



UNIVERSITY OF  
**TORONTO**  
MISSISSAUGA



FOODSERVICE  
PLANNING &  
DESIGN INC.

**Research and Feasibility Study**  
Food Service Provision  
Self Operation versus Contract Management

**CHANGE FOR THE BETTER | [www.kaizenfood.com](http://www.kaizenfood.com) | 866 386-4613**



# Outline



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2. Overview of Current Operations
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3. Self Operation versus Contract Management Analysis
  - Organizational Requirements
  - Financial Analysis
  - Opportunities and Risks
4. Recommended Strategy
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  - Setting parameters and UTM driven expectations
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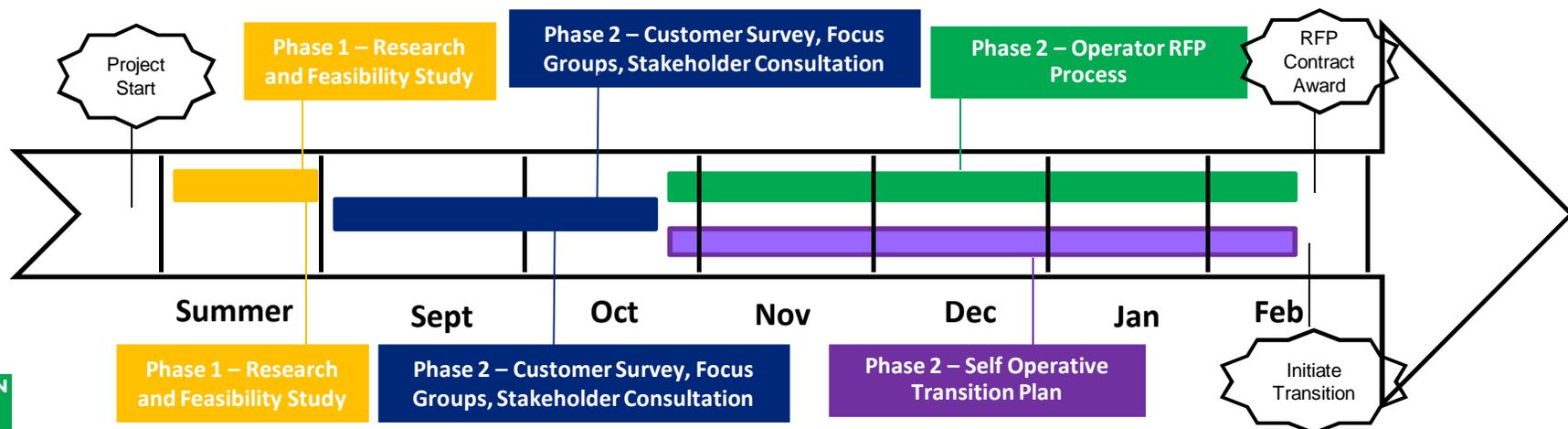
# 1. Project Overview and Timeline

## Phase 1: Research and Feasibility Study

- *UTM Foodservice review and assessment*
- *Case study on the feasibility of self operation*
- *Recommendations*

## Phase 2: Market Research and RFP / Transition Stage

- *Customer survey*
- *Focus groups and key stakeholder interviews*
- *Report of market research findings*
- *RFP Process / Transition Strategy*



# 2. Overview of Current Operations

## Concepts and Program Offering

- Current food service landscape provides a balance of branded concepts, customized program offerings and grab and go
- Venues clustered in key areas with high campus populations.

**INSTRUCTIONAL BLDG**  
Café and Lounge

**DEERFIELD HALL**  
North Side Bistro

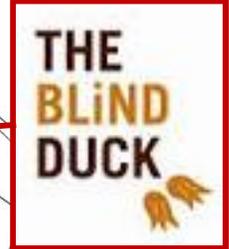
**OSCAR PETERSON HALL**  
Colman Commons





