



Structuring Your Food & Beverage RFP to Develop the Best Solution

The Evolution of College and University Procurement

In the following whitepaper you will find ten key considerations that will help you construct an RFP to attract the best suppliers and solutions to support your dining operations.

Guidelines include:

- 1) Consider multiple perspectives
- 2) Get your data request ready for market
- 3) Rely on specifications, not brands
- 4) Identify “sacred cows”
- 5) Consider the effects of risk
- 6) Communicate priorities
- 7) Realize it’s about a lot more than price
- 8) Evaluate customer support
- 9) Set standards in terms of continuous improvement
- 10) Get all your questions answered

The college and university (C&U) marketplace is constantly evolving and opportunities to enhance in-house purchasing are becoming more necessary everyday given the complex and ever changing landscape. Consider that most educational institutions do not have the time and staff to review contracts and vendors for every single product, not to mention monitor and audit those contracts on an on-going basis. Therefore, it is beneficial to evaluate, and potentially take advantage of, new and different solutions available in the marketplace.

Today, many educational institutions are reworking RFPs to enable third-party organizations like supply chain management companies, procurement consultants and group purchasing organizations, to compete. The appeal of a third-party? These organizations provide the ability to leverage larger volumes of spend and reduce costs, ensure product quality, streamline processes and enhance purchasing capabilities.

Professional organizations that provide procurement services come in many shapes and sizes and offer a variety of services. For the educational marketplace, two of the most prevalent are defined here.

- A **Group Purchasing Organization (GPO)** is an entity created primarily to leverage the purchasing power of a group of businesses to obtain vendor discounts based on the collective buying power of the GPO members. Many began in the healthcare industry and offer a wide range of contracts for everything from equipment to food and beverage items.
- A **Procurement Service Provider (PSP)** is a third-party organization or consultant used to enhance internal procurement departments. PSPs are also called **supply chain management companies**, and in addition to providing greater leverage and buying power, can also provide a wide range of services. These services can include strategic planning, implementation of best practices, supplier rationalization, supplier collaboration, strategic sourcing and quality assurance for customers.

The time and cost benefits of using these organizations can be very significant and are worth considering. However, the decision to incorporate a third-party (a company outside of your institution and the supplier) into food and beverage procurement requires a different sort of RFP and RFP process. Here are a few best practices to help improve the timeliness, clarity and logistics of evaluating the different purchasing and sourcing solutions available.

Things to keep in mind when changing the purchasing paradigm:

1. **Consider multiple perspectives.** Many of the procurement practices used by educational institutions in the past are not geared for today's complex purchasing environment. Developing a new procurement strategy offers you a prime opportunity to assemble a cross-functional team to identify business problems that can be fixed, improvements that can be made, and goals the new process should achieve.



In most cases, representatives from purchasing, student life, dining services, finance and other auxiliary departments have a stake in the process. Their input and buy-in will be invaluable, so consider getting representatives from different departments involved early. They can help set goals, evaluate the responses and weigh in on the final decision.

Questions to consider:

- Whose buy-in is critical to the success of this initiative?
- Who will be involved in the implementation process?
- Who can you involve to help keep the student's best interests in mind?

2. Get your data request ready for market. In most cases, there is a pricing component or "market basket" included in the RFP. Gaining access to favorable pricing that impacts your P&L is often the driving force for involving a third-party.

Issues to Consider:

- a) Begin by compiling a representative sample of items that includes typical purchases with major cost implications. Weed out items that are not routine and will not greatly impact overall costs. A descending dollar report, that takes price and usage into account, will help prioritize items that have the most impact on your bottom line. If you do not have this data readily available, ask your master food/broadline distributor and other key distributors to provide it to you.
- b) Finally, provide your data in a cross-platform, user-friendly format that can be easily adapted, such as MS Excel or CSV, as opposed to a PDF document that cannot be appended, sorted, uploaded, etc. This helps respondents avoid errors when retyping and reformatting the data and speeds up the response process.

Questions to Consider:

- When you take price and usage into account what % of total spend does your sample market basket represent?
- Is the market basket data going to be provided in a user friendly format to maximize efficiency and accuracy?



3. Rely on specifications, not brands. You may be able to realize tremendous savings by evaluating alternatives to current brands you are using. Most GPOs and PSPs create value by contracting with one or two key suppliers for a specific category, thus driving efficiencies for the supplier and creating favorable pricing for the end customer. But a word of warning, be sure there is someone on board, either in your organization or with the third-party provider, who knows the specifications well enough to identify products that will yield significant price savings without compromising quality or customer satisfaction.

- Questions to consider:**
- What are the key specifications that need to be met?
 - Who has the expertise to determine which specifications are most critical?

