

The Strategic
Value of Onsite
Foodservice:

**An Industry Perspective
2003**



SOCIETY FOR FOODSERVICE MANAGEMENT

The Strategic Value of Onsite Foodservice: An Industry Perspective



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Based on information presented at the SFM National Conference 2002 in San Antonio, the SFM Critical Issues Conference 2003 in New York City, one-on-one interviews and research.

Included in "The Strategic Value of Onsite Foodservice: An Industry Perspective"

- SFM's Position Statement
- The Premise, including background information about the state of the economy and other factors influencing businesses and institutions
- The current situation of onsite foodservice
- Concerns and calls to action
- Supporting evidence
- Challenges faced by SFM members to obtain widespread, ongoing support for onsite, and successful tactics used in the field to convince various constituencies that onsite foodservice contributes positively to improving productivity and building an admired corporate culture
- What the future has in store
- Summary
- Also included are "The Top 10 Reasons to Have Onsite Foodservice," "Challenges to Communicating About Onsite Foodservice with Corporate Executives," and "Action Steps to Consider"

Position Statement

Onsite foodservice is of essential strategic value to businesses and institutions today. The Society for Foodservice Management (SFM) maintains that by working together, all persons who are directly and indirectly involved in onsite foodservice at businesses and institutions can help bring about a positive perception of this segment of the foodservice industry.

The Premise

SFM members have many opportunities not only to convince various constituencies of the enormous value of onsite foodservice but, also, to help define the criteria by which strategic value is defined, measured and perceived.

As stated in the "Position Statement," SFM members maintain that onsite foodservice is of essential strategic value to businesses and institutions today. Cafes, kiosks and carts, coffee shops, convenience stores and catering programs in thousands of American workplaces have been instrumental in contributing to increased productivity and the development of admired corporate cultures.

Though members of SFM and many of its allied organizations recognize the enormous benefits that foodservice can bring to a workplace environment, their convictions alone are not sufficient to ensure the continued success and eventual growth of onsite programs. Rather, CEOs, boards of directors, employee- and visitor-customers, and foodservice employees must understand and also believe in the strategic value of their foodservices. They must develop a positive perception of onsite foodservice in regards to its role in improving productivity and developing an admired corporate culture. SFM members can influence this perception.

Given the enormous changes in the workplace that have taken place since September 11, 2001, as well as pressure placed on corporate executives to improve financial performance, opportunities to influence the perception of onsite foodservice may be met with resistance. This major financial obstacle is but one hurdle that must be overcome in order for the strategic value of onsite foodservice to be fully recognized.

See "SFM's Response," citing topics and speakers at the National Conference 2002 and the Critical Issues Conference 2003, page 15.

The Situation

Across America, businesses and institutions face trying economic times. Whether situated in urban or rural settings, they must contend with a shaky economic forecast, a declining U.S. dollar in the international market and a volatile – if not fickle – Wall Street that is trying to recover from multi-trillion-dollar financial scandals.

In an article written for The New York Times “Week in Review” section, June 15, 2003, reporter David Leonhardt described today’s economic climate: “With its combination of slow growth, rising unemployment and falling wages, today’s economy has escaped definition. One commentator has called it the ‘new stagnation,’ a play on the new economy; another prefers ‘the job-loss recovery,’ to signal that it is worse than the jobless one of the early ‘90s.

“But perhaps the best way to think of the current situation, with its contradictory indicators, is as the darker version of the ‘Goldilocks economy’ of the late ‘90s, a term that was used then to denote a just-right balance of growth – hot enough to bring prosperity but cold enough to keep inflation down. In today’s version, by contrast, the economy seems like a lukewarm bowl of mush.”

In this economy, companies may need to restructure, re-engineer and reassess their staffing, research and development investments, marketing and training. They may also have to consider the “devaluation” of employee services, such as medical benefits, vacations, pensions, free parking, subsidized foodservices, and so forth. For many companies, “devaluation” represents a significant change in the corporate culture, which has offered generous benefits since the end of World War II.

Onsite foodservice doesn’t become high on the devalued radar screen until: 1) a company undergoes massive layoffs or expansion following a merger or acquisition; 2) the company’s expenses must be trimmed or, more extreme, slashed; 3) a problem occurs, such as a foodborne illness outbreak or an employee strike; or, 4) a disaster, such as the terrorist attacks on 9/11. But when foodservice does appear on the to-do priority list, its very existence may well be questioned, if not threatened.

The current situation in which onsite foodservice finds itself and the challenge this presents was described by Ron Ehrhardt, director of foodservice for Prudential Financial in Newark, N.J., and the 2003-2004 SFM president, at SFM’s National Conference 2002. Highlights of his presentation appear on this page.

Concerns & Calls to Action

No doubt there are many successful onsite foodservice programs in America today. However, the volatile economic climate places the growth of onsite foodservice in jeopardy.

The Current Situation

In today’s economy, more companies are streamlining their expenses and foodservice is, more than ever, a bonafide target on the radarscope. This phenomenon is an overall swing of the proverbial pendulum, and we all know that it is a 180-degree turn to the downside. Now, let’s face the facts.

There are fewer and fewer client liaison positions available. If this is not a true barometer of the state of onsite foodservice, nothing is. The client liaisons are the true defenders of onsite foodservices. They not only administer contracts, but are also the ‘links’ between companies and their foodservice providers. This is true not only in businesses and industries, but also in colleges and universities, as well as healthcare.