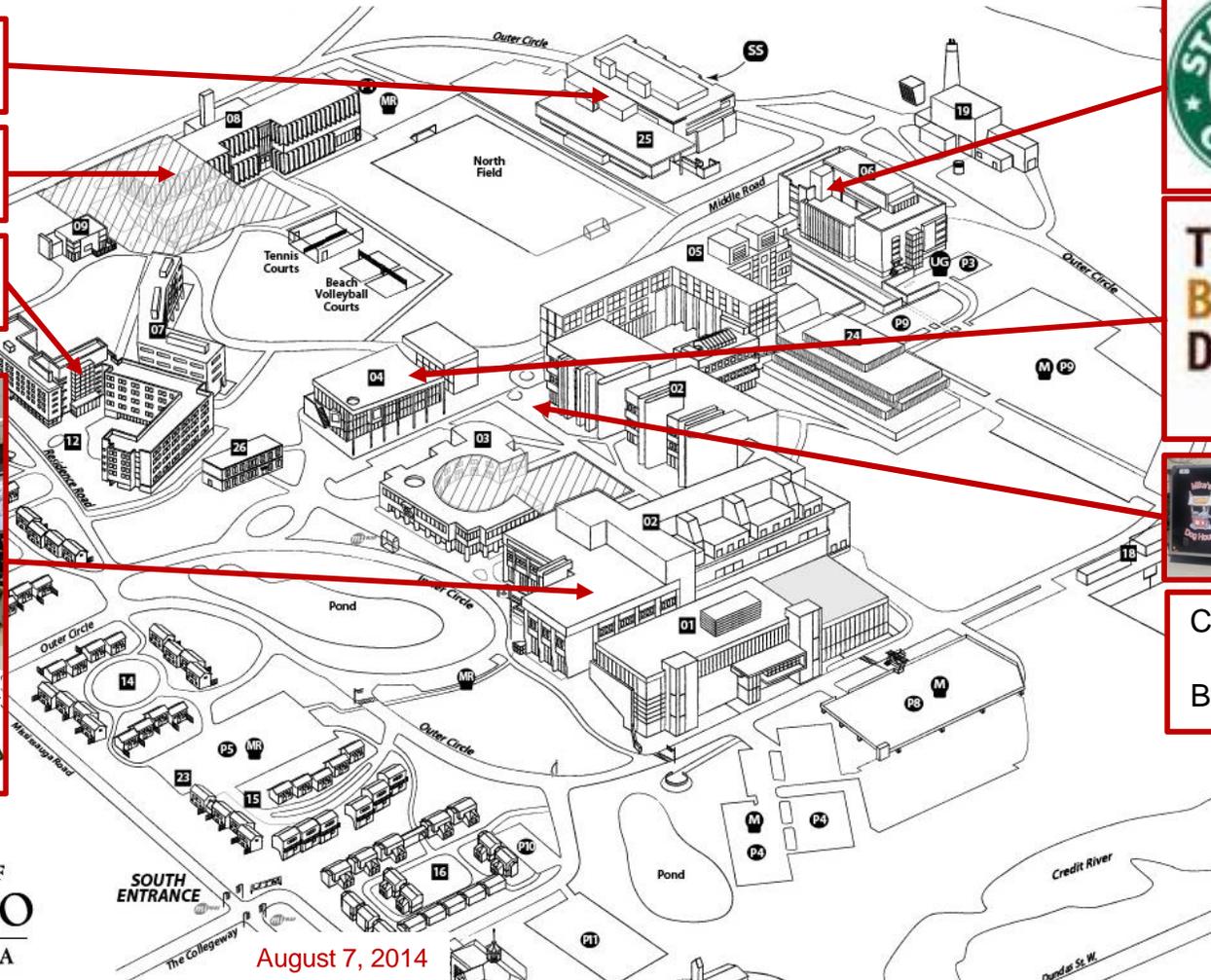

  





**CCT BLDG**  
Circuit  
Break Cafe

Hot + Fresh  
pizza pizza



# 2. Overview of Current Operations



## Concepts and Program Offering

Relative to Key Industry Trends or Best Practice		
National Brand Drivers	<p>~ UTM employs strong brand drivers and those most consistently desired by campus customers based on our past research.</p>	
Ethnic Diversity	<p>~ Authenticity versus familiarity</p> <p>~ UTM extremely multicultural. Market research required to validate needs</p>	
Healthy Eating	~ Availability of options and nutritional information	
Diet Requirements (Vegetarian, Vegan, Gluten Free, Diets of Consciences)	~ Availability of options through grab and go programs and customized program (only where warranted)	
Food Trucks	~ Appealing due to portability, price and speed of service (exists but limited)	
Breakfast Offering	~ All day breakfast offering (Colman Commons), breakfast sandwiches, etc.	
Sustainable Practices	~ Local sourcing, waste management, etc.	
Dining Venues	~ Multifunctional dining spaces	
Off Campus Partnerships	<p>~ Use of flex dollars with off-campus partners (exists but limited)</p> <p>~ In isolated campus environments, it is typically about delivery options</p>	

At or above industry standards

Within industry standards

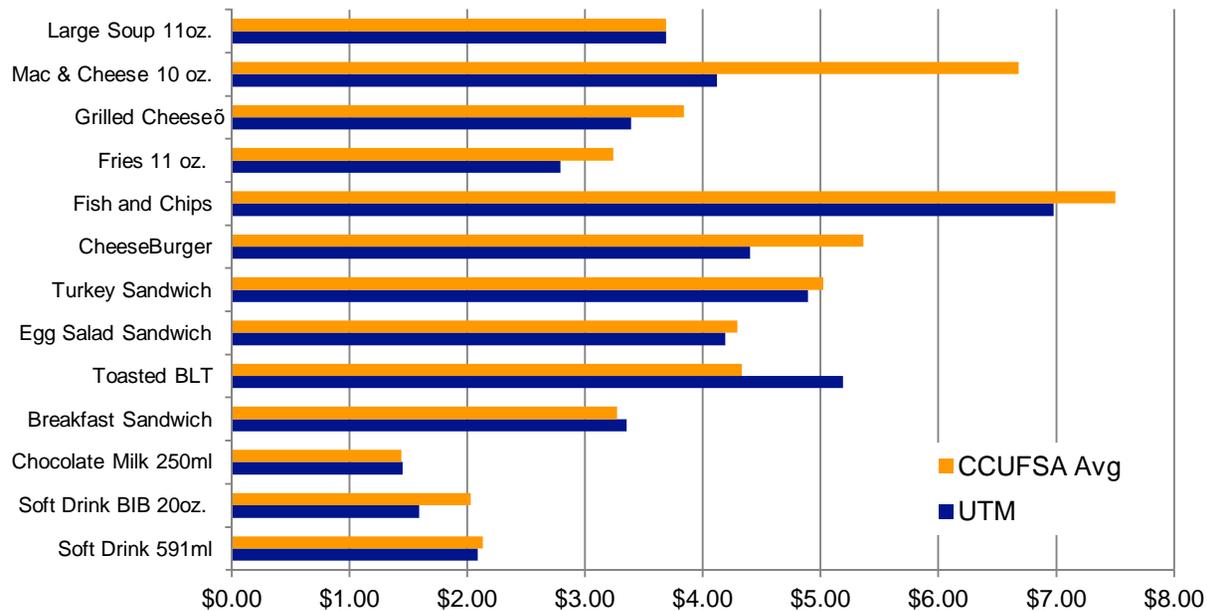
Below industry standards



# 2. Overview of Current Operations



## Retail Pricing



### Retail Pricing Comparisons

- “ Nationally Branded Concepts (Tim Hortons, Subway, Pizza Pizza, etc.) at street pricing
- “ In comparison to the Canadian College and University Food Service Association (CCUFSA) benchmarks, UTM product pricing **at or below market.**



