

UK Value for Money Steering Group

Catering management in higher education

Toolchest

Department for Employment and Learning, Northern Ireland
Higher Education Funding Council for England
Higher Education Funding Council for Wales
Scottish Higher Education Funding Council

Catering management in higher education: Toolchest

Contents	Page
Purpose and scope of the toolchest	3
Toolchest elements	
1 Leadership and people	5
2 Policy and strategy	8
3 Partnership and resources	19
4 Processes	24
5 Key performance results	29
6 People results and society results	40
7 Customer results	42
Annex A Bibliography	43
Annex B Useful references	44
Annex C Checklists and other resources	46
Annex D Glossary	123

Purpose and scope of the toolchest

This document, and the companion National report (HEFCE 2003/31), are the two outputs from the study of the management of catering services in higher education by the UK Value for Money Steering Group.

The National report identifies the key management issues for the senior management team in developing a review of catering services, to ensure that they are effective and provide value for money. The toolchest was developed as a practical guide to help catering managers at higher education institutions (HEIs) to:

- assess the effectiveness of their catering arrangements
- identify matters that need to be considered further within their strategic policies and operational procedures for catering services
- implement practical solutions to enhance service delivery and deliver better customer value
- communicate their service values, aims and objectives to students, staff and others on behalf of their institutions.

Format

The toolchest is divided into modules, covering each criterion of the EFQM Excellence Model. These range from Leadership and Policy & Strategy to Key Performance Results and Customer Results. The toolchest includes the following:

- key findings from expert working groups
- self-assessment checklists
- cameos
- management statistics.

Using the toolchest

Key findings from expert working groups

A project management committee, expert working group and consultation group was drawn from 20 institutions and contributed to this study. Their conclusions and recommendations are summarised under each element of the Toolchest.

Self-assessment

HEIs can use the self-assessment tools at Annex C to assess the effectiveness of their current arrangements, identify further areas for improvement and to prioritise measures for implementation.

Cameos

So that HEIs can draw on existing good practice in the sector, we have included cameos at Annex C that describe measures implemented by individual institutions to deal with particular aspects of catering service arrangements.

Useful management statistics

The National report recommends adopting a clear strategic approach for catering services, supported by qualitative and quantitative statistics to inform decision-making by catering managers; and to help them monitor the effectiveness of strategic policies and operational procedures. Annex C, parts 4-6, provides income & gross profit ratios; a financial trading model; and a list of useful business formulae for catering services.

Outputs and reports to review groups

The results of any reviews could be reported to the institution's appropriate governing committee and members of the senior management team as part of an annual report of catering services. The results could also be shared with students, staff and others.

The institution's catering service arrangements need to remain consistently effective and up to date. As circumstances change, the institution may need to repeat the reviews periodically.

Further information

A bibliography is at Annex A, a list of useful web-sites is at Annex B, additional good practice guidance and information (in the format of checklists and other resources) is at Annex C, and a list of abbreviations is at Annex D.

1 Leadership and people

Key findings by expert working groups

The Catering Expert Working Group (EWG) recommends that institutions adopt a self-assessment approach for the Leadership and People modules. The EWG has developed self-assessment forms for managers to review their catering services in relation to leadership and people. These may be scored, using the simple scoring system indicated, to track improvements achieved, progress made and so on.

Leadership

As in any business, the behaviour of leaders in leading the catering services towards long-term success is crucial. How they develop a clear purpose for catering services – by personally involving themselves in making things happen; working with others (customers, suppliers and staff, the general community); ensuring that systems are in place and developed; motivating, recognising and rewarding – is vital to any leadership role.

Based on research in the HE sector, the following examples of good practice were identified:

- commitment to the aims and values of the institution and its catering services
- adopting a high profile and leading by example
- supporting innovation
- emphasising motivation, trust and staff satisfaction
- developing a strong customer focus for catering services
- maintaining strong relationships with other stakeholders, both inside and outside the institution and its catering services
- enabling continuous improvement of catering services and systems.

People

Do you take your employees for granted? Are they happy? Do you do anything to encourage them? The things that drive management may not necessarily motivate your employees!

The majority of catering employees want to do a good job; they can be helped to do an excellent job by the way they are managed. Good communication, effective training, empowerment, encouraging input in the planning process, and giving recognition is a way to create a business that employees wish to work for. Creating such a culture will develop a real competitive advantage, engender commitment and encourage teamwork.

It is recognised by most quality initiatives that there are real benefits to be gained from adopting certain practices, which in turn create a culture that is better able to deliver services in a changing world. Some of these practices are referred to in the self-assessment section in Annex C; more detailed information is available from the individual organisations listed in Annex B.

Examples of excellence in this area would be:

- internal customer concepts used
- communication needs are identified and addressed
- relevant and effective training is provided
- people involvement is encouraged
- team and individual reward and recognition.

It is advisable that the self-assessment is undertaken and reviewed at least once a year, in order that areas requiring improvement can be developed.

Self-assessment checklists

The questions within the self-assessment checklists (see Annex C) are drawn from the EFQM model and refer to best practice within business. The management issues considered under Leadership and People are similarly covered by the *Investors in People* and *Hospitality Assured* initiatives – which are the two most extensively used model/benchmarks for catering services.

The self-assessment process used for Leadership and People, reviews in a systematic way:

- what has been achieved?
- what are the opportunities for further improvement?
- what are the links between 'what is done' and the results that 'have to be achieved'?

Self-assessment is a positive and constructive way of focusing and prioritising the efforts of catering services in continuous improvement and a way of measuring progress. It is a way of linking the activities of catering services to their results and vice versa.

Implementation

To benefit the most from self-assessment, the following implementation stages should be adhered to:

1. Plan and prepare for self-assessment
 - decide when the self-assessment will be completed
 - by whom it will be completed.
2. Collect views, information and data on 'where we are now'
 - what do we do now?
 - how do we do it and how widely is it done?
 - what are we achieving?
3. Identify strengths and areas for further improvement
 - what do we do well, what are our strengths?
 - where could we develop further?
 - do we need to change or add to current activities?
4. Identify the priority opportunities
 - decide the most important and practical opportunities for further improvement
 - which priorities will deliver benefits, that is, improve results, ensure business objectives are achieved?
5. Develop and implement actions based on the outcome of self-assessment
 - communicate the outcome of the self-assessment exercise
 - develop plans for the priority opportunities
 - convert those plans into actions and provide resource for this.
6. Review and repeat
 - to achieve a lasting and consistent benefit we need to review progress with the actions identified, to ensure they are implemented
 - review the process of self-assessment – can it be done any better?
 - repeat the process at regular intervals – at least annually.

Conclusion

To be effective we need to:

- be open and honest in the assessment of the current position. We must not undervalue our strengths, or be over-critical of ourselves. We must also not hide or ignore areas of opportunity
- be prepared to challenge current practice, and ask if there is a better way
- be ready to learn from the good ideas and practice elsewhere in the institution, and from other institutions and industry.
- be constructive, do not go over past mistakes
- follow through, to convert opportunities into actions

- do not expect instant or 'quick fix' improvements.

Self-assessment is about the long-term commitment to continuous improvement. It can help catering services or the institution to identify and prioritise opportunities for further improvement in leadership and people. Ultimately it will focus the catering services' efforts, to achieve even better results.

