

New York University

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Catering Purchasing Review – Observations and Recommendations



The Process of Continuous Improvement



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I. Preface

A. Introduction

The purpose of this document is to provide observations and recommendations regarding the Catering financial information provided by the NYU Purchasing Services Department and the information provided by direct contact with some of NYU's catering suppliers. This document does not take into consideration qualitative or customer satisfaction comparisons. We would like to thank the participants in this process. They were eager to participate and provided important information.

In the last fiscal year, the approved purchase orders for outside caterers represented slightly over \$6,700,000. Total dollars spent with ARAMARK on Catering equaled \$3,738,702. Therefore, total New York University Catering represents over \$10,438,000 for that time. ARAMARK's share of that amount represents approximately 35.8% and Culinary's share is approximately 5.9% of the approved purchase orders.

The results of our Retail Market Basket assessment also showed ARAMARK to be slightly lower in price than the overall Data Pool Average (DPA). Culinary is well below the Retail Market Basket Price.

The question was asked "What are the cost savings if we transfer more catering to ARAMARK, which provides NYU a commission on the sale and splits the Excess on Operations with the University?"

Focusing on the caterers that are in the top twenty of highest dollar volume of approved purchase orders and with a higher Retail Market Basket than ARAMARK, the approximate amount that could be transferred to ARAMARK is \$3,841,000. Considering only the 10.0% commission and the split of Excess on Operations, the financial return to NYU as a result of transferring the catering to ARAMARK is \$806,300. In addition, by transferring the catered events to lower cost caterers, the retail dollars spent by NYU will decline.

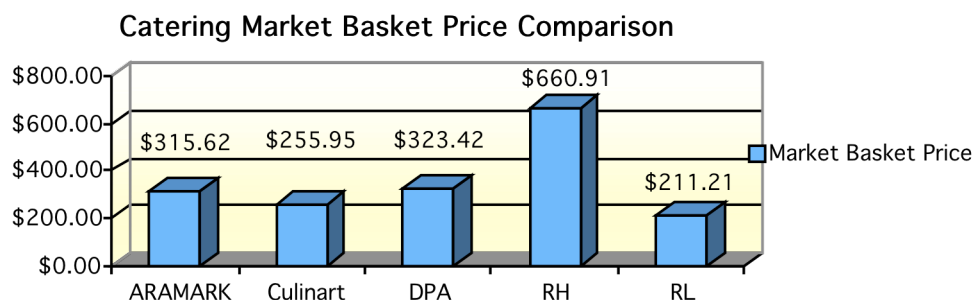
However, we believe the greater savings to NYU lies in the organization, negotiation, management, and regulation of the \$10,438,000 gross catering dollars. The majority of the approved catering purchase orders are blanket purchase orders of round numbers ranging from a few thousand to one half million dollars. From the data gathering for this review, we found there are no apparent usage guidelines, approved suppliers, negotiated pricing, reconciliation of accounts, or financial audits. Implementing these standard industry practices and tools should reduce the overall total spent by NYU by an additional 10%-15%, or \$1,000,000 - \$1,500,000 dollars per year.

By implementing the recommendations in this report, the total savings to NYU will exceed \$2,000,000 per year.

II. Observations and Recommendations

A. Market Basket Price Comparison

1. To answer the question of “What are the cost savings if we transfer more catering to ARAMARK, which provides NYU a commission on the sale and splits the Excess on Operations with the University?”, the key is to determine which companies have similar menu items and equal or higher pricing. A CPI-style Market Basket Price comparison was conducted. Twenty-two menu items were selected to establish a Market Basket. Twenty of the caterers with the highest amount of approved purchase orders were selected, contacted and requested to complete a retail price form of the twenty-two menu items. Fifteen of the caterers responded to this request for information.



	ARAMARK	Culinart	Average	Range High	Range Low
Retail Market Basket Price	\$315.62	\$255.95	\$323.42	\$660.91	\$211.21

- a) **NYU can realize additional cost savings or revenue by transferring catering from the higher priced caterers to ARAMARK.**
2. Focusing on the caterers that are in the top twenty of highest approved purchase orders (such as All About Food, Company 47, Dean and DeLuca, Food for Thought, Food in Motion, and Great Performances) and who are equal to or higher than ARAMARK in Market Basket Price comparisons, the approximate amount that could be transferred to ARAMARK is \$3,841,000. Considering only the 10.0% commission and the split of Excess on Operations, the financial return to NYU in transferring the catering to ARAMARK is \$806,300. There should also be a savings to NYU in overall price reduction that, at this time and without reconciliation of the events, is not possible to forecast.
- a) **In order to provide an accurate figure, it is necessary to audit and reconcile the blanket purchase orders to actual expenses.**

3. The following table lists the items within the Retail Market Basket and shows the individual prices for Culinart, ARAMARK, and the external Data Pool Average.