# 2. Overview of Current Operations



## Meal Plan Value

University	Plan Type	Initial Annual Cost	Cancellation/ Admin Fee	Overhead Allowance	Mandatory	Roll Over Opportunities	Flex Dollars
University of Toronto Mississauga	Plan A Regular	\$4,349	✓	✓	1 <sup>st</sup> Year or Resident <sup>(1)</sup>	Flex \$ Meal \$ limits	\$750
	Plan B Regular	\$2,499					\$350
McMaster University	Group A Regular	\$3,290	✓	✓	Resident Students	Flex \$ only	\$550
Western University	Campus Plan	\$1,750	✓	n/a		Flex \$ refundable for a fee	\$250
	Residence Plan	\$2,320			✓	Refundable for a fee	\$570
University of Waterloo	Village 1 Average	\$4,440	✓	n/a	1 <sup>st</sup> Year and Residence	Carry over to next term	\$250
University of Guelph	On-Campus Plan	\$4,665	✓	✓	Residence students	Roll over to next term for a fee	\$1,699
University of Toronto Scarborough	Regular Plan	\$2,956	✓	n/a			\$100
University of Toronto St. George	Regular Plan	\$3,350	✓	n/a	Residence students	✓	\$300

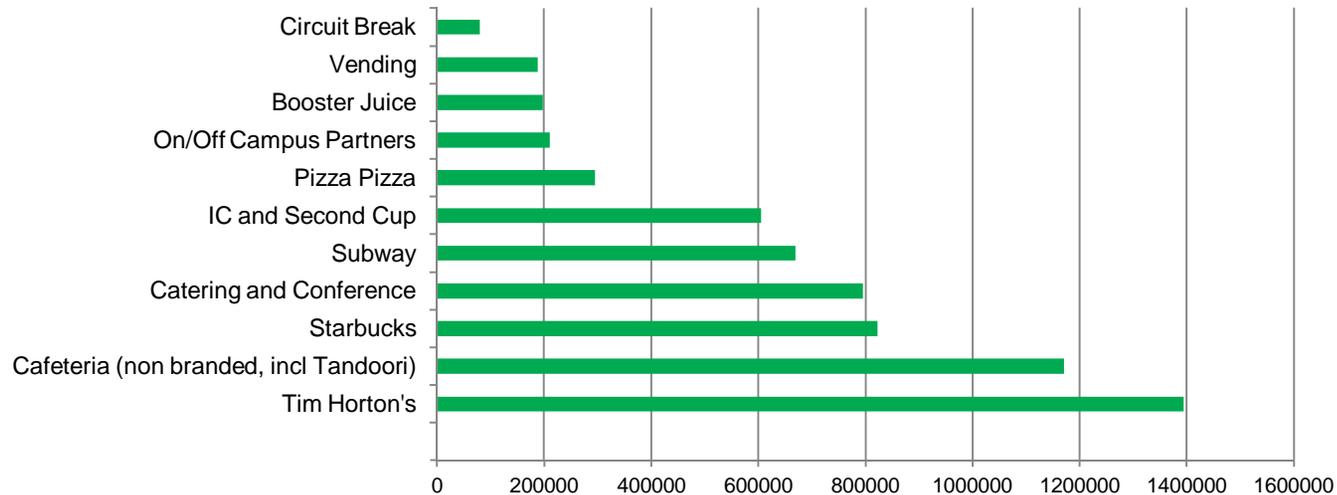
(1) Exceptions include Graduate students or students with families

Meal plan offering and parameters / conditions comparable to peers.



# 2. Overview of Current Operations

## Financial Performance and Capture Rate



Capture Rate Threshold	Typical Characteristics	UTM Ranking
TOP TIER (\$600 / Capita or above)	<i>Large Universities, Campus settings, Universities with strong SA presence in food services, Mandatory meal plans, Substantial resident populations</i>	 UNIVERSITY OF <b>TORONTO</b> MISSISSAUGA
MID TIER (\$300 to \$600 per Capita)	<i>Majority of the College and University segment</i>	
LOWER TIER (Below \$300 per Capita)	<i>Smaller institutions, Urban / city campus, No student resident population, No resident meal plans</i>	



- UTM among the top tier Canadian Universities in terms of customer capture rate (i.e. participation in food service venues by on campus population) despite relatively lower resident population.