2 Policy and strategy

Key findings by the expert working groups

For this module of the EFQM Excellence Model, the Catering Expert Working Group used a questionnaire approach. The questionnaire consisted of 29 questions. The results are based on completed responses from 66 institutions. These results were sub-divided into three groups based on annual turnover.

Based on the results of the questionnaire, it is clear that there is a trend for institutions to manage upwards. This approach is reflected both in the development of business plans and strategic policies. In developing the latter, the survey indicated that the majority of responding catering services used customer feedback data to develop their institution's catering strategy. However, the survey also revealed that other strategic elements are excluded in the development of these plans, such as references to pricing strategy mechanisms, catering policy, investment capital plans for development and refurbishment of catering services, and environmental issues such as recycling.

To address the above and other issues, institutions need to consider the following:

- improving the interaction between the institution's senior management and catering management in developing strategic policies and plans for catering services – particularly for issues impacting on business growth, services pricing, rewarding and recognising staff – by:
 - ensuring that catering features in the institution's overall strategy
 - developing a separate catering strategy that provides an in-depth analysis of what is needed and how best it can be delivered
 - ensuring that existing services are supported by strong business plans that reflect financial and operational targets
- planning should take account of all relevant factors, such as;
 - the role of catering services – business resource (profit centre) or service provider
 - pricing mechanisms for different levels of service operations
 - market-informed terms and conditions for catering staff
 - capital investment policies and plans, to support business development and investment in information management and technology
 - service level agreements with other key support services, for example, finance, IT, estates and personnel services
- establishing clear channels of communication so that issues and associated risks impacting on catering services are identified and acted upon
- collecting and disseminating management statistics to inform decision making
- publishing an annual business review
- enhancing staff training and development
- using the Conference of University Business Officers (CUBO) and The University Caterers Organisation (TUCO) to access current good practice
- maintaining staff awareness of legislation and good practice guidelines
- participating in national, regional and inter-institutional procurement initiatives
- documenting important catering procedures to support continuous improvement.

Summary of findings

An overview of the survey results for the following three income groups is provided below:

- institutions with catering turnover up to £1 million per annum
- institutions with catering turnover over £1 million and up to £3 million
- institutions with catering turnover in excess of £3 million per annum.

Institutions with catering turnover up to £1 million per annum

This category covers 23 out of 66 (35 per cent) institutions completing the questionnaire. Student numbers for this group ranged from just under 1,700 to over 22,000. Most catering services were provided 'in-house' at these institutions.

Within this group there was strong evidence that most recognised the need for a business plan and the benefits of communicating the plan to customers and staff. The development of this plan tended to be led by the catering management team, with limited involvement from the senior management of the institution. Plans focused on subsidy reduction, break-even targets and general cost reductions, with little evidence of planning for future development and growth of the business.

Difficulties for this group are that catering is not always seen as an important element in the overall institution's strategic plan. The business plan was often formulated from the bottom up rather than by the senior management of the institution. Pricing tariffs are often the responsibility of the institution rather than the catering management. Together, this can lead to a lack of strategic clarity both in terms of the effect on the financial success of the business and the lack of funding available for redevelopment.

Income in this group was, in the main, generated from staff and students rather than external commercial business. It is generally external commercial business that creates profit and contributes toward 'future years development'. Catering services in this category should be encouraged to explore this revenue stream for possible growth.

Communication with customers, staff and colleagues via benchmarking appeared to be very strong in this group, which indicates a strong focus on core business.

Institutions with catering turnover over £1 million and up to £3 million per annum

This category included 34 out of 66 institutions (51 per cent). Student numbers for this group ranged from just under 7,000 to over 45,000.

Thirteen of these institutions (38 per cent) make specific reference to catering services in their strategic plans. The same institutions have linked their catering strategy/business plan to the institution's overall strategic plan.

The HEIs in this group identified a number of proactive measures to update their catering plans. These included: awareness of industry trends, customer feedback, membership of professional organisations and the associated networking, the use of consultants, use of the internet, attendance at professional conferences, consultation with suppliers and staff, benchmarking, local competitive analysis, product testing, focus groups, financial and institutional plans analysis.

The results of this group seem to support anecdotal evidence from within the HE sector of a high degree of professional and operational competence; however, this is rarely transferred to operational documentation, such as formalised business plans and strategies. The implication of this is that a catering operation is capable of functioning without necessarily having policies fully documented. This is clearly a disadvantage when scrutinised by other bodies such as Investors in People (IIP), Hospitality Assured and other quality initiatives.

Institutions with catering turnover in excess of £3 million per annum

Nine out of 66 institutions (14 per cent) fell within this group. Seven of the nine operated an in-house catering service. The remaining two institutions had a mix of in-house and contracted services. Student numbers for this group ranged from just under 11,000 to over 30,000.

Only two institutions made specific reference to the catering operation in their main strategic plan. However, all institutions had a business plan for their catering service linked to their institution's strategic plan.

When producing or updating catering plans, catering services made particular reference to building in comments and observations received from their customers. This was underpinned by benchmarking services against both commercial operators and other HEIs. However, the survey revealed that other strategic elements are sometimes excluded in developing these plans. Notable exclusions were references to pricing strategy/mechanisms and environmental issues such as recycling.

All catering services confirmed that they involved relevant members of the catering workforce in their planning and that information was cascaded through the catering service.

All catering services had identified areas that they regarded as being critical to the success of the catering service. In terms of financial performance, all catering services had in place key performance indicators. In the cases of food and drink, gross profit percentage targets were set. Labour costs were normally set as a percentage of overall income. Actual financial performance figures provided by catering services saw considerable variation; there appeared to be little or no commonality. Non-financial critical performance factors included high levels of customer satisfaction and having a flexible and responsive workforce.

All but one catering service had annual appraisals and/or performance reviews in place for catering personnel. This process also involved setting specific objectives linked to business goals.

It was noticeable, and perhaps given the benefits of their scale not surprising, that the majority of catering services within this group had received national recognition through accredited schemes such as Investors in People, Hospitality Assured and Charter Mark.

Conclusion

The contribution of catering services can be financial and social, enhancing the student experience. It is good business practice for institutions' business strategy/plans to include recognition of the provision and contribution made by catering services. If the institutions fails to do so it is vital that the catering service submits its own interpretation of the institution's needs. It is quite possible that the institution may accept that the catering service can perform to one of three levels: operating at a loss; operating to break even; operating to make a contribution. HEFCE regulations do allow for local decision making regarding provision of loss making services on the basis of enhancing student experience.

Detailed findings

The rest of this module considers a number of specific policy and strategy issues for catering services within the three income groups defined above, under six headings:

- management of service delivery
- success factors
- strategic policy framework
- business planning (customers and staff)
- good management practice
- staff development and training.

Institutions with catering turnover up to £1 million per annum

Management of service delivery

Most HEIs in this category (78 per cent of the sample) have their catering services provided in-house; only five have external service providers.

Catering services were requested to indicate the specific factors and considerations included in their business plans. These included pricing mechanisms, short to medium term objectives through to reporting information to senior

management (annual performance indicators and service level standards), staff training, customer feedback, waste management and further institution-specific items. Four catering services included all of the above indicators in their catering policy/business plans. Only three institutions did not have a catering policy or business plan for their services. The remaining institutions indicated that their plans included some or all of the range of indicators.

A total of 12 catering services out of 23 (52 per cent) indicated that they had implemented good management practices from organisations outside the HE sector. A further three indicated that they occasionally implemented good practices, but eight out of 23 (35 per cent) replied 'no' or did not answer this question.

