Hargett. “We are really putting them in touch with our approved contracted suppliers so that they know who is available in their area.”

College Market

“Just like the hospitality industry, higher education has experienced increasing pressure from rising food costs, and we found several similarities between our business model and the supply chain in higher education,” said Hargett. “We felt that we could add a lot of value to their supply chain as well. We also know that colleges and universities need greater flexibility. Today, they can really only go one of two ways: 1) outsourcing their dining operation to a third party, like



Aramark or Sodexo— or 2) keeping their self-op status and continuing to manage dining operation in-house.” She continued, “Avendra provides valuable capabilities for schools that choose to remain self-operated.”

“We don’t like to call ourselves a buying group or a GPO, Clarke said, “because we offer services above and beyond getting greater leverage in the supply chain and driving better pricing and services back to our customers. For example, Avendra performs a Discovery process for many customers which involves sharing best practices and highlighting savings opportunities. In any decision to forge a long-term partnership, colleges and universities need to first understand where they could benefit from increased capabilities and how a partner could complement their existing organization — that is what the Discovery process aims to accomplish.

Tufts

Klos said that, while there have been some adjustments, the switch to using Avendra has been successful. “We are immediately seeing some benefit because we already were using our primary vendor — which is our main supplier, U.S. Foodservice — and we already had a pretty good relationship with them. Since we are spending so much more with them, we have an even better relationship with them now.”

She continued, “The process itself is starting to become streamlined and we have seen some better pricing because of it. They have very impressive standards and quality assurance specifications. My concern became not just the best price and the best method, but also having food be available and having it be safe. Knowing that the distribution system was reliable, with so many more complexities and worries now, it has been a good choice for us.”

Klos has also seen an increase in the products available. “It has been very interesting and beneficial — from both a price and a strategic standpoint,” she said. “In a prime vendor relationship, you are often looking at dry goods, refrigerated, frozen, maybe not fluid milk, but maybe some dairy. Often not fresh fish, often not fresh meat, though some places can do that. Avendra has other strategic partners that are regionally based, typically. We have a local strategic partner of Avendra that is a seafood supplier. There is a produce supplier that has wonderful relationships with a lot of the local farms in the area. Some of the products we were already using—the procurement method is slightly different because of the new partnership, but we are still getting the Hothouse Beauties from Maine that we still wanted and things like that.”

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