# 2. Overview of Current Operations



## Key Contractual Considerations / Parameters

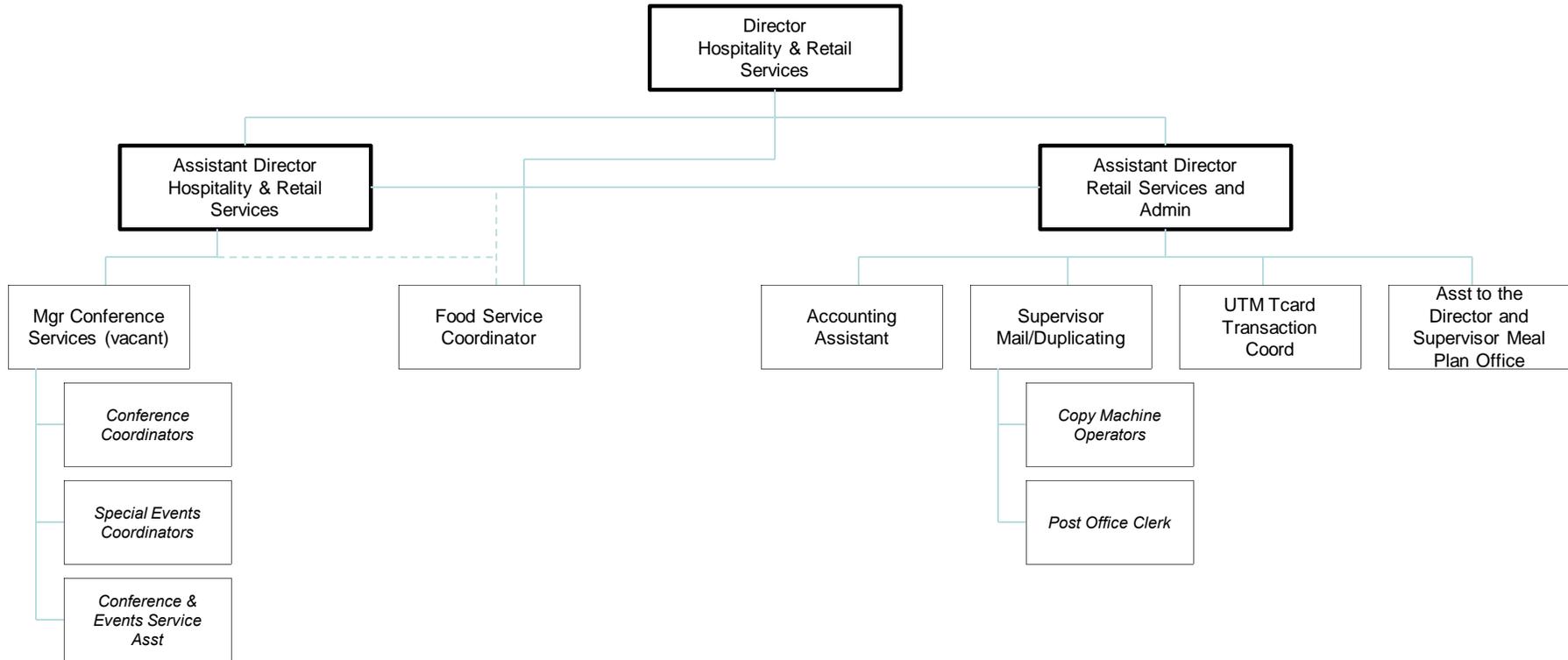
Contract Parameters	Consideration
Term	<ul style="list-style-type: none"> <li>Conclusion on April 30<sup>th</sup> with 90 day termination clause.</li> <li>Transition timeline to take into account the contract end date.</li> </ul>
Proprietary Information	<ul style="list-style-type: none"> <li>Contractor menus, recipes, computer software programs, licensees, operating procedures, etc.</li> <li>All would leave with contractor and need to be re-created in self operative scenario</li> </ul>
Exclusions	<ul style="list-style-type: none"> <li>Vending, Student Pub, Alcohol services, and selected Catering</li> </ul>
Operating Responsibilities	<ul style="list-style-type: none"> <li>All management and effective delivery of food services on campus: provision of management, employees, training, recruitment, management of licenses, all procurement, sanitation, compliance with laws and regulations, supply of uniforms, adherence to waste management policies, etc.</li> <li>Independent contractor status: employees entitled to Contractor benefits, sick leave, vacation leave, health or life insurance or other benefits.</li> </ul>
Financial terms	<ul style="list-style-type: none"> <li>Contractor collects all revenue and is responsible for all costs.</li> <li>UTM collects meal plan income and reimburses Contractor on usage basis</li> <li>UTM receives commission on net sales</li> <li>Prices negotiated on annual basis (increases subject to CPI)</li> <li>Contractor contribution to 3<sup>rd</sup> party customer satisfaction survey</li> <li>Community Fund contribution by the Contractor to UTM</li> <li>University right to audit</li> <li>Ongoing smallware replacement by Contractor as cost of operation (including purchases for new venues)</li> </ul>
Capital	<ul style="list-style-type: none"> <li>All investment in venues and facilities controlled and fully directed by UTM</li> </ul>