A significant number of catering services had identified a number of ways to ensure that their services provided value for money. These included questionnaires, visits to other catering services, membership of purchasing consortia and professional groups. Regular reviews of services were undertaken, sometimes involving external agencies. Management team meetings, focus groups, meetings with suppliers and attendance at catering trade fairs and conferences also supported the provision of good services.

'Extensive feedback is sought from questionnaires and meetings that involve students, staff and members of the institution's management. National trends and local variations are monitored to see how they will impact on operations. Site visits are made to other catering services to see new ideas/methods in practice. Suppliers are visited and audited to establish how they can support our objectives.'

A number of catering services identified current issues and concerns:

'The guidelines from senior management/registrar level are not very clear. Just to cut costs is the priority. We are currently going through voluntary redundancies to cut costs.'

'Over the last three years we have regularly benchmarked against other institutions and out-sourced quotes. However, in these days of increased development of restaurants, hotels and cafes, it is important that we budget for and deliver real training and development for our staff and (offer) wages and salaries that reward and encourage loyalty and productivity. Equally, we need to constantly invest in up-to-date equipment and development which allows staff to be more productive and still guarantee the quality product that the students deserve and expect.'

Success factors

Nearly all catering services within this income category have undertaken some benchmarking against competitors and other organisations. Six out of 23 catering services (26 per cent) have benchmarked their catering services against other organisations. A further 12 (52 per cent) have indicated that they have done so on a selective and/or periodic basis. The remaining HEIs in this group (22 per cent) have relied on internal indicators.

The majority have also identified critical success factors that are key for their catering services operations. These include: the reduction of cost elements (food, wages, overheads and so on); a satisfactory outcome following a review by an external audit body (for example, environmental health, health and safety); the elimination of subsidisation of catering services; and the identification and satisfaction of customer needs.

However, some HEIs in the sample have not identified how they will measure the success of their catering services. This seems to suggest that the institutions concerned do not provide a clear strategic direction for their catering business.

Strategic policy framework

Within this group, only three out of 23 catering services (13 per cent) have integrated strategic planning arrangements that cover the institution and the catering service. However, a further eight out of the 23 institutions' (35 per cent) strategic plans make specific reference to their catering services. Within the eight catering services, six have subsequently developed a catering strategy/business plan. In turn, five out of the six have linked their catering

strategy/business plan to the institution's overall strategic plan. All eight institutions either always or sometimes formally communicate changes that would have an impact on the catering services' business plans.

Half of the HEIs have recognised the value of a policy that supports the in-house provision of catering services. Where this is not the case, external provision usually relates to the provision of hospitality and Student Union catering. For 12 out of 23 institutions (52 per cent) there is a policy requiring catering services to be provided solely by the in-house caterer. In a number of cases, this is also linked to a requirement by the institution that some catering services should be subsidised.

This group generally works without subsidy with a break-even policy. There is some recognition that special events and hospitality are subsidised via an institution's PR events.

In relation to catering policy and business planning, the strengths of this group are in relation to areas under their direct control; for example, performance indicators; service standards; staff training; customer feedback; and informing senior management of financial performance. Weaknesses relate to lack of control of pricing mechanisms. The majority of institutions in this income group have good top-down communication.

Business planning (customers and staff)

The overwhelming majority of catering services recognised the importance of a dialogue with their customers and staff to support continuous improvement in catering services. Within the catering service, these arrangements cover discussing management plans with catering staff; considering and acting upon the points raised by them; undertaking periodic customer satisfaction surveys; and again considering and acting upon the results arising from those surveys. To complement this feedback, catering services ensure that they have up to date competitor information when setting or reviewing their catering plans.

Catering services within institutions realise the necessity to be able to react to short-term opportunities without compromising their longer term catering plans.

Good management practice

In this income group (23 HEIs), benchmarking reviews and measurement are being undertaken. Overall, good management is a feature within this income group. Specific good practice that has been introduced within the sample concentrates predominantly on cost reduction in materials and labour. Little is said about business development.

Staff development and training

Training and staff development appraisal is a particular strength in this group, with 78 per cent of staff having regular reviews. The budget for staff training ranges from 0.3 per cent to 4 per cent of payroll costs, the average being 1.4 per cent.

Institutions with catering turnover between £1 million and £3 million per annum

Management of service delivery

In this group, 19 catering services out of 34 (56 per cent) indicated that they had implemented good management practices from organisations outside the HE sector. A further 11 (32 per cent) indicated that they occasionally implemented good practices, but four out of 34 (12 per cent) replied no to this question.

For 91 per cent of respondents, results arising from customer satisfaction surveys were used in updating the catering plan; examples include modifying products or menus, changes to trading hours, addressing customers' expectation gaps, modifying staff training, and supporting and recommending changes to institution policy.

The survey results showed that 29 out of 34 HEIs have a strategy/business plan, and only one respondent out of the 34 in this section actually stated that no policy or strategy was in place during 2000-01. (However the catering services'

intention in this institution was that a strategy would be developed during the forthcoming year.) While 85 per cent of respondents (29 out of 34 HEIs) have a catering strategy/business plan, it is clear from the evidence gained that 97 per cent (33 out of 34 HEIs) in 2000-01 had some form of operational strategy/policy in place, with an indication that in the following year 100 per cent will have a formal strategy/business plan.

A number of institutions identified current issues and concerns:

'When developing new services an analysis of customer attitudes is undertaken to create new products, and new concepts are benchmarked against High Street operations.'

One institution identified the following priorities:

- .altering existing outlets
- offering different ranges of foods
- investing capital accordingly
- modifying staff training.

'Recurring themes are identified, actions to address them are built into objectives for the year.'

'As will be familiar in most institutions, the delivery of cash services to the College community is constrained by the academic cycle; the customer base is not constant and is disrupted regularly by placements, reading weeks, examination periods and extended vacations. Cash services are supplemented by internal hospitality and functions, of which some of the most important and regular are corporate, College-sponsored events; and by trade generated through third party hire of academic campuses and residences.'

The development of teams of staff familiar with, and responsive to this specific trading environment, takes time – and experience demonstrates that in-house services are well placed to adapt easily and successfully to the demands for tailored services, at low prices, for limited periods in the year – particularly where the opportunities for generation of income from third parties are limited either by the nature of premises or extent of academic use.'

'With a multi-site campus, and the sites are 30-40 miles apart, economics of scale are difficult to achieve. Economies of scale make the smaller campuses expensive to run. The college has undergone rapid growth in the last five years, and we are therefore developing an updated business plan to cope with this change.'

'Conflict between running a business and providing a service. Price resistance. High funded capital expenditure. Limited footfall. Recruitment/retention of staff.'

Success factors

For this income group, 13 out of 34 (38 per cent) have benchmarked their catering services against other organisations. A further 17 (50 per cent) have indicated that they have done so on a selective and/or periodic basis.

Using a mixture of external and internal measures, 19 catering services (56 per cent) indicated that they had identified how they will measure a successful catering service. To support these actions, 21 (62 per cent) have established critical success factors that are key to the operations of the catering service.

In addition to the critical success factors identified by the previous income group, catering services in this group have identified the following key issues: branding; innovation; forward planning; consultation; staff recruitment and retention, training and development; quality management approach; and measuring performance.

'Modernisation. Two refurbishments of key areas have been critical to developing service. Introducing new concepts and reacting to changes in eating habits. Stronger management of operation.'