As time goes by in a slow economy, another by-product is a greater number of subsidized accounts changing to profit and loss. Five years ago, the approximate ratio was 60 percent subsidized accounts versus 40 percent profit and loss. Today, we can estimate that there are only approximately 20 percent of accounts that are still subsidized. (This may fluctuate due to changes in the current economic downturn.) Out of these remaining accounts, the average subsidy has been cut in half over the past five years. It doesn’t take a mathematician to determine the trend towards elimination of subsidies. When this occurs, prices for food may be higher and the variety of stations and food choices offered may be fewer.

Food program reductions trickle down and affect every aspect of our industry. So, it is not only the liaisons and contractors that have to be concerned, but also food consultants, equipment manufacturers and food suppliers who are all directly affected. Lower participation in onsite food facilities equates to fewer food purchases from suppliers, staffing cuts and reduced fees for contract companies.

When corporations do not fully understand the strategic value of onsite foodservice, they are less inclined to plan new facilities or even conduct necessary renovations. This directly correlates to fewer smallwares and equipment purchases from manufacturers and a reduction in purchases of foodservice design and consulting services.

Everyone in the ‘economic food chain’ suffers, as well as our customers, who are the direct recipients of the reductions. They pay more for less variety of offerings with condensed hours of operation. This leads to decreased customer satisfaction and diminished employee morale. This is where the real loss occurs, and it is hard to attach a price tag to this loss. But we must find a way to do so.

Another warning and call for action was issued by Christopher Brady, FCSI, president and CEO, Romano Gatland, a foodservice consulting firm with offices worldwide, at the Critical Issues Conference 2003. "When decision makers and individuals we feed and cater to don't have a commitment to onsite foodservice, they don't value it," he stated. "They see onsite foodservice as a disposable breadth of services that can come and go at any time, at any budget whim, at any economic hiccup or downturn."

The lack of commitment, Brady pointed out, is a paradox in light of interest among professionals and laypersons in the foodservice industry and culinary arts. "While consumers have enjoyed the fruits of various foodservice industry segments, we as an industry have become less and less important to the individuals we support and cater to.

"And why are we having such a tough time convincing individuals in our market segment that we are of value?" Brady asked. "The reason is, we're not telling them, and when we tell them, we're not doing a good job at it. As an industry segment, we aren't doing our job as ambassadors to the industry, convincing the market we serve that we are crucial to their ability to perform."

Supporting Evidence

Unfortunately, the threat to the continued growth of onsite foodservice as described by Ehrhardt and Brady is not exaggerated. At SFM's National Conference 2002, James Miller, vice president, Business Services, ARAMARK, Oakbrook Terrace, Ill., told attendees about a cutback made to onsite foodservices by a major financial institution. The corporate client had two onsite foodservice facilities in separate buildings in a downtown urban setting. "The client elected to eliminate all of its onsite foodservices with the exception of vending/coffee services," he commented. "The cost of maintaining square footage for onsite foodservice was too high given the easy access to the restaurants and fast food in the immediate area with inside access." Catering was outsourced, Miller added.

The Challenges

- 1) Finding a better way to communicate the value of foodservice to customers, clients and employees, and to reinforce that value perception not at year's end, but rather day-to-day.
- 2) Communicating value must involve identifying the "numbers,"

including subsidies and/or arrangements such as profit and loss.

- 3) Demonstrating how foodservice contributes to productivity and lifestyle, and identifying the ultimate drivers for businesses and institutions.
- 4) Showing how onsite foodservice can assist in employee recruitment and retention.
- 5) Educating and marketing to executives.
- 6) Building tools and resources for SFM and allied association members to use in their workplaces, so they can answer the question, "What is onsite foodservice worth?"

1 Finding a better way to communicate the value of foodservice to customers, clients and employees, and to reinforce that value perception not at year's end, but rather day-to-day.

John Lawn, editor-in-chief of Food Management magazine, Cleveland, moderated a panel at the Critical Issues Conference 2003 titled "Value of Onsite Foodservice: Onsite Industry Perspectives." According to Lawn, among the challenges facing SFM members, is finding a better way to communicate the value of foodservice to customers, clients and employees, and to reinforce that value perception not at year's end, but rather day-to-day.

When asked by Lawn what the biggest hurdle is in communicating this value, William (Will) Chizmar, executive vice president, Eures Dining Services, Bethlehem, Pa., said, "In my opinion, there are no obstacles for communicating. But communication is hard work. It must take place at every level in an organization. We, as foodservice providers, must communicate with our clients and arm them with the tools they need to go forward into board rooms where decisions are made about whether foodservice is valuable and should or should not be kept. Barriers to communication are in our heads. We as a group need to agree that communication is something we are going to tackle together. Then, it is up to each of us to decide how to disseminate that information."

Emphasizing the need for discipline in placing number values to services, Mark Toomey, division vice president, Corporate Services, Sodexo USA, Lexington, Mass., recalled a situation in which Sodexo was re-bidding an account. The client liaison had been taken out of the process, which was led by the global purchasing department. "Global purchasing had little or no communication with the client as to where they were in the process," Toomey recalled. "Global purchasing put out an RFP and solicited three bids. We had the account for a number of years. However, the other companies looked as if they were less expensive than we were. The reason was, we were performing services that were outside the specs of the RFP. Because the client hadn't been involved, he didn't know that the specs didn't include all the services we were providing. Only after we were under 'threat'

did we put a dollar value to all the services, which made the bids more competitive. The client then realized that the services would either have to be provided by another company or the competitors would have to increase their bids. We did a good job of saving the business, but we needed to be disciplined.”