# 3. Self Operation vs Contract Mgmt

## Organizational Requirements

### Current Hospitality and Retail Services Organizational Structure

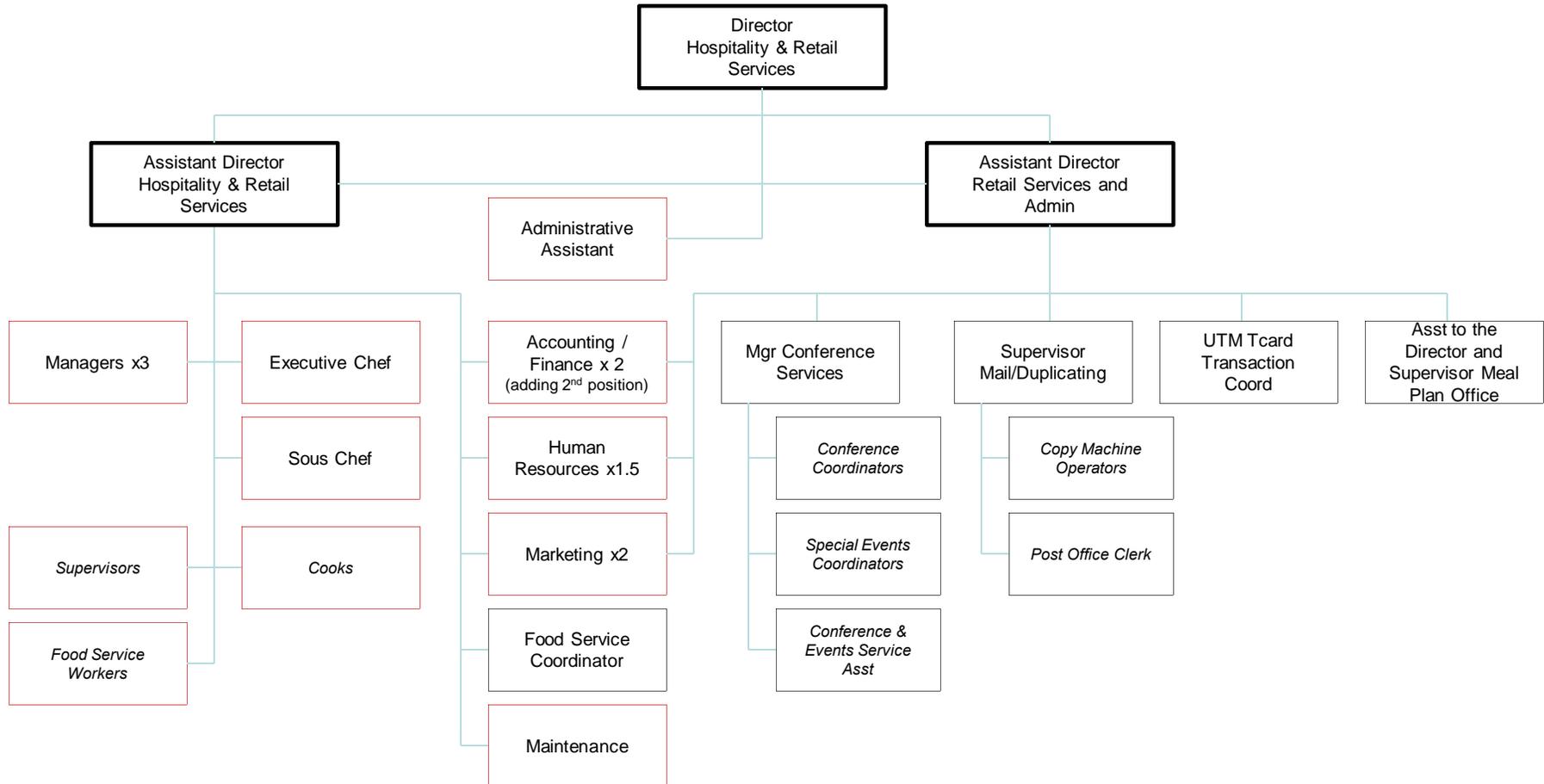


Hospitality and Retail Services currently provides oversight and contract management and NOT hands on management of the food service operations

# 3. Self Operation vs Contract Mgmt

## Organizational Requirements

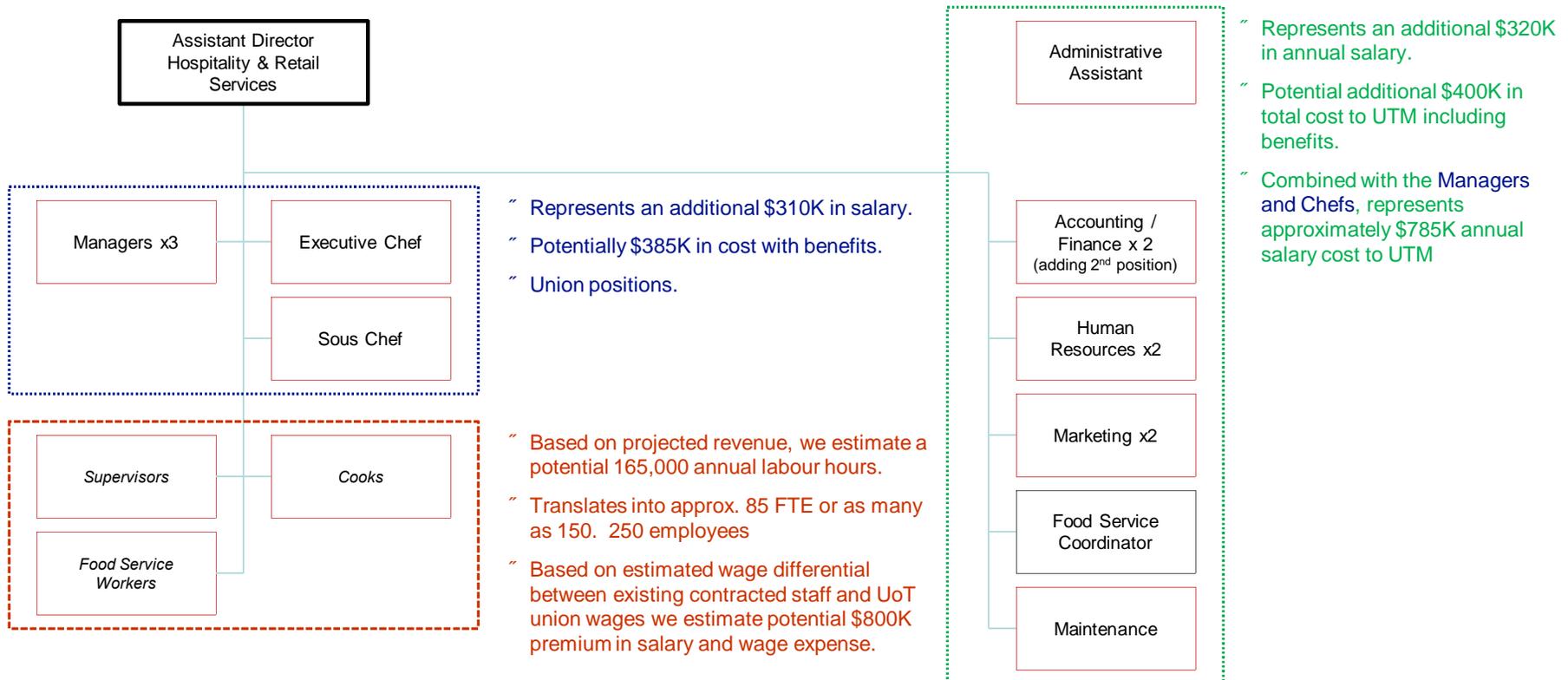
### Self Operative Hospitality and Retail Services Organizational Structure



 Represents new positions on UTM Payroll required to support a self operative program.