'Daily pricing reviews to ensure maximum revenues. Full menu costings and individual function costing to ensure good cost control of food and labour. Installation of new systems to improve communication and devolve responsibility, acceptance by the institution of strategic plans.'

Strategic policy framework

This income category is the largest; 51 per cent of respondents fall within it.

Characteristics of the existing policy and business plans of HEIs in this group are:

- 88 per cent refer directly to customer feedback
- 85 per cent have short to medium term objectives included
- 85 per cent report information to senior management
- 82 per cent have reference to staff training
- 79 per cent have annual performance indicators
- 68 per cent have service level standards defined
- 53 per cent include details on pricing mechanisms
- 41 per cent incorporate waste management into the policy/plan
- 15 per cent include other elements not specified within the questionnaire text, such as SWOT analyses, marketing plans, focus groups, awards and initiatives, hygiene responsibilities.

There is a perception within the sector that catering services have to fulfil two conflicting objectives: to provide a service to the institution, and to be cost-effective providing value for money. There is much anecdotal evidence to suggest that if the provision of a responsive service took priority, this would undoubtedly affect the financial status of the service.

In many cases catering services within institutions do not constitute core business and therefore are rarely referred to in the institution strategy, although 38 per cent of respondents indicate that specific reference is made within the institution strategy to the catering service. On further analysis of the responses it was evident that there is a willingness to link catering strategy to institution strategy; however the link is tenuous and not explicit in a significant majority of responses.

Only 10 of the institutions regularly formally communicate changes that would have an impact on the catering services' business plans.

Overall 19 out of 34 (56 per cent) have a formal policy requiring catering services to be provided solely by the in-house caterer. A number of institutions linked this to a requirement that some catering services should be subsidised.

Of the 34 responses 27 catering services operate an in-house service, which either has a formal policy of sole service provider or recognises sole supplier status through custom and practice. From an operational point of view this practice would justify the capital investment and employment liability made by the institution, thus maximising the opportunity to gain best value from the investment.

In this income band there seems to be a recognition that to allow competition within the institution from an external provider has the potential to be detrimental in not only diverting the income stream but also compromising the cost-effectiveness of an in-house operation. It must also be remembered that the in-house provider usually has to conform to stringent institution policy and procedures, which – particularly in the terms of employment, standards and costs – are substantially different to that of external providers.

In total 12 out of 34 respondents confirmed that there was a policy within the institution to subsidise the catering services. However on further investigation it was unclear whether this policy was financed by the institution or absorbed by the catering service. The majority of responses indicate that in specified circumstances subsidisation of catering services does take place. All referred to subsidising uneconomical services, which support the academic/social requirement of the

institution. In providing that service it is implied that the institution recognises that provision of such services overrides any business case.

Where subsidisation is absorbed within the overall catering provision, the best value and cost-effectiveness of that service is compromised in respect of financial performance, lack of motivation and under-resourcing. This adds complexity to the evaluation process in defining whether the service is able to provide value for money, as invariably value for money is equated with financial success.

Within catering services, it is clear that various performance measurements are used extensively to support the operation. This, bearing in mind the income band of £1 million to £3 million, is perhaps understandable given that the majority are sole service providers, are accountable through a variety of key performance indicators (KPI) and are in the main expected to break even or make a contribution. Control, reporting and analysis is more likely to be a requirement within this level of business to support and justify the various complex aspects of managing their customer and cost base.

Business planning (customers and staff)

A majority of the respondents (88 per cent) either regularly or periodically discuss their catering plans with staff. All act upon points raised by catering staff, undertake customer satisfaction surveys and consider or act upon results arising from those surveys. Almost all the institutions in this group (33 out of 34 respondents) actively seek that information, indicating that the sector is aware of the need to possess competitor information when setting or reviewing catering plans.

In total, 65 per cent have a mechanism that actively encourages catering staff to participate in achieving targets which support the business plan. A further 18 per cent indicate occasional staff involvement in the process with 17 per cent not actively seeking staff involvement.

Almost all HEIs (83 per cent) acknowledge the need to include staff at some stage in achieving their strategic objectives; it is possible to link this to the preponderance of quality initiatives such as IIP and Hospitality Assured. This also supports the development of a culture of inclusivity which leads towards a more consistent and committed approach to achieving those objectives.

The issue of culture and sub-culture within an organisation should not be under-estimated, it is well known anecdotally that within the sector decisions can be made that have far-reaching implications based on subjective information rather than qualitative data. One example is the desire to see high street branding within an academic environment without taking into account the financial implications or customer demand.

Good management practice

The preponderance of customer feedback and the increased use of staff input in the decision-making process indicates a widespread trend identifying the need to be more consultative while retaining the balance with financial and resource constraints. Again this leads to a change in culture and an increased commercial awareness from the staff by being better informed, resulting in an increased sense of ownership.

The development of this culture, and the associated ownership by all staff, can easily be undermined at times by the institution's desire to provide a service. This can override any previous financial, operational and cultural objective that the catering service may have been working to, for example, extending the opening hours of a service to support an academic purpose, but resulting in no extra income.

Staff development and training

This area covers implementation and scope of staff appraisals; identification of training needs; investment cost in training.

Of the 53 responses 48 (91 per cent) indicated that training needs had been identified for all catering staff; however only 35 (66 per cent) indicated that their catering staff are covered by regular appraisal or some form of staff review process. These data should be cross-referenced against institutions within this bracket who have obtained IIP or Hospitality Assured accreditation. Despite institutional policies, anecdotal evidence would suggest that catering services operate their own version for staff appraisals and training.

Only five out of 53 catering services indicated that the training budget was a central resource, 13 did not respond to the question. Of the other 35 positive responses, 25 (71.4 per cent) have stated that they allocate less than 1 per cent of total staff costs to training, six less than 2 per cent and only four institutions allocating more than 2 per cent. This is against the industry norm of 3 per cent, and should be referenced against catering services in other income brackets, to establish possible link with accredited catering services.

Institutions with catering turnover over £3 million per annum

Management of service delivery

Seven out of the nine catering services in this group provided an in-house catering operation. The remaining two catering services offered a mixed service delivery, that is, a combination of in-house and external providers.

All catering services within the group had a catering policy or business plan for their services.

Eight catering services out of nine indicated that they had, to varying degrees, implemented good management practices from organisations outside the sector. All had employed some form of benchmarking exercises to assess service delivery and financial performance.

It was noticeable that when reviewing their plans, all catering services within this income group made specific reference to regularly seeking customer opinion on services provided. Two also indicated that they were using the services of consultants to provide advice. Catering services mainly used results from customer feedback to revise food selection, remodel food service areas, adjust opening times and identify staff training needs.

The other main sources used to review plans were:

- visits to other institutions
- competitor analysis (prices and service delivery)
- staff suggestion schemes
- keeping abreast of developments within the industry
- ascertaining projected student numbers
- past performance.

When asked to comment on any other points of relevance, one catering service stated that the setting of customer-focused service standards was paramount to maintaining a sustainable business. Another catering service was urgently addressing a deficit position on its catering activities with assistance from an external consultant.

Success factors

Five out of nine catering services (56 per cent) have benchmarked their catering services against other organisations. The remainder of the group indicated that they had done so on a selective and/or periodic basis.

Using a mixture of external and internal measures, seven catering services (78 per cent) indicated that their service had identified how it will measure a successful catering service. As part of such measures, eight (89 per cent) had identified measures that they regarded as being key to the success of their catering services. One institution was in the process of identifying critical success factors with the support of an external consultant.