4. Identify “sacred cows.” C&Us often have long-standing relationships with manufacturers or brands that they want to maintain. In other cases, there are brand names that C&U purchasers know their customers (the students) appreciate and value. Early in the process, it is important to highlight these favorite brands and discuss if any deviations will be allowed. Communicating this simply and clearly in your RFP will improve the quality of the responses and cut down on second-round negotiations.

- Questions to consider:**
- What is it about these suppliers that makes them so invaluable?
 - What would an alternate supplier need to provide to get you to consider switching?



5. Consider the effects of risk. Many C&Us require a multi-year fixed price commitment from their suppliers (e.g. lock the price of bacon per pound over three years). While this contracting strategy provides security for internal budgeting purposes, it often leads to higher pricing over the term of the contract, especially in highly turbulent commodity markets, as suppliers seek to hedge against uncertainty. Agreements that allow both parties to share some of the risk will likely produce significant cost savings.

- Question to consider:**
- Does your institution have the ability to consider various pricing strategies (e.g. formula-based, fixed price, fee, etc.)?

6. Communicate priorities. Most C&Us have a list of mandated or institutional priorities in their procurement practices. Sustainability, for example, is a top concern for many procurement programs, as is buying locally, use of minority/diversity vendors, and strict food safety practices. In your RFP, it is important to highlight each and every priority, challenging the respondents to detail how these needs will be addressed.

- Questions to consider:**
- Does the GPO or PSP have existing programs/systems to make it easier for you to meet your objectives?
 - Do you have reporting solutions in place to help you monitor and track success in these areas? If not, ask for these services in your RFP.

7. Realize it's about a lot more than price. Beyond reducing food costs, the value of a having a third-party involved in your supply chain and procurement strategy comes from the additional services they may be able to provide. Think about including benefits in your RFP that take advantage of services such as quality assurance, price audit capabilities and indemnification. Some providers use methodologies from the past; others offer innovative ways of capturing and analyzing quality data that will minimize your risk and improve consistency and reliability across the board.

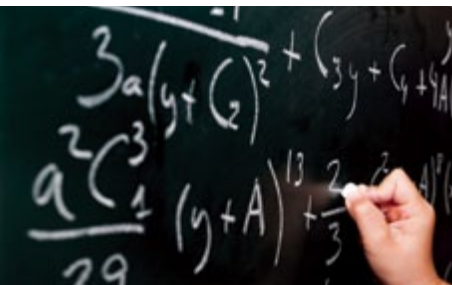
Questions to consider:

- How often does the provider conduct quality, safety and price audits?
- How do they review and present new products?
- Do they conduct product cuttings?

8. Evaluate customer support. The RFP process is truly just the beginning of your relationship with a third-party procurement provider. Be sure to ask for details on the types of support that will be provided before, during and after the RFP process.

Questions to consider:

- How will your account be implemented?
- What training will be provided to your team?
- How are issues resolved?
- Is there a call center?
- Is there a locally-based customer support person?



9. Set standards in terms of continuous improvement. The gains you make by hiring a PSP or GPO should constitute a baseline. The technology and business processes they bring to the table should be designed to help you gain more control and accountability as the relationship progresses. In your RFP, ask about measurement systems in place, about the frequency and detail contained in financial and other reporting mechanisms, and about communication tools.

Questions to consider:

- What will your baseline standards be?
- How will you monitor progress?

10. Get all your questions answered. In responses to the RFP, you might find that multiple solutions fit your needs, or that several vendors are proposing different implementation scenarios. It is important to compare the responses on an apples-to-apples basis and to again utilize the cross-functional team to analyze the benefits of the alternative proposals. Don't hesitate to ask for a second round of presentations or site-visits to address your concerns.

Questions to consider:

- Have you left enough time in the process to circle-back with respondents for presentations, further negotiations, etc?
- Will you pre-screen potential providers or ask the best to give a formal presentation?



Finding a procurement partner

The decision to work with a third-party organization is indeed a big decision. On a day-to-day basis, it represents quite a change as one relationship takes the place of many. It stands to reason that the more prepared you are going in, the more streamlined the process, the more contingencies are provided for, the more satisfied you will be with the decision.

Hiring a third-party procurement provider also reflects a recognition that an institution is moving away from transactional purchasing and developing a more time and cost efficient strategy to approach the entire supply chain process. In essence, you are replacing a vendor relationship with a partner relationship, in which this new procurement provider works as an advocate and a reliable resource.

Structuring your RFP is the first step in determining your future relationship. By carefully thinking through and communicating your needs, you increase your chances of realizing the multiple advantages -- in time, cost and quality -- that third-party purchasing organizations have to offer.



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