# 3. Self Operation vs Contract Mgmt

## Organizational Requirements



Added administrative overhead needed to support the following:

- ~ \$10M revenue stream.
- ~ \$4.0M in labour expense and potentially 165,000 annual unionized unit producing labour hours.
- ~ \$4.0M in food, beverages and supply purchases annually from a combination of prime vendors and local suppliers.
- ~ Multiple franchise agreements (at minimum six based on current operating landscape).
- ~ In-house marketing including web development and social media.

# 3. Self Operation vs Contract Mgmt



## Financial Projections

	FY 2013-14	Projected FY 2015-16
Cafeteria (1)	\$945,856	\$1,042,511
Tim Horton's	\$1,179,015	\$1,299,495
Tim Horton's Express	\$163,203	\$179,880
Booster Juice	\$197,370	\$217,539
Starbucks	\$822,882	\$906,969
Second Cup	\$148,556	\$163,737
IC Second Cup	\$456,187	\$502,803
Pizza Pizza	\$294,346	\$324,425
Tandoori	\$224,901	\$247,883
Subway	\$668,912	\$737,266
Tim Horton / North Café Bistro	\$51,849	\$57,147
Circuit Break	\$79,590	\$87,723
Vending	\$188,238	\$207,474
<b>Total Campus Retail Sales</b>	<b>\$5,420,903.39</b>	<b>\$5,974,850.00</b>
Campus Population	12,320	13,895
<b>Retail Revenue per Capita</b>	<b>\$440.01</b>	<b>\$430.00</b>
<i>Catering</i>	<i>\$422,925</i>	<i>\$422,925</i>
<i>Conference</i>	<i>\$372,361</i>	<i>\$372,361</i>
Colman Commons	\$3,055,879	\$3,055,879
<i>Blind Duck</i>	<i>\$69,186</i>	<i>\$69,186</i>
<i>Other</i>	<i>\$5,928</i>	<i>\$5,928</i>
<i>Pizza Pizza (Off Campus)</i>	<i>\$135,658</i>	<i>\$135,658</i>
<b>Sub-Total</b>	<b>\$4,061,938</b>	<b>\$4,061,938</b>
<b>ALL TOTAL</b>	<b>\$9,482,841</b>	<b>\$10,036,788</b>
<b>Total Revenue per Capita</b>	<b>\$769.71</b>	<b>\$722.33</b>

(1) includes all non braded products offered in the cafeteria with the exception of Tandoori (i.e. on the go program, deli, dessert soup and international station, etc.)

### REVENUES

- ~ Projected revenue takes into account estimated growth in campus population based on projections for academic year 2015-16.
- ~ No increases have been factored for catering, conference , residence dining or other partners. Should these increase, they would have positive financial impact on either self operated or contracted scenarios.
- ~ For analytical purposes, an increase in retail revenue has been projected however to be conservative, the extent of the increase is estimated at a per cap rate slightly lower than current.

# 3. Self Operation vs Contract Mgmt

## Financial Projections

	<b>FY 2015-16 Contract</b>	<b>%</b>	<b>FY 2015-16 Self Operated</b>	<b>%</b>
<b>Revenue</b>	10,036,788	100.0%	10,036,788	100.0%
<b>Cost of Sales &amp; Services</b>	8,312,693	82.8%	9,015,776	89.8%
<b>Direct Expenditures</b>	1,431,888	14.3%	1,366,080	13.6%
<b>Indirect Expenditures</b>	78,680	0.8%	78,680	0.8%
<b>Total Expenditure</b>	9,823,261	97.9%	10,460,536	104.2%
<b>Balance Remaining for Capital Reserve</b>	<b>213,527</b>	<b>2.1%</b>	<b>-423,748</b>	<b>-4.2%</b>

### FINANCIAL PROJECTIONS

- ~ Contract managed projections assume a commission less than that in current agreement. [not sustainable]
- ~ Projections do not take into account any one time costs associated with transition from contract to self operation, including but not limited, to HR expenses (recruitment, training, development of job descriptions, etc), development of operational documents and standards (menus and recipes, operating procedures and standards, etc.), negotiation with third party franchises (including any initial franchise fees), establishment of food supplier agreements and protocols, etc.
- ~ Labour and wage differential represents a majority of the variance between the contracted and self operated model.
- ~ All Contract related figures are derived from public available information.

# 3. Self Operation vs Contract Mgmt



## Opportunities and Risks

	Self-Operated		Contract Managed	
Alignment with Organizational Goals and Objectives	<ul style="list-style-type: none"> <li>More direct</li> <li>Auxiliary Service mandate must be self supporting</li> </ul>	●	<ul style="list-style-type: none"> <li>Negotiation and explicit prioritization of goals with any contractor will be required</li> </ul>	●
Financial risk	<ul style="list-style-type: none"> <li>All financial risk is that of UTM.</li> </ul>		<ul style="list-style-type: none"> <li>Majority of risk taken on by the contractor.</li> </ul>	✓
Human Resources	<ul style="list-style-type: none"> <li>UTM responsible for all staff related matters including recruitment, payroll, discipline (including litigation), termination, etc.</li> <li>Additional HR support personnel resources needed</li> <li>Subject to UoT collective agreement (150-250 unit producing personnel plus management)</li> </ul>		<ul style="list-style-type: none"> <li>All HR related matters handled by the contractor at the corporate level.</li> </ul>	✓
Operations	<ul style="list-style-type: none"> <li>Creation and maintenance of all operational standards, manuals and protocols, marketing, IT infrastructure, menu development, product specifications, job description, etc.</li> <li>Development and execution of an internal catering program.</li> </ul>	●	<ul style="list-style-type: none"> <li>Rely on / leverage contractor operational tools and systems</li> <li>Negotiation / on-going consultation needed to alter program offering to accommodate UTM needs.</li> </ul>	●