Examples of critical success factors provided by the group were:

- high levels of customer satisfaction
- maintaining and improving financial performance
- effective control of labour costs
- a flexible and responsive workforce
- innovation
- ability to respond to changing demands/trends
- maintaining and upgrading facilities to meet increasing customer expectations.

This group also placed significant emphasis on establishing appropriate benchmarks and targets linked to management information and regular reviews.

Strategic policy framework

All catering services within the group had a catering policy or business plan for their services. However, only two of nine institutions' strategic plans made specific reference to their catering service. These two had integrated strategic planning arrangements in place that incorporated the catering service. Of the remaining institutions within this group, all but one had ensured that the catering services had developed a catering strategy that referred to the institution's overall strategy. One was actively working with an external consultant to develop such a strategy.

'I have employed a team of catering consultants to introduce a catering strategythe new strategy is being endorsed personally by the VC and it aims to reflect directly the aims and objectives of the institution for the first time.'

All catering services made reference to short/medium term objectives, performance indicators and service levels. Three catering services included all of the indicators identified in the questionnaire within their catering policy/business plans. The remaining catering services made some reference to formal pricing mechanisms, information required by senior management and waste management. A number of catering services also included capital projects within their plans.

Seven (78 per cent) of the catering services in this income group either always or sometimes formally communicated changes that would have an impact on the catering service's business plans. However, it is generally felt that the level of consultation could be significantly improved.

Five out of nine (56 per cent) had a policy requiring catering services to be provided solely by the in-house caterer. Only one catering service, however, had linked this to an agreed policy that certain catering services should be subsidised.

Business planning (customers and staff)

All catering services within the group confirmed that they discussed their catering plans with catering staff, and also took account of comments and suggestions from the catering team. Customer satisfaction surveys were undertaken by all, and appropriate action was taken or built into future plans. Examples given included:

- identifying trends
- reviewing services currently provided
- agreeing action plans
- using external consultants for advice
- benchmarking services against external competitors.

'We take back the results of surveys and deal with comments that give immediate "fixes", then take the other comments on board via our operation meetings and include these comments within longer term development plans.'

All catering services undertook some form of competitor analysis when formulating business plans. Targets are set by all catering services to measure performance, and staff are set specific objectives to assist in the achievement of business goals.

All catering services confirmed that they would take advantage of short-term opportunities, providing that they did not compromise longer term catering service plans.

Good management practice

All catering services confirmed that they benchmark their catering services against other organisations to some degree. In total, 89 per cent confirmed that they had implemented good management practices from organisations outside the HE sector. Examples included:

- improvement of management control systems
- regular review and revision of policies and plans
- introduction of premium products, supported by good quality merchandising.

'Using premium products and a market place pricing strategy has increased gross profit from 53 per cent to 61 per cent.'

'The development of excellent point of sale and marketing techniques in our cash restaurants has resulted in the services improving across all areas, reducing operating costs and improving choice.'

Many of these catering services had achieved external accreditation, which confirmed the implementation of good management practices, for example, Investors in People, Hospitality Assured, Charter Mark.

78 per cent of the catering services ensured that their staff were aware of issues that impacted on the environment, particularly recycling and the efficient use of energy.

All but one catering service, when revising their catering plans, reviewed arrangements with suppliers.

All catering services, to varying degrees, ensured that their staff were kept aware of technological developments within the catering industry. This was undertaken through training sessions, team meetings and newsletters.

Staff development and training

Eight catering services confirmed that they undertook regular appraisals of all staff, and identified training needs for all. Investment in training ranged from 0.6 per cent to 4 per cent of total payroll costs.

Self-assessment checklist

The Catering Expert Working Group has developed for the Policy and Strategy module a self-assessment checklist for managers (see Annex C) to review their catering services operations each year. The questions in the checklist are drawn from the EFQM model and refer to best practice within business. The checklist may be scored to facilitate the tracking of improvements achieved, progress made and so on by catering services.

3 Partnership and resources

Key findings by expert working groups

Overview of purchasing

Information gathered during this study has revealed that food and liquor costs form a substantial part of total expenditure. The relationship of those costs to income is significant (see Annex C, Income and gross profit ratios).

Over a number of years institutional regional purchasing consortia have been established through which commodities can be purchased. Catering commodities are one such group, others include furniture, waste management and stationery.

Through membership of these institutional purchasing consortia it has been possible to negotiate terms on behalf of several universities within a region. A framework agreement allowing individual universities to take advantage of negotiated prices at pre-determined specifications, without having to undergo the process on an individual basis, has proved to be advantageous.

The desire to negotiate a more competitive contract based on volume purchasing has resulted in several regions employing a specialist third party provider who administers all aspects of the contract, with the decision making remaining with the collective universities. For this arrangement to work it is necessary to have some form of pre-contract commitment from the member universities, the principle being that with such a commitment the best possible value may be achieved.

A logical progression from this method of purchasing would be to develop a national purchasing strategy for universities to secure value for money. A group was convened from TUCO to investigate the feasibility of introducing the wider use of national contracts, having already set in place successful contracts for beers, wines and spirits, cider and soft drinks.

Aims of procurement in catering

The aims of procurement in catering may be summarised as follows:

- establishment of a national protocol, with TUCO being recognised as the lead body for catering
- national agreement between the Heads of Consortia Group (HOCCG) and the Joint Procurement Policy and Strategy Group (JPPSG)
- national agreements in place that work
- recognition that some purchasing will be better done regionally or locally
- catering groups should be successful in regional purchasing
- third party required to manage value contracts, currently these are supported by volunteers which is unacceptable and unsustainable
- larger contract values, subject to OJEC tendering
- professional expertise required to administer high volume contracts
- reduction in number of suppliers, such as grocery
- future arrangements – continually developing – contract values, mixed contract arrangements, different structures of contracts and specifications

Procurement strategy

In July 2000, TUCO set up a national working group (now TUCO's national purchasing group, NPG) to consider the further development of purchasing nationally for the benefit of TUCO members.

The NPG consists of a member from each of the nine TUCO regions, a representative from the HOCCG and a chairman.

The NPG has, by agreement at TUCO annual general meetings or through consultation with members:

- established a relationship with HOCC in matters of purchasing
- agreed that TUCO should act as the lead body for catering commodity purchasing on a national basis
- agreed that HOCC should provide professional purchasing support to facilitate this activity
- agreed that TUCO should engage a third party service provider to provide TUCO's administrative and purchasing support functions.

HOCC has nominated its secretary to TUCO's NPG to act as TUCO's purchasing adviser, and the brief for this role has been agreed.

TUCO has agreed that it will use the national protocol for co-operative procurement prepared by HOCC to determine whether the procurement of a commodity is best suited to an individual, sub-regional, regional, inter-regional or national agreement.

The NPG has been testing the protocol on four commodities. It is planned to use the protocol on all commodities used by TUCO members.

It is the intention of the NPG to tender for national TUCO agreements where the national protocol supports this course of action.

Current national agreements

TUCO currently has four national agreements: beer, soft drinks, cider, spirits and wines; these are widely used by TUCO members.

The national protocol is a process, based on research and consultation, to determine whether the procurement of a commodity is best suited to an individual, sub-regional, regional, inter-regional or national contract.