Item	Aramark	Culinart	Average
Continental Breakfast	\$4.50	\$5.95	\$8.12
Cont. b'fast w/ fruit	\$6.75	\$8.45	\$11.09
Hot Breakfast	\$12.00	\$12.95	\$17.78
Yogurt Parfait Bar	\$4.50	\$4.45	\$5.15
Boxed Lunch	\$16.95	\$10.95	\$15.77
Sandwich Buffet	\$13.00	\$9.95	\$16.13
Hot Lunch Buffet	\$27.00	\$22.95	\$26.69
Hot Plated Lunch Chicken	\$26.00	\$21.95	\$27.64
Coffee Break	\$6.00	\$4.50	\$6.43
20 oz. H2O	\$1.75	\$1.75	\$1.70
20 oz. Soda	\$1.75	\$1.75	\$1.76
12 oz. Can Soda	\$1.40	\$1.25	\$1.39
Coffee	\$1.75	\$1.25	\$1.60
Cookies (1)	\$1.50	\$0.60	\$1.83
Plated Dinner (filet)	\$54.00	\$35.95	\$41.51
Plated Dinner (vegetarian)	\$25.00	\$24.95	\$30.95
Plated Dinner (salmon)	\$38.00	\$29.95	\$35.77
Reception: 1-hr (sushi)	\$15.00	\$12.50	\$14.69
Reception: 1-hr (hot app. station)	\$15.00	\$12.50	\$15.31
Reception: 1-hr. (cold apps, 6 per person)	\$22.50	\$12.50	\$17.14
Reception: Veg. Antipasto	\$13.02	\$7.95	\$12.68
Reception: 1-hr. Beverage (wine/beer/soda/water)	\$8.25	\$10.95	\$12.26
Market Basket Total	\$315.62	\$255.95	\$323.42

- The red text denotes that, where ranges or no data was supplied, averages of total data pool were applied.

a) Verify each of the prices submitted with actual invoices.

B. Catering Suppliers

- Over 180 different caterers had approved purchase orders for catering during NYU's last fiscal year. Caterers are selected by the end-user of the catered event, with no review or approval by NYU. This creates the opportunity for the supplier to have an advantage position over the University. In addition, it poses a potential health and liability risk to the University without a process that confirms that the caterer is conducting their operations and food handling in a safe and professional manner.
 - Create an Approved Catering Supplier list that reduces the number of approved caterers to twenty companies. Require all departments to work with the approved caterers.**

2. One example of necessary standards involves a caterer that provides catering services to the Office of the Dean. This company was inspected on July 23, 2009 and received 46 violation points and a required follow-up inspection for the following: No food protection certificate, improper hand washing facilities, food contact surfaces not washed, and employee toilets not cleaned and maintained.
 - a) **Establish simple standards and requirements that the caterers must meet in order to do business with NYU. These areas should include proper insurance, fair wage and hiring practices, food handling, and other health and safety processes.**

C. Negotiated Contracts and Pricing

1. The Retail Market Basket Prices vary from low (\$211.21) to high (\$660.91); this is over 300% for the same items. Traditionally, a university or large organization has negotiated prices in advance on key menu and service items with approved Catering suppliers. The goal is to get the best value for the customers and reduce the overall cost to the university. This does not exist at NYU.
 - a) **List the top thirty items that are purchased in Catering. Negotiate these prices with the Catering suppliers in a bid process.**

D. Audit and Reconciliation

1. Currently, the process at NYU is to request and issue blanket purchase orders for Catering. Many of these exceeded \$30,000, several are in the \$85,000 - \$100,000 range. The range of blanket purchase orders increased up to a \$500,000 blanket purchase order for Food For Thought Catering on 6/12/08 (#B185280-0). It is unknown if these amounts are audited, reconciled or actually used for catered events.
 - a) **Identify if there is a current audit procedure in place to assure all approved purchase orders for Catering are being used for catered events.**
 - (1) If an audit procedure does not exist, one should be created and implemented as soon as possible.
 - b) **Identify the accurate “total spend” on Catering. Implement the management controls recommended above.**

E. Central Catering Management Source

1. In comparison to other universities, NYU has a very large dollar amount of approved purchase orders for Catering. These are currently conducted in a free form fashion, with the end user having discretion over the funds spent. The development of a central catering management source, through which all catered events will be requested, processed and managed, will attain both the best qualitative and quantitative value for the \$10,800,000 approved by NYU for catered events. They can work with the Catering clients and provide guidelines, pricing, and a best value caterer for their event.
 - a) **Implement a centralized catering management source to direct the catering efforts of NYU.**