Favorable to one operational model versus the other



Not clearly advantageous to one operational model versus the other

# 3. Self Operation vs Contract Mgmt



## Opportunities and Risks

	Self-Operated		Contract Managed	
Hours of Operations	<ul style="list-style-type: none"> <li>Self directed however driven by demand and ability to self support the individual venues</li> </ul>	●	<ul style="list-style-type: none"> <li>Directed by UTM to the contractor.</li> <li>Driven by demand and contractors ability to ensure venue viability</li> </ul>	●
Marketing	<ul style="list-style-type: none"> <li>Creation and maintenance of all marketing material, web site development, menu and promotions, nutritional information, etc.</li> </ul>	●	<ul style="list-style-type: none"> <li>Rely on / leverage contractor operational tools and systems</li> <li>Alter programs to fit UTM needs</li> </ul>	●
Transition and Implementation	<ul style="list-style-type: none"> <li>Cost of transition higher in self operative model (\$200 to 300K)</li> <li>Greater timeline and resources needed to transition                             <ul style="list-style-type: none"> <li>Management recruitment and training</li> <li>Staff transition and training</li> <li>Prime vendor and supplier negotiations</li> <li>Franchise agreement negotiation and transfers</li> </ul> </li> <li>Risk of service disruption during transition.</li> </ul>		<ul style="list-style-type: none"> <li>Lower risk of service disruption. Each of the contractors have vast experience, corporate resources and strategies to manage effective transitions in University and College sectors.</li> <li>RFP and transaction cost (est. \$50K)</li> </ul>	✔



Favorable to one operational model versus the other



Not clearly advantageous to one operational model versus the other

# 4. Recommended Strategy

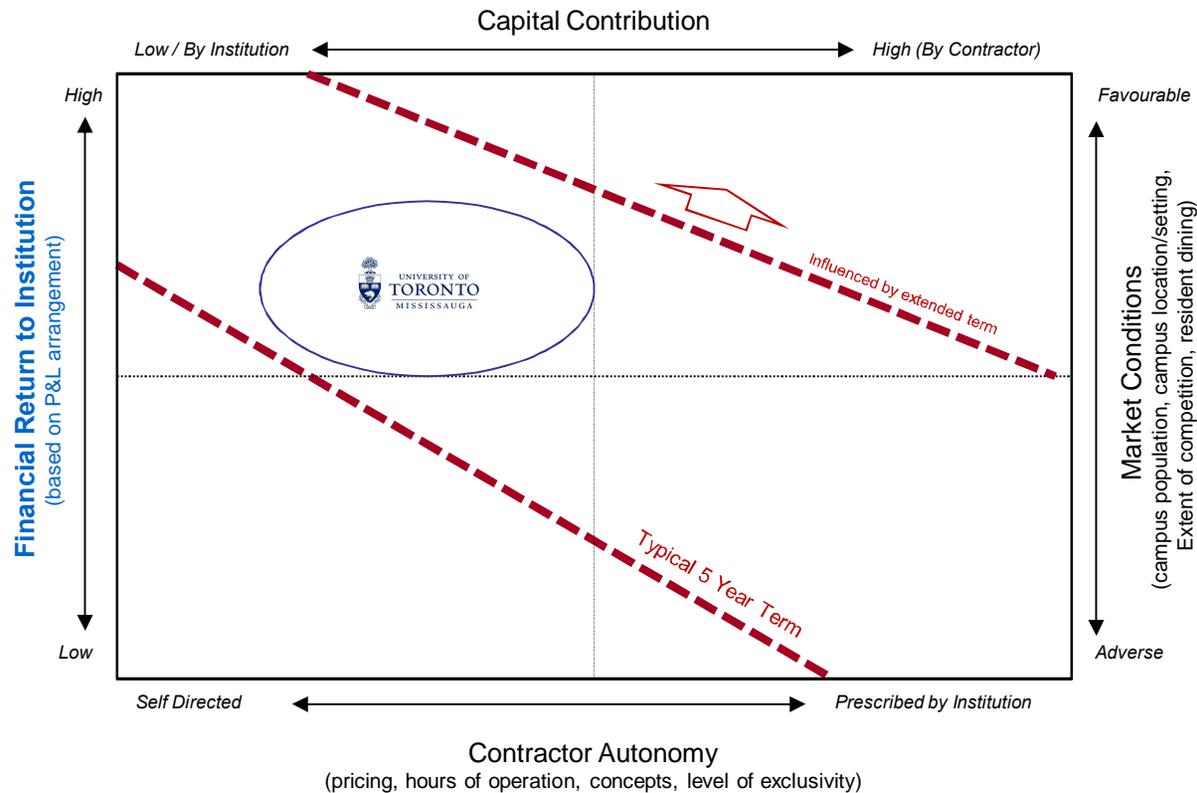


## Conclusions

- In the context of the current UTM landscape, costs associated with self operative provision is prohibitive.
- Under self operation, the food service division would be required to:
  - “ Operate without a subsidy from the University operating budget
  - “ Provide for all costs of capital renewal including deferred maintenance
  - “ Create and maintain an operating reserve (excluding capital requirements) at a minimum of 10% of annual operating expenses (net of cost of goods sold, capital renewal costs) as protection against unforeseen events which would have a negative financial impact on the operation
- In order to meet the above criteria, UTM would need to employ strategies such as increase retail and meal plan prices, charge all vendors commission internally to cover all losses including UTMSU (on the use of the flex \$) increase the price for all catering and likely refrain from building new locations.
- As a result, we recommend a contract management approach be maintained.
- The procurement process and management agreement needs to ensure alignment with organizational and stakeholder goals and objectives.