TUCO's NPG initiates the process by identifying a commodity for consideration. An outline proposal is registered with the HOCC, describing the contract subject and giving details of the group taking the proposal forward. This 'group' is described as a national working party by the protocol.

The national working party consults with the sector by questionnaire to establish, inter alia:

- is there a regional agreement in place?
- potential suppliers
- anticipated short- or long-term benefits or risks of a national contract.

The national working party meets to consider the submissions and, if appropriate, to determine a draft specification.

The national working party now requests information from the supplier database arising from its market research, to evaluate supplier interest in and capability of fulfilling a national contract.

Based on the information gathered during the previous steps, the national working party then either puts together a business case for proceeding with a national contract, or makes an alternative recommendation.

Positive recommendations require the agreement of TUCO's NPG and the formal approval of the HOCC, after which the normal EU tendering route would be followed. Suppliers who expressed an interest in participating would be notified of the OJEC advertisement.

Although a logical progression to national purchasing for consumables may initially appear to be a simple extension of localised arrangements there are hidden complexities which may prove difficult to manage, not least the problem of suppliers able to supply/distribute nationally. Quality assurance issues and food safety issues may limit the number of

national suppliers available. This however does not preclude the use of national contracts, which are awarded to regional suppliers – either as sole supply or second supplier, as an alternative to a preferred national supplier – if this proves to be best value.

There is an indication through benchmarking exercises that localised contracts with either individual or small groups of universities are becoming increasingly able to negotiate better value, particularly in areas of fresh commodities – a matter which the NPG will no doubt investigate.

Summary of data gathered

With the knowledge of the purchasing history within universities as a backdrop a questionnaire was devised to ascertain relationships between catering services and suppliers, either external or internal.

A similar pattern across all three income groups was evident from the data received. The national contracts were confined to the liquor and soft drinks items referred to earlier. Many institutions used a combination of inter-regional, regional and local contracts to source their supplies, with very few relying on one in particular.

Comments were invited about perceived advantages of any particular method of purchasing.

Local purchasing

- in the absence of a regional or national agreement, typically this refers to fresh commodities such as fruit and vegetables.
- allows flexibility to source specialist items that have limited or small spend, for example, sushi
- institution policy in place to support local producers
- greater flexibility on delivery times
- personalised service/support
- the ability to negotiate better prices.

Regional and inter-regional purchasing

- Improved value for money through large-volume purchasing
- minimal individual involvement in procurement process, quality assurance and due diligence
- wider supplier base
- wider product base
- improved negotiating power/problem resolution for members.

National purchasing

- advantages are as for regional purchasing but with greater scope
- opportunities for negotiations or contracts direct with manufacturers
- access to national marketing budgets
- economies of scale with regard to administration
- consolidation of regional contracts for sector consistency
- opportunities to trial new products/innovations.

In order for the contractual relationships to succeed there has to be defined procedures for complaint handling in the event of service failure. In response to what sanctions were available in the event of service failure, almost all respondents stated that there were procedures in place for complaints/compensation. In most cases this was due to the contracts/agreements being managed by a third party, for example, regional consortia.

There were a number of sanctions available in the event of service failure, in particular within regional/national agreements where procedures/clauses in case of service failure are included in the contract.

The following were mentioned by respondents:

- a. Vendor assessments were in place to monitor effectiveness of the contract during its lifetime.
- b. Sanctions were in place enabling use of another supplier should there be unresolved problems with the contract.
- c. Financial compensation was available in some circumstances.
- d. A complaints procedure, documented with time-scales for resolutions, was actively used.

Respondents indicated that there were very few agreements with external suppliers which had no procedures in place at all.

Internal suppliers

Responses from the sections on Policy and Strategy and Key Performance Results (KPR) questionnaires indicated that a number of catering services had charges levied against them for internal support services, namely finance, personnel and estates department.

Having identified the internal suppliers, the questionnaire then sought to establish if there were any formal arrangements in place. Potentially these could take the form of:

- service level agreements/statements
- memorandum of understanding
- contracts or others, such as charters
- custom and practice
- monthly/regular reviews.

Responses indicated that service level agreements/statements were the most commonly used (36 per cent), and 14 per cent had a memorandum of understanding. There was no evidence that respondents had entered into formal contracts/agreements with their internal suppliers.

Responses did indicate a number of methods of charging for support functions. There were variations, particularly in the estate department function. 41% indicated that they were charged for maintenance including parts and labour, 14 per cent being top-sliced by the institution for estate services. The remainder appeared not to be directly charged. Where catering services were not part of an academic building there was a possibility that all maintenance charges were met by the catering service. It is recommended that these costs be identified in the Financial Trading Model provided in Annex C.

With regard to HR/personnel services, 31 per cent of respondents were charged for the service. Some respondents indicated that they employed their own HR staff; however they also paid a retainer to central services to provide specialist advice as required.

Top-slicing was reported by the majority of the 45 per cent of respondents that were charged for finance services, as the main method of cost recovery. It was acknowledged that it remains common practice that the catering service produces its own local trading accounts. Institutions' finance systems still did not, in general, meet the requirements of trading operations such as the catering service, with their need for accurate and timely information.

The responses indicated that the decision to cross-charge for other support services was an institutional one and bore no relationship to the income levels of catering services. Of those catering services who were charged for support functions, and had no agreement in place, 65 per cent were dissatisfied with the level of service. Some reasons were:

- poor response times
- lack of flexibility
- low priority given to catering
- monopoly service with no other alternative available.

Six out of 28 had agreements in place, and were charged for the service, and remained dissatisfied with the service, indicating a lack of improvement from the service provider.

Only half of respondents had recourse to a procedure for complaining. With the exception of three respondents, all were required to use the in-house service provider. There was little evidence for catering services to have recourse to look at alternative suppliers.

Drawing from experience, there are lessons to be learnt from the management of external partners that could be applied to services provided by internal partners. For example:

- establishing criteria
- developing specifications
- determining service levels
- monitoring and reviewing the services.

Having internal agreements in place is not sufficient on its own to ensure value for money; there is clearly a need to manage agreements for them to deliver an efficient service effectively. It is essential to avoid the agreement being simply a token document which pays lip service to the idea of partnership agreements in managing resources.

Technology investment and development

Only 14 per cent of respondents included in their catering strategy reference to the development/use of new computer technology. Of the technology employed by catering services the most commonly used were EPOS packages. Several respondents indicated that they had either developed in-house systems or commissioned bespoke packages. In the main the software was supported by the company supplying the software, hardware being supported internally either by the institution or by the catering service.

Responses indicated that purchasing IT software and hardware was funded by the catering service.

In general terms institutions with a turnover of less than £1 million did not appear to use IT in managing their business. The £1 to £3 million group was mixed; however a number of respondents indicated that they were unable to fund the investment required for IT facilities. The £3 million plus group used IT packages extensively across their business. This indicates that the size of turnover may influence the extent of investment in IT supporting the business.

Conclusion

It is clear that structures and procedures are in place and are developing to effectively manage relationships with external partners in order to achieve value for money. However there is less evidence that this is the case with internal partners, despite the fact that charges are increasingly levied to the catering trading account. The ability to achieve value for money is therefore potentially compromised; internal service providers should have effective formalised relationships/expectations documented.

4 Processes

Key findings by expert working groups

The Processes questionnaire was developed for two key processes, identified from a list of important issues received through feedback from previous questionnaires. These were strategic decision-making and staff recruitment. For these two processes, the EWG wished to identify specific arrangements in place within institutions and how they impacted on catering services.