Andrew Main, president, Business Services, ARAMARK Corporation, Philadelphia, related an incident in which ARAMARK had to find a way to demonstrate the value it could bring to a client with an in-house branded coffee concept. ARAMARK had proposed installing its branded coffee concept into the client’s premises. The proposal wasn’t receiving acceptance. Meanwhile, the client was having “challenges” with ARAMARK’s ability to provide food and services for the many “spontaneous” meetings employees were having as they stepped away from their normal work stations to try and solve business issues as they encountered them. Employees were migrating toward the dining room, where they could get beverages and snacks from vending machines in off-lunch hours. “We invested in building a branded coffee concept in the dining room,” Main explained.

“As a result,” he continued, “the dining room was changed from a place of last resort for holding these spontaneous meetings to a place where people sought to have their meetings. By doing this, we were able to turn around something the client was indifferent about at first and bring it forward so it aligned with one of their overall business objectives. This objective was to get people meeting over a cup of coffee or a meal, so interactions would become more meaningful.”

When asked how not to seem self-serving when communicating with clients about the value of onsite foodservice, Mark Toomey advised, “You have to make sure all the key players sit down and are on the same page in terms of what we agreed on and what the expectations are going to be. Even if you’ve been through a bid process and you’re working with a new client, make absolutely sure everyone understands the expectations and how your pricing has been established and the services you are going to provide.” Then, if a change must be made, he said, negotiation is not adversarial, and services and costs can be discussed without a great deal of conflict.

At a Eurest account, the CEO was looking for large dollar savings. Layoffs were made, wages were cut and salary increases deferred. In addition, the company wanted to close the foodservice operation. “The company wasn’t even going to provide vending,” explained Will Chizmar of Eurest. “Because Eurest’s corporate culture says that losing any account is unacceptable – at Compass, you’d rather get a root canal than lose a contract – we had to find a way to convince the CEO to keep the foodservice open. We made adjustments by lowering some costs and helped the client use the dining room as a place in which to show employees who remained in the company that they were appreciated. Complimentary lunches and dinners were held, in addition to keeping the foodservice open. We demonstrated value and convinced people to change a business decision. With the liaison’s permission, we went directly to the CEO and convinced him of the value of onsite

foodservices for his company.”

When working in a partnership with a client, Chizmar advised, “We have to remain flexible. This is their foodservice, it’s not about what we want. In reality, we’re guests in someone else’s house. If we get too carried away with insisting on our programs, our merchandising, our look and so forth, we can miss the boat entirely. This disconnect leads to hard feelings, and sometimes you can’t recover from that.”

2 Communicating value must involve identifying the “numbers,” including subsidies and/or arrangements such as profit and loss.

At the Critical Issues Conference 2003, when corporate executives were asked by Karen Weisberg, senior editor, FoodService Director magazine, New York City, how they approach their bosses about onsite foodservice, they agreed with Charles (Charlie) Stock, vice president, Dining Services, JPMorgan Chase, Jersey City, N.J., who said, “It’s about the numbers. Everyone wants to know about numbers in these economic times. Everyone has a budget and guidelines.” However, they also agreed that dining

The Top 10 Reasons to Have Onsite Foodservice

- 1) Employee Benefit
Highly visible and inexpensive.
- 2) Increased Productivity
Employees take less time, hold meetings and exchange ideas during onsite meals.
- 3) Employee Recruitment & Retention
Quality foodservice helps to capture and retain employees.
- 4) Security
Provides a safer and more secure work environment than outside eateries.
- 5) Enhanced Camaraderie & Morale
Provides a place to socialize at reasonable cost to the company.
- 6) Flexible to Business Environments
Costs can be adjusted to changing business environments.
- 7) Employees Save Money
Offers employees a wider variety of food at a better value than outside competition.
- 8) Multi-Functional Space
The food facility serves as a communications center for various corporate activities.
- 9) Employee Health & Well-Being
Promotes a relaxing environment with healthy food choices, which can lower healthcare costs and lost time.
- 10) Drive and Measure Culture Shifts
Can be used to drive, communicate and measure culture shifts within the corporation.

Source: SFM Critical Issues Conference 2003

programs are about much more than just numbers (see “It’s Not Just About the Numbers,” page 9).

Also speaking at the April Critical Issues Conference 2003, Jay Silverstein, SFM’s 2002-2003 president and vice president, Corporate Services, Credit Suisse First Boston, New York City, offered perspective about subsidies. “When corporations provided free meals years ago, this was considered to be a huge benefit. The motivation to provide free meals was to keep employees well fed while they worked. The bottom line: a payback to the employer. As corporate America grew, free meals decreased as did the days of 100 percent subsidies. In the early ‘70s and ‘80s, corporations changed their dining facilities from stain-less-steel palaces to high-style, glass-brass, restaurant-style establishments. This was possible through the help of people in our industry who demonstrated, educated and provided their corporations with information about the value of onsite foodservice.”

In today’s environment, however, as Charles Stock of JPMorgan Chase stated, “We see ‘corporate Alzheimer’s.’ People look at today’s business and forget the decisions that were made three years prior. They forget why subsidies came about. For example, maybe a committee made the decision to retain employees. Corporate memories are short. As business dwindles and changes, it’s a challenge to remind everyone why we need onsite foodservice.”