# 4. Recommended Strategy

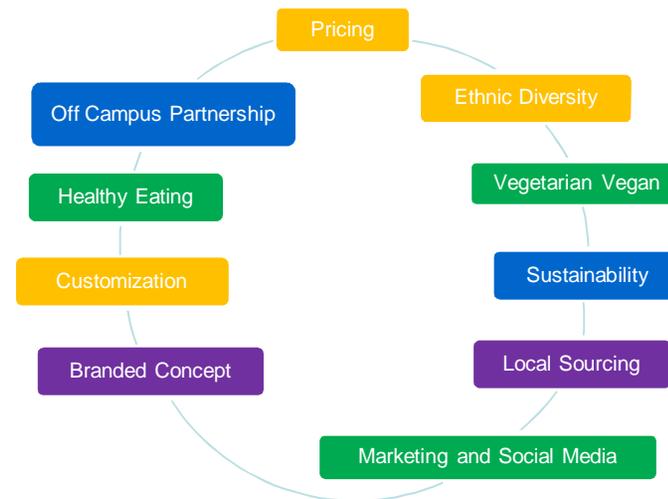
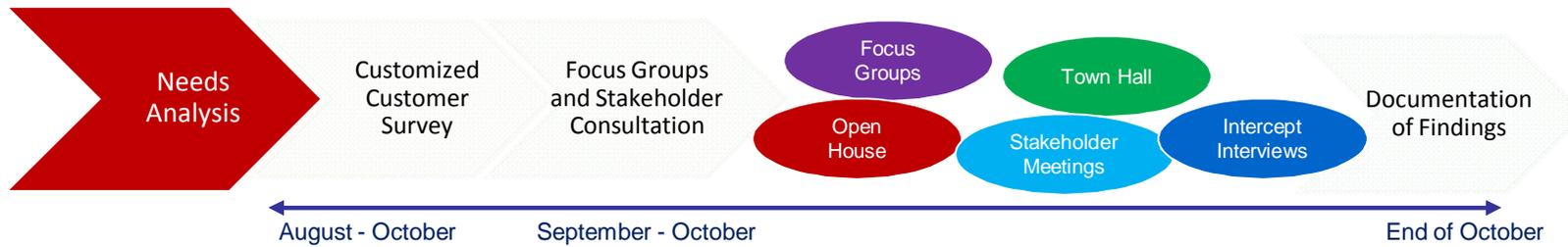
## Setting parameters and UTM driven expectations



- “ Contractors eager and interested in the potential UTM business.
- “ Given that UTM will make capital investments and market conditions (in terms of campus setting and population) are favorable, it affords UTM ability to drive concepts, hours and pricing and still yield a contribution to capital reserve/re-investment in facilities and venues.

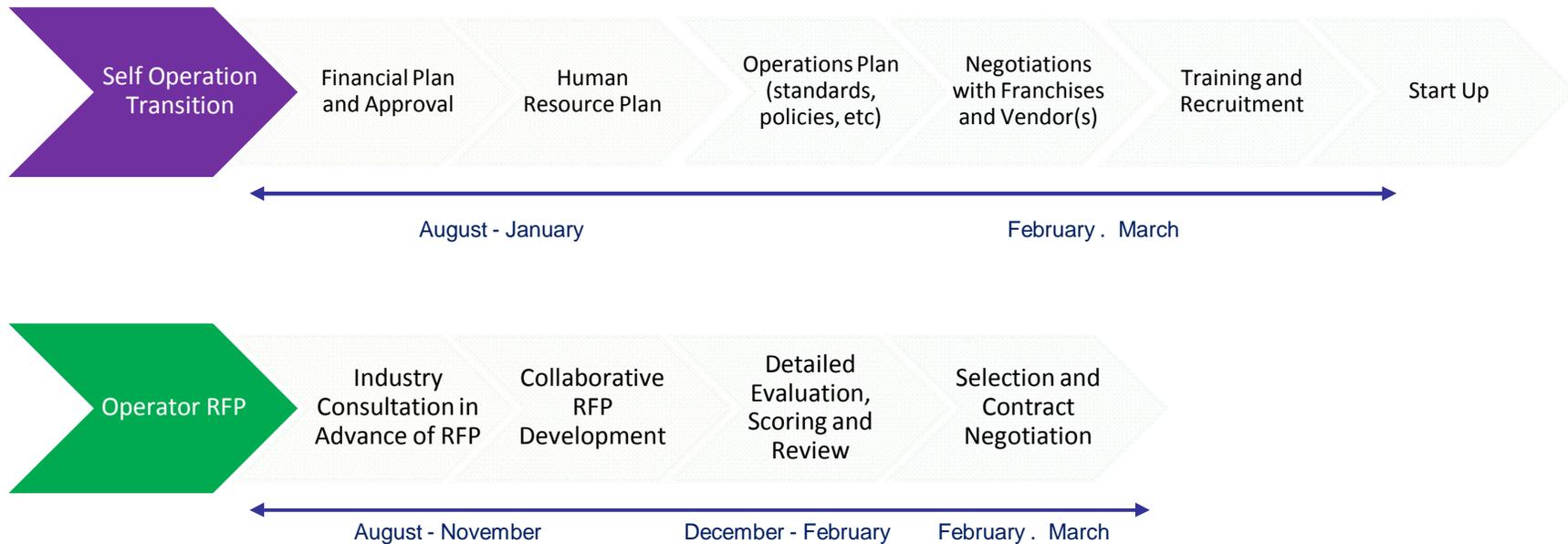
# 4. Recommended Strategy

## Process



# 4. Recommended Strategy

## Process



### Post Award Audit and Compliance

- ~ UTM Retail and Hospitality Division Oversight
- ~ UTM Food Committee Involvement (regular and formal mechanism for input)
- ~ Third Party Audits, Scorecard complete with Contractor Action Items

# Questions and Discussion