In all, 41 replies were received. The experience recorded suggests that catering services operate in a fast-moving environment, that is commercially orientated, and that they need to be responsive to changing customer demands. The overriding consensus was that policies and strategies determined by institutions were oriented to the core business, with little consideration being given to the impact made on the cost-effectiveness of catering services and other central support services.

Strategic decision-making

It was clear from the responses received that there was little evidence of a 'top down' strategy document, which specifically related to catering services. In most cases these strategy documents were developed by catering service managers reviewing operational aims and objectives, looking at income and customer levels on a year-on-year basis, anticipating financial commitments and constraints, and in the main, endeavouring to become cost-effective. These self-determined operational parameters were adopted either with or without specific reference in institutional strategies.

The responses received to the questionnaire indicated that institutions' expectations of catering services were not documented (44 per cent); this was particularly the case in those HE institutions whose catering income was below £3 million per year.

The questionnaire sought responses to the following:

- How are expectations documented and updated?
- Who is involved?
- What considerations are taken into account?
- What other policies are influential?

The replies received indicated that for a majority of institutions (56 per cent) there was a documented expectation of catering services. The processes by which the expectations of the institution were documented were diverse, ranging from business plans, service level agreements, consultation exercises and reference to institutional strategic objectives. Across all income levels just over half of the respondents stated that there was a documented expectation of the service. Of those, 78 per cent indicated that the head of catering was the most involved, with the director of facilities having the next greatest involvement. The governing committee and the vice-chancellor/registrars were recorded as having the least involvement, with 52 per cent of respondents stating that the finance director was one of the three least involved. This illustrates the wide difference in reporting lines experienced within HEIs and the lack of actual involvement by the senior management team in catering services.

The implication of the lack of involvement of the senior management team is that any documented expectations are formalised at operational level and cascaded upwards for endorsement or approval. The questionnaire sought to discover who within the organisation determines fundamental changes to catering provision. From the 41 responses, 88 per cent indicated that the head of catering was instrumental in determining changes to the service, with the director of facilities also having a strong influence. Respondents indicated that those least involved in determining fundamental change were again the governing committee and the finance director.

The caterer would appear to be the one who determines the operational direction of the service, taking responsibility for fundamental changes and seeking endorsement from the vice-chancellor/registrars for those actions. Three factors are clearly important in driving the institution's attitude towards the catering service; 97 per cent of respondents ranked these priorities in the following order:

- service provision
- cost
- quality/standards.

Factors which appeared to be less influential in driving attitude were:

- impact on the local environment
- previous practice
- resistance to change.

From the viewpoint of respondents the most important factors impacting on the catering service are:

- uneconomical operations
- service expansion
- number of catering outlets.

It is generally assumed that the catering services within HE need to cover costs. The question of service times – whether on a daily or semester/term basis – is a concern for caterers trying to meet that expectation. If the provision has to support the academic programme, by extending opening hours at times when the volume of business does not cover costs, the service may go into deficit. While seen as supporting the core business, the catering provision will not be fulfilling financial expectations. This is a potential cause for conflict and confusion.

The process by which the expectations of the institution were documented was diverse, ranging from:

- business plans
- service level agreements
- consultation exercise
- reference to institutional strategic objectives.

The responses gave little evidence of a top-down strategy document that specifically related to catering provision. In most cases the documents were developed within the catering service itself, reviewing operational aims and objectives, looking at income and customer levels on a year-on-year basis, anticipating financial commitments and constraints, and in the main, endeavouring to become cost-effective. These self-determined operational parameters were adopted with or without approval from institution strategists.

In developing business plans/policies, respondents indicated that several institutional policies and strategies impacted on catering provision. Numerous respondents indicated that there was no consultation during the development process associated with policy and strategy in general.

An indication of the increasing differences in expectations was highlighted by several respondents, who cited the decreasing availability of social space within universities, matched by an increasing expectation for the catering provision to take on board that responsibility. This, done usually without consultation, resulted in catering space being unable to generate income and thus reducing cost-effectiveness.

The development of HR policies was widely commented on, in that they were developed without consideration to income-generating possibilities at weekends and evenings. Conditions of employment placed the catering provision at a competitive disadvantage, since staffing costs meant it was uneconomic to fully utilise the space available at these times. The overriding consensus was that policies and strategies determined by the institutions were oriented to the core business, with little consideration being given to the impact made on the cost-effectiveness of catering services and indeed other central support services.

Staff recruitment

The responsibility for determining the terms and conditions of catering services staff within institutions was identified by 80 per cent of respondents as the director of human resources. The other major influence was identified as being union negotiation. It was evident that heads of catering services had little influence in determining the terms and conditions of their staff in relation to rates of pay, enhancements, sick pay and holiday entitlement.

This was highlighted as one of the major factors influencing the cost-effectiveness of catering services. The terms and conditions in most institutions did not recognise the opportunity to develop and utilise institutional retail trading space outside normal academic periods, such as during weekends and evenings. Responses to the questionnaire revealed that terms and conditions are in the main negotiated nationally. Only one-third of all respondents negotiated these with union representatives. Equally, where there was union negotiation, only one-third of these involved the head of catering services. The ability to compete with other catering locations and maintain cost-effectiveness were factors identified as adversely influencing catering services.

Having identified factors which adversely influenced the catering services' ability to function effectively, respondents were asked to identify areas for improvement. In all, 60 per cent of respondents suggested ways of improving the terms and conditions of their staff. The key themes are:

- involve the catering management in local negotiation/consultation
- pay local market rates for skilled staff in particular
- terms and conditions of catering staff to reflect the need for seven-day, unsociable hour working within a commercial environment
- introduce a relevant pay structure for skilled staff
- have the ability to reward good performance.

A number of contractual variations were presented to respondents, and comments were invited as to the suitability, impact and extent of existing usage within catering services. The responses were as follows:

- a. **Flexible working** This was perceived as a positive management tool. However, with large numbers of staff, this was complicated to manage. It does not support work-life balance for certain staff.
- b. **Enhancements** The view was expressed that enhanced payments should be removed in favour of better basic rates of pay.
- c. **5 working days out of 7** It was felt that this increased flexibility, reduced costs and overtime payment. Again, however, this did not suit all staff.
- d. **Holidays** These are seen as generous and are an aid to retention.
- e. **Sick pay** This is seen to be a generous condition of employment compared to the private sector. This can be subject to abuse if there is a lack of an effective absence management policy.

- f. **Reward schemes, performance related pay, bonus payments** These are not generally in use. Those institutions that do use them acknowledged the difficulty of rewarding individual staff when the outcome was usually due to a team effort.
- g. **Pensions** This was seen as a universal benefit and aids the retention of staff.
- h. **Annualised pay** Not generally used, but where it is in operation it is perceived as a benefit, particularly to low paid, part-time and term-time staff.
- i. **Annualised hours** Again not generally used, but it is popular where it is in use. It reduces overtime payments and meets the peaks and troughs of the business. However, it is complicated to manage.
- j. **Overtime** Overtime rewards additional hours and is seen as an essential incentive to encourage staff to cover absences and vacancies. Effective HR policies for absence management and recruitment would reduce the need for overtime and the cost thereof.
- k. **Free meals** This is a custom and practice issue within the catering industry. It has tax implications and can be seen as being unfair by other staff within the institution.
- l. **Subsidised accommodation** This is not widely offered as a term and/or condition. It is costly but is a good recruitment tool. This also has tax implications.