Companies often define foodservice subsidies differently. Noted Amy Greenberg, senior vice president General Services, Citigroup Global Transaction Services, New York City, “Currently, most foodservice operations are on P&Ls. So, subsidies are generally in the form of support for facilities and utilities, as well as a liaison’s time. In order to justify support, you must figure out the exact cost of ‘space rental,’ the cost to convert the dining space for other usage, including removing equipment, the estimated return on investment from the conversion, and so forth.”

Some subsidies include all costs allocated to foodservices, including utilities. Others, such as JPMorgan Chase, according to Charles Stock, define foodservice subsidy not as an operating loss or employee benefit, but rather as a “net sales shortfall.” “Subsidy is a misused word,” he said. “Even if you’re on a P&L, you subsidize foodservice, because the firm pays the rent, occupancy and so forth. We don’t use the word subsidy any longer. We refer to ‘net sales shortfall.’ We do not intentionally charge lower prices as a benefit to employees. However, our operations operate at a loss if you add them up, but it’s an operating loss, not an intentional benefit to employees. We price everything at market, so we don’t intentionally subsidize.”

According to Dean Weinberg, senior vice president, head of General Services, Bank One, Chicago, “Every foodservice I’ve ever seen is subsidized to some extent. The company usually pays for at least the heating and lights. Some of our operations are subsidized beyond that because they employ relatively low-income earning employees. There is

no way, based on the number of people in the building and volume we move through the building, that we could make money on foodservice. In the past three years, we’ve been able to knock three-quarters of our subsidy out. We have better running operations and better quality food. Yes, the meals cost a little more, but they are still 70 percent to 90 percent of the cost on the street. If we can provide that level of quality at the right price, I’m willing to have the subsidy with respect to the fixed costs.”

At Putnam Investments, Kevin Lemire, senior vice president, General Services, Norwood, Mass., noted, “We offer incentives to our foodservice providers to reduce subsidies. Financial incentives are very helpful.”

Whichever terminology is used or whichever approach is taken, as Dean Weinberg of Bank One explained, “The game is about solving issues to drive sales up. You can’t minimize your costs or maximize your profits without driving sales up. We have to work as a team with our foodservice providers so they know what is expected of them... We expect our foodservice provider and other suppliers to act in their own best interest and in our best interest. We have a quarterly and semi-annual review, but the relationship is a day-to-day- interaction and discussion.”

Added Charles Stock of JPMorgan Chase, “The challenge is based on the financials, but the opportunity is where foodservice providers can have some fun, and make food a marketing tool and compete with outside retail establishments and private businesses.”

A) It’s Not Just About the Numbers

Though focusing on numbers to define the value of onsite foodservice is more important than ever in today’s economic environment, many other factors are taken into consideration, as well. At JPMorgan Chase, explained Charles Stock, “Everyone wants to know about numbers in these economic times. Everyone has a budget and guidelines for cost expenditures. But, surveys are also big for us; we want to take the pulse of the people. We’re starting to use these more and more to judge our success and how we are perceived.”

Stock added that the value of onsite foodservice is particularly evident during crises and emergencies. “For example, in the Northeast, during the 9/11 crisis and the recent blackout, everyone in foodservice stepped up to the plate and

turned the cafeterias into a common area that provided food, shelter and information to our employees. In fact, during the blackout in August, cafeterias were a hub of activity, providing not only food, but also cots and blankets so people could rest or sleep until they could get home safely. During these times, management certainly sees the value of our services.”

Dean Weinberg of Bank One also focuses on the numbers but emphasized that operations require his focus, as well. “I want to make sure foodservice is run as a business, so there must be a focus on the numbers,” he said. “But, if you don’t have the right operation, the right product and the right arena, then the numbers don’t come, and you’re fighting a losing battle. We focus on all these areas equally.”

B) Utilizing Benchmarking As a Tool

Benchmarking is another valuable tool that helps define the value of onsite foodservice. Benchmarking has become an increasingly popular tool in which to compare a variety of services, prices and costs among benchmarking program participants. At Citigroup in New York City, for example, where a contract company manages the cafes on a P&L, Amy Greenberg said she uses the data to determine which services Citigroup competitors are offering. If the services offered seem to give the companies an “edge,” Greenberg conducts an analysis to determine if they should be offered at Citigroup.

The most recent “2003 Industry Standards & Benchmark Comparisons Report” was distributed to all SFM members and is available from the SFM office.

3 Demonstrating how foodservice contributes to productivity and lifestyle, and identifying the ultimate drivers (for businesses and institutions).

“We must show clients how onsite foodservice fits in with their overall business objectives,” remarked Andrew Main of ARAMARK. “Our biggest challenge is demonstrating how foodservice contributes to productivity and lifestyle and whatever are the ultimate drivers for our clients.”

In addition to facing a challenge to communicate, according to Mark Toomey of Sodexo USA, education and discipline are also important. “First, we have to find out how a client’s organization measures productivity and satisfaction, or whatever is important to them,” he said. “Then, we have to educate the liaison about how we are meeting those objectives. The numbers and statistics, if we can get them, give credibility to our positions. Measuring the impact and outcomes of productivity and subsidies, as well as communicating them, requires

discipline.”

“We know that if people stay onsite, they save the time they’d spend leaving the building,” noted Dean Weinberg of Bank One. “Second, a cafe is a productivity tool because people who are eating together are communicating together and are building a relationship and a bond. But, we don’t put a specific number on how onsite foodservice enhances productivity, because we’d spend too much time justifying that number.”

Kevin Lemire of Putnam Investments, Norwood, Mass., agreed, saying he doesn’t look to quantify productivity. “If you have an onsite service, employees don’t have to leave the building. They have 45 minutes for lunch. If you take 15 minutes to get out of the building, travel 15 minutes both ways, you don’t have much time to eat. Though the days of clock-punching are long over, time is lost when employees leave the premises. In addition, we have large volume days in the stock market and don’t want employees to leave. We encourage them to bring a box lunch to their desks. You don’t want 500 employees going out of the door and losing an hour of their time.”

A) Identifying Drivers: Cultural Contributions

“Never a month goes past in which we are not discussing with at least one of our clients how to reconfigure services, because of downsizing on their premises,” said Andrew Main of ARAMARK. “There are two things to consider. First is the need to take a long-term, rather than a knee-jerk, view of what is being asked for. We have to take a step back and approach the situation collaboratively and try to envision what the foodservice will look like in two to three years. This way, we won’t damage the relationship or the physical service in the short term.”

Second, Main said, the “steal back” approach is not necessarily the best tactic; in other words, going from five to three stations when a cutback is needed may be the entirely wrong approach. “Maybe, if a company must downsize from 1,200 to 500, there’s a need to go back to principles and start to build something from scratch,” he noted. “Stealing back from the original position will never get you to a win-win situation with clients or their employees. That’s where our knowledge and experience of the customer base in terms of which systems and programs from other parts of our business might be brought to bear.”

Most important, he said, “Our company must understand what drives an organization and what is important to its culture. Only then can we start to distill down the key measurements that are important to the organization. For example, the key drivers for companies in the oil and gas industries are health and safety. It’s only through understanding this that we can aim to get aligned and demonstrate that we are contributing to the reinforcement of this culture.”

Mark Toomey of Sodexo USA also emphasized that each business and institution has its own priorities, which influence onsite foodservice. At a high-tech firm in the West, which had to undergo severe downsizing and where salaries were frozen for years, Toomey recalled, “They wouldn’t touch their beverage program because

this is very important to the corporate culture.”

At the Harvard Business School, reported Robert (Bob) Breslow, director of Administrative Services, Boston, the onsite foodservice program is designed to complement and enhance the mission of and the learning experience at HBS. “Food is a major influence on the quality of our environment,” he stated at National Conference

2002. “Food also has a major influence on the experience for executive education participants. Food provides the dean with a warm family environment, helping to set the tone when sharing the school’s most recent work and direction with VIP members of the HBS family, including major donors and alumni. Food assists in recognizing special accomplishments by community members. Food helps alumni socialize with classmates during reunions and times of reflection on shared experiences. Food benefits employees with a high quality work environment and enhances the effectiveness of meetings.”

B) Involvement By CEOs & Top Executives

Advises Will Chizmar of Eurest, SFM members need to create opportunities for senior executives to use foodservice to create a positive corporate culture. CEOs can – and have – played an important role in using the dining rooms as a place to reinforce core values within an organization. “When dining services is considered to be part of the culture, rather than a cost item, it becomes a highly valued benefit. Chizmar offered the example of Arthur Blank, founder and long-time CEO of Home Depot. “When he was in the building, he would come to the cafeteria for lunch,” said Chizmar. “Often, he’d bring his wife and children. When he was alone, he’d sit down and eat with employees, who loved this. Arthur understood that by being in the cafeteria and being part of the people, he helped create a culture of family within that organization. Employees would go through walls for Arthur Blank. Because of that, he created a culture and moved his company forward.”

When senior managers at all levels of the organization eat in the dining rooms regularly, agreed Mark Toomey of Sodexo USA, “There is less difficulty for us to communicate the value to the organization because the senior managers see it on a daily basis. One of our clients in the Midwest operates a factory where senior management eats in the dining room with all the employees, and it is much easier for us to communicate the value of onsite foodservice.”

Another company that understands the value of foodservice as a place to encourage interaction among employees is Conde Nast, located in Times Square in New York City. The company’s CEO allocated millions of dollars to renovate the onsite foodservice to give employees and visitors a comfortable environment in which to relax from their demanding publishing jobs. He wanted employees also to communicate with colleagues from other departments.

Yet another corporation whose CEO is intimately involved in onsite foodservice is the Mattel Company. In a Harvard Business Review November 2001 article titled “Where Leadership Starts,” CEO of Mattel, Robert A. Eckert,

describes how he came to realize the value of the employee dining room as a central meeting place for formal and informal meetings. The CEO frequents the employee cafeteria often and speaks about the positive aspects of breaking down barriers between managers and their subordinates. In addition, Eckert came to believe the employee cafeteria is a “great place to test new ideas with employees.” (The article can be obtained by calling 1 (800) 988-0886

and requesting a reprint, or by ordering online at www.harvardbusinessonline.org. The document number is R0110B.)

4 Showing how onsite foodservice can assist in employee recruitment and retention.

According to Charles Stock of JPMorgan Chase, “We have a variety of businesses across the U.S., including call centers and others in urban and suburban locations. Some lines of business use food as an amenity, particularly when hiring times are tough. They use the cafeteria and other services as a selling point to attract new employees. When you’re competing dollar-for-dollar for wages and you’re trying to get the best people at the lowest wage, the value of onsite foodservice is used as a hiring tool to get the best candidates possible.”

At Putnam Investments, said Kevin Lemire, “We use onsite foodservice as a benefit for people when they come in and also after they come in. The benefit is not just the food offered; we also offer other services, such as dry cleaning and drop-off services for film. Giving these benefits to employees makes it easier for them to do what they need to do while they are at work. This is a benefit and enhances how we’re able to get production from employees, while making their lives simpler.”

Added Dean Weinberg of Bank One, “Onsite foodservice is a benefit and perk for employees, but the emphasis is on the importance of the facility itself. If you provide the right level of service and the right quality of food at a reasonable price, it fits into the landscape. As long as there aren’t too many complaints, it works.”

5 Educating and marketing to executives.

At Motorola, Inc., Carol Bracken-Tilley, manager of Hospitality Services in Schaumburg, Ill., and her team developed an information exchange presentation, which is conducted annually or whenever a change of client is involved at the company. “Our objective is never to let onsite foodservice hit the radar screen during cost-cutting decisions,” explained Bracken-Tilley. “If we, as operators, educate and inform our executives about the value of onsite foodservice, they’ll make educated and informed decisions. We are responsible for bringing the intangibles of foodservice to our executives, so they won’t look at our services strictly from a numbers standpoint.”

Presentation formats should not exceed 15 minutes. At the end of presentations, discussions should be held to ascertain which

other key players in the organization might benefit from this (or modified) information.

Key points in the presentation include the following:

- History (tenure of foodservice provider and changes made in the past 10 years);
- Overview of present operations, including numbers of operations, overall sales, customer counts, and so forth;
- Overview of the contract, including terms, client and vendor responsibilities, incentive payments and a general framework of a subsidy versus P&L;
- Foodservice performance measurement parameters, including Key Performance Indicators (KPIs) built into the contract or others that both parties have agreed to measure;
- Liaison responsibility (if applicable), which may include overview of role, financial analyses, monitoring KPIs, providing renovation assistance, monitoring terms and conditions, and so forth; and
- Foodservice provider background, such as company size and global scope, mission statement and core business philosophy.

Ongoing client dialogues, concluded Bracken-Tilley, may include KPIs on graphs to show trends compared to SFM's annual benchmarking study or the foodservice industry; accomplishments such as new program rollouts and changes implemented that have affected the KPIs; challenges and the politically correct way to explain obstacles; and future trends in menus and service.

Another poignant case study, which illustrates how the café, catering and executive dining operations have been valued and justified, was presented by William (Bill) Adams, vice president, Bear Stearns & Co. Inc., New York City, at the National Conference 2002. (See "Value & Justification," page 12.)

Yet another case study was presented at the National Conference 2002 by Tom Newcomb, president, Corporate Dining, Inc., Chagrin Falls, Ohio. He detailed how an insurance company with 22 national dining centers planned to provide a quality dining experience to its employees even though it was going to decrease to only eight key call centers within five years. (See "Long Range View – A Best Value Solution Case Study," page 13).

Challenges to Communicating About Onsite Foodservice with Corporate Executives

- Proving value in foodservice metrics, terms that a CEO or board of directors can evaluate.
- Finding time, interest and funding to do studies that will justify the value of onsite foodservice.
- Justifying the continuation of subsidies (where they still exist) or programs that will offer employees value

and variety.

- Discovering that foodservice professionals are being left out of the decision-making process.
- Competing against restaurants that offer services on the ground floor of or near a corporation's or institution's office building.
- Encountering organizational resistance to change foodservice to fit customer needs, physical plant needs and financial circumstances.

Value & Justification

Following is an outline of remarks made by William (Bill) Adams, vice president, Bear Stearns & Co. Inc., New York City, at the National Conference 2002.

At Bear Stearns, we found that investing money into foodservices has great strategic value. A more pleasant dining atmosphere contributes to a better working environment. In addition, by investing in our catering facilities, we eliminated subsidies that were going to outside catering companies. The company no longer subsidizes meals and events that are catered on-premises by outside vendors.

Cafeteria

Café designed and developed as an upscale, welcoming environment

- Encourages employees to want to stay on property
- Allows for mingling and one-on-one meetings while on lunch or break
- Minimizes time wasted going to and from locations
- Makes employees available to respond to client needs since they remain on property
- Provides employees with an “eating out” experience at very reasonable prices

Catering

Eliminated the use of outside catering companies during normal business hours

- Designed and created a variety of in-house menus to meet the needs of all end-users
- Catering revenue aids in lowering the subsidy for the Café
- Cost comparison for in-house catering presented a significant cost-savings for the firm
 - Foodservice budgeted to lose money in 2002, actually made profit in four out of eight months largely due to catering sales

Development of conference center and auditorium contributes to catering success

- Conferences moved in-house have saved the firm several hundred thousand dollars per event
 - Retail & Apparel conference lowest outside bid was \$850,000; produced in-house at a cost of \$450,000, (saving \$400,000 on one conference), while also generating revenue for foodservices

Intranet web-based late night and early morning catering/foodservice needs

- Provides employee with convenient foodservice availability during hours when in-house foodservice operations are closed
- Allows the firm to set parameters on expenses that will be charged to the firm
- Eliminates abuse of meal reimbursements
- Reduces costs for labor related to reconciling such expenses
- Allows the firm easy access to reports, invoices, and other information related to food spent outside of normal business hours

Executive Dining

Developed an upscale “country club” dining facility

- Costs for entertaining clients are reduced by keeping the meals and meetings in-house
- Entertaining clients in-house also helps to eliminate most security issues pertaining to confidential information being discussed in meetings
- All employees sign a confidentiality agreement with the firm
- There is no tipping involved, so the cost of the meal is further reduced as compared to outside venues
- Use Executive Dining Facility for cocktail receptions and other after-hours entertainment, which also aids in keeping costs for entertaining down
- Costs for dining room labor are kept down by having staff work in shifts, thus minimizing overtime

Long Range View – A Best Value Solution Case Study

Presented by Tom Newcomb, president, Corporate Dining, Inc., Chagrin Falls, Ohio at the National Conference 2002. He detailed how an insurance company with 22 national dining centers planned to provide a quality dining experience to its employees even though it was going to decrease to only eight key call centers within five years.

Know the Mission

- Conduct concept interviews, workshops and value rating sessions with the highest senior management possible, in conjunction with the liaison, using appropriate protocol.
- Conduct detailed cost sessions with support teams, i.e., foodservice, space, security, utilities, people and productivity.
- Validate the ideas with external comparisons, return on investment and supporting cost data.
- Document the goals, recommendations and objectives for the future.

Plan the Mission

- Prepare a detailed work plan and project schedule.
- Assume that the work plan meets the business goals of the company.

Get Senior Management Approval

- Present to the highest-ranking officer of the company for review and approval.

Measure the Results

- Take baseline, targets and success measures.
- Report results from the beginning to the end.

6 Building tools and resources for SFM and allied association members to use in their workplaces, so they can answer the question, "What is onsite foodservice worth?"

Christopher Brady of Romano Gatland proposed a challenge to SFM members at the Critical Issues Conference 2003: "We need to build tools and resources for SFM and allied association members to use in their workplaces, so they can answer the question, 'What is onsite foodservice worth?' SFM must take an initiative to take its pool of talent and energy to educate all those affiliated with onsite corporate dining in America that our programs add productivity, convenience and nutrition. Without these elements in the workplace, people can't work well and be productive. We must become ambassadors to this industry and convince people that we are crucial to their ability to perform."

See the following "Action Steps to Consider."

Action Steps to Consider

- Develop a tool kit for members to use in their evaluations and defense of the value of onsite foodservice.
- Gather case studies showing how SFM members have been successful in convincing corporate and institutional executives of the value of onsite foodservice.
- Conduct studies or locate existing studies on how onsite foodservice impacts productivity, morale and corporate culture.
- Institute positive marketing campaigns that members can use in their workplaces or for their clients. Individual members can work with their respective marketing departments to put together Madison Avenue-style marketing programs that emphasize the value of onsite foodservice.
- Keep a current reference file of successful foodservice programs that are valued by their customers.
- Assemble a roundtable with supplier-partners (manufacturers, dealers, consultants and others) who have a huge stake in the continued success of onsite foodservice, to discuss strategies to improve the value on onsite foodservice, and communicate the value to corporate and institutional executives.
- Investigate how European companies, including corporations that own American contract management companies, choose to market and sell the value of onsite foodservice.
- Convene additional seminars to discuss further topics covered at the fall 2002 and spring 2003 conferences.

In the Future

Given on-going corporate downsizing, contract companies will change their approach to defining and delivering value to their clients.

"Food and labor are the two big cost categories that drive our organizations," stated Will Chizmar of Eurest. "When we dig into looking at labor efficiencies, we have to look for ways to improve the speed of service and the efficiencies of our service. Over the past 10 years, the industry has done a very good job improving the level of food quality. We're good merchandisers. But we aren't good marketers. We must give our directors and chefs tools to go after new customers."

"And, we must bring back personality into our foodservices," Chizmar continued. "We chase after the restaurant – we say this is our competition and we want to have that level of quality and merchandising. We forget about the uniqueness we have, that sense of community of being inside a foodservice operation. It's time to get that back, to make those fun places to be as we move forward."

Andrew Main of ARAMARK added that in corporate America, while downsizing will remain a constant, customer dining and

eating trends will continue to change. "There are less and less people taking a full hour in the dining room," he said, "So, we need to provide quicker service and have the ability to change out or refresh programs regularly in order to maintain variety."

Mark Toomey of Sodexo insisted that foodservices will continue to resemble retail environments, such as food courts in malls. Though executive dining will continue, in general, B&I foodservices will continue to compete "with the street." "Companies that develop internal brands," Toomey said, "will be able to change out programs and introduce new products faster to meet the various needs of their clients."

In addition, foodservice providers will be challenged to deliver products and services at the same costs as they are charging today. "Our facilities are under renovation, so we will have an advantage to attract business into a new cafeteria," said Kevin Lemire of Putnam Investments. "At the same time, we will ask our suppliers to do the best they can to keep costs down so we can meet subsidies in that facility. Our supplies will be continually challenged to provide enough variety of food and services

to keep our employee population interested and coming into the cafeteria."

Additional Trends in the Future Include:

- Emphasizing fast casual dining versus fast food.
- Introducing electronic kiosks for ordering food.
- Making foodservice into an oasis where people want to come to relax and socialize.
- Transforming dining rooms into destinations where customers want to come and be entertained by chefs, culinarians and "personalities."
- Listening continuously to clients in order to understand where they are headed strategically.
- Focusing on what customers are doing in their non-work time and what they are buying, such as \$3 cups of coffee.
- Purchasing through online bidding.

We Ain't Just Lunch

Following are excerpts from closing remarks delivered by Ron Ehrhardt at the National Conference 2002.

How do we know what strategic value is?

We as operators already know the strategic value of foodservice: Employee productivity, morale, assisting companies to achieve various preferred employer lists and as a hiring benefit. What needs to be addressed is the "perception" of the strategic value of foodservice by executives in corporations who control the purse strings. Being considered a line item on a ledger sheet, versus an employee benefit is the root of the misperception.

How do we measure strategic value to show success?

We as operators have and track all the benchmarking metrics, check averages, sales per labor hour, and so forth. However, corporations need to have quantifiable impact data on: 1) the loss of work time and productivity (hard dollars) for employees that go out for lunch; 2) opinion tracking survey results of the company being negatively affected by foodservice program reductions; and 3) employee turnover/retention.

In addition, participation rates and customer counts play an important role in a company's value of its foodservice program. When participation rates drop below 50 percent, then more people are not utilizing the service than actually using it. Low participation can be a determining factor in a company's decision to reduce, or even eliminate their foodservice program.

What tools or vehicles can we use to express strategic value?

We need to have yearly "quantifiable" data, including but not limited to our industry KPIs and other HR, and morale and culture impact analyses. We must distribute the results within our industry. That information can be distributed to key decision makers at the proper levels.

Studies that indicate how much time is lost by an employee going out for lunch, every day, five days per week, 250 days a year, would have real merit. Utilizing this template, multiplied by only 20 minutes per day, leaving the premises to go out for lunch would equal 83 hours of lost productivity per year per employee. That is over two weeks for the average employee (one week for foodservice professionals).

Onsite foodservice is not just about satisfying people's need for nourishment. It can define the cultural philosophy of a corporation. The dining center is an escape from the office and much-needed break in an employee's daily stress load. The dining center seating area doubles as an impromptu meeting place for employees to have an informal and neutral environment in which to conduct business. It also offers usually the largest assembly area in any building to have large-scale town hall-type meetings on premises.

There is no better time than now to concentrate our combined and best efforts as an industry to get the "real" truth about onsite foodservice. Again, "We ain't just lunch!"

Summary

Onsite foodservice's existence is threatened by the volatile economy and changing corporate priorities. Though the strategic value of onsite foodservice to businesses and institutions is well understood by the foodservice industry, it must be communicated to all constituencies, including CEOs, financial officers, boards of directors, customers and employees. The means by which the message is delivered depends upon the needs of the constituents. For example, some may need to be shown metrics that "prove" the impact of onsite foodservice on productivity and employee recruitment and retention. On the other hand, others may need to see a high quality operation that well serves its customers and contributes to building a positive corporate culture. Whatever the need, however, the end result must be the continued growth and prosperity of onsite foodservice. SFM will continue to develop and bring its members tools that will assist them in their efforts to communicate the strategic value of onsite foodservices.

SFM's Response

National Conference 2002, San Antonio

"Marketing the Strategic Value of Onsite Foodservice"

- "Preface: An Industry in Flux" and "Closing"
Ronald V. Ehrhardt, FMP, SFM President, 2003-2004, and Director of Foodservice for Prudential Financial in Newark, N.J.
- "Obligation & Necessity"
Robert (Bob) Breslow, Director of Administrative Services, Harvard Business School, Boston
- "Value & Justification"
William (Bill) Adams, Vice President, Bear Stearns & Co. Inc., New York City
- "Determining Client Needs"
Carol S. Bracken-Tilley, Manager of Hospitality Services, Motorola, Inc., Schaumburg, Ill.
- "Increased Space Demands, Justify Redefining Onsite Foodservice – A Case Study"
James Miller, Vice President, Business Services, ARAMARK, Oakbrook Terrace, Ill.
- "Long Range View – A Best Value Solution Case Study"
Tom Newcomb, President, Corporate Dining, Inc., Chagrin Falls, Ohio

Critical Issues Conference 2003, New York City

"Onsite Foodservice: Enhancing Value in Today's Economy"

- Introduction
Jay Silverstein, SFM President, 2002-2003, and Vice President Corporate Services, Credit Suisse First Boston, New York City
- "Setting The Stage"
Christopher C. Brady, FCSI, President and CEO, Romano Gatland, headquarters in Lindenhurst, N.Y.
- "The Value of Onsite Foodservice: Corporate Executives' Perspective"
Moderator: Karen Weisberg, Senior Editor/Features, FoodService Director magazine, New York City
Presenters: Kevin Lemire, Senior Vice President, General Services, Putnam Investments, Norwood, Mass.; Charles V. Stock, Vice President, Dining Services, JPMorgan Chase, Jersey City, N.J.; and Dean Weinberg, Senior Vice President, Head of General Services, Bank One, Chicago, Ill.
- "The Value of Onsite Foodservice: Onsite Industry Perspectives"
Moderator: John Lawn, Editor-in-Chief, Food Management magazine
Presenters: Will Chizmar, Executive Vice President, Eurest Dining Services, Bethlehem, Pa.; Andrew Main, President, Business Services, ARAMARK Corporation, Philadelphia; and Mark Toomey, Division Vice President, Corporate Services, Sodexo USA, Lexington, Mass.
- "Translating Benchmarking Data into Action & Communicating the Value of Onsite"
Moderator: Paul King, Senior Editor, "Onsite Foodservice," Nation's Restaurant News, New York City
Presenters: Carol S. Bracken-Tilley, Manager of Hospitality Services, Motorola, Inc, Schaumburg, Ill.; and Margaret M. Stefanek, RD, LD, Senior Associate, Corporate Dining, Inc., Chagrin Falls, Ohio

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