When asked if the terms and conditions of employment restricted the ability of catering services to recruit and retain staff, there was an acknowledgement that, in general, institutional terms and conditions are advantageous to catering staff when compared to the private sector. However, for skilled staff the rates of pay assist in neither the recruitment nor the retention of the right calibre of staff. For manual staff, respondents indicated the need to pay local market rates.

Some respondents indicated they were paying more than they needed, and others were failing to recruit and retain staff. The inflexibility of the institution's terms and conditions had a direct effect on catering staff recruitment and costs.

Respondents were asked to identify those key factors which would most improve business performance. These were:

- capital investment in facilities
- ability to change the terms and conditions of catering staff
- increasing external business
- reducing internal competition
- improving the management of sickness and absence
- having the remit to make more commercially based decisions
- for the institution to consider the impact of academic decisions on catering services
- investment in IT.

When asked to give examples of good practice, the following were suggested:

- investment in IT
- accreditation in IIP and Hospitality Assured
- staff appraisal, training and development
- reward schemes for staff
- customer feedback
- development of brands.

Conclusion

The majority of responses referred to lack of involvement, and the absence of understanding about the impact that other policies and strategies have on catering services. The conflict between the expectations of being a service provider and a cost-effective operation, and the susceptibility to changes in emphasis of purpose through lack of a strategy, were all highlighted by respondents.

The actual adoption and implementation of a catering strategy, whether developed by the institution or by the catering service for endorsement and implementation, was a suggestion proposed by the majority of respondents. The need for strategies and policies forms a fundamental part of the EFQM model, as well as Hospitality Assured and ISO 9000, which champions best practice for organisations. Establishing strategies within institutions for the provision of catering at the outset would give focus and direction to a service acknowledged as being compromised by the lack of definition between service provider (regardless of cost) and a cost-effective service.

The presence of formalised and documented strategies indicates a commitment to a level of service and performance, which can be measured and tested. It should facilitate:

- a focused operation
- the recognition of weaknesses
- opportunities for quality improvements
- better use of resources
- a better performing service-oriented organisation.

The responses to the various parts of this study indicate a substantial amount of good practice within HE catering services, matched with an ability to be flexible and a desire to be professional in providing a service. There is a clear reluctance to document catering standards and procedures, and the evidence indicates that catering services within the HE sector are capable of operating with a degree of success without extensive documentation. In establishing value for money there should be a fundamental requirement to have operating documentation in place as well as institutional strategies, so that improvements can be measured and monitored effectively.

5 Key performance results

Key findings by expert working groups

For this module of the EFQM Excellence Model, the Catering EWG used a questionnaire approach. The results of the Key Performance Results questionnaire were then sub-divided, as in previous sections, into three groups based on annual turnover.

Of the 66 institutions that responded to the questionnaire, most had an annual turnover of less than £3 million. Only nine institutions (14 per cent), out of the institutions responding to the questionnaire, generated an annual catering turnover over £3 million.

The issues identified were as follows.

Service provision – scale of operations (food costs/labour costs/liquor costs/other costs)

Trading income varied depending on the size and nature of services offered. Some catering services relied heavily on cash sales or meal plans as sources of revenue, others predominantly on conference and commercial activities. The ability for a catering service to cover its own costs was greatly influenced by the nature of services offered and the level of annual income generated. In smaller catering services (annual income below £1 million), a subsidy was often required to support the service. Catering services in other income groups were either aiming to break even or return a surplus. This however appeared to be very much an institutional decision.

Staffing and related matters

Terms and conditions for catering personnel were a concern mainly for the higher income group of catering services, whose main source of income was from commercial/conference activity. Institutions in this group indicated that centrally determined terms and conditions could have an adverse effect on the profitability of services offered. Terms and conditions featured less significantly where the catering services' income was derived mainly from food sales and meal plans.

Business drivers

Catering services in the highest turnover group were most likely to benchmark their performance against the wider hospitality industry. This was to be expected, given that they derived the majority of their catering income from commercial/conference activity. The Catering EWG found that some catering services were not clear about a method of identifying the gross profit on their different sources of income. Therefore, the Catering EWG has identified catering business formulae for food, liquor, vending, labour and costs, which are at part 6 of Annex C. It is recommended that these formulae be used in conjunction with the Financial Trading Model – Catering services (see Annex C). Using these formulae should benefit catering services by:

- identifying good and poor performance for each source of catering income
- establishing performance targets for future trading periods
- facilitating budget setting.

Pricing strategies and methods

Catering services in the higher income category tended to determine their own pricing strategies, taking into account marketplace pressures. All the catering services in the lowest income group produced basic trading accounts tracing income from cash and credit sales and expenditure from materials, salaries, labour costs and direct overheads. Because of these different approaches adopted by institutions, it is difficult to compare one catering service with another.

Costs were allocated in different ways. Institutions are faced with a choice of either operating the catering service as a profit centre, generating income to support core activities; or as a service provider, requiring catering services to break even or operate to an agreed subsidy. The Catering EWG has developed the Financial Trading Model – Catering

services (see Annex C), which provides a standard methodology of allocating costs. Using the model would enable catering services to:

- monitor trading performance from one trading period to another
- report in a consistent way
- benchmark performance with other catering services
- facilitate the development of pricing strategies.

Quality and resources (people and training/technology/best practice)

Catering services in the lowest turnover group were less likely to employ technology to support their catering service than those in the other two groups. One reason for this could be that the level of income did not justify the investment.

Summary of findings

An overview of the survey results for each income group is provided below.

Institutions with catering turnover up to £1 million per annum

All of the 23 catering services in this income category recognised the need to regularly produce trading accounts, and to monitor key areas of income and expenditure.

The range of food costs varied substantially in line with the ability to earn additional profits from areas other than staff and student services. This can be seen in the Income and Gross Profit Ratios (see Annex C). Conference and external catering were used to generate surpluses to contribute towards fixed costs. There were five catering services with between 17 per cent and 28 per cent of their total income generated from this source.

Income from bars, vending and retail operations was spasmodic and generally at a low level. The ability to generate additional income during vacations and other out of hours periods, was often the difference between catering services in this group being able to break even or operate at a deficit.

Institutions with catering turnover over £1 million and up to £3 million

In all, 34 out of 66 catering services fall into this category (51 per cent). This income group represents the majority of catering services within higher education institutions surveyed.

Within this income group, 60 per cent fall in the income range of £1 million to £2 million, and 40 per cent in the area £2 million to £3 million. The primary income source is from cash food sales including café bars, with 87 per cent stating that it was their main source of revenue. For three institutions, conference income was their main activity, with cash food sales the second. Within this income group the highest percentage levels of cash sales were 81 per cent of total income and the lowest 4 per cent. The average level of cash income was 51 per cent. With a large element of income derived from cash food sales, a non-guaranteed source of income, it was evident that a commercial approach was being adopted by many catering services. In a vast majority of cases, the secondary income stream was either commercial/conference or hospitality. Four institutions, however, indicated that student transfers were their secondary source of income. Where hospitality was the secondary income source, the fluctuations of demand required flexibility of operation similar to that of a commercial operator. Within this income group, on average 17 per cent of total income was generated from conference/commercial sources. By individual institution this ranged from 2 per cent to 53 per cent of total income.

The majority of catering services in this income group has not diversified into extending income opportunities through retail sales (shops/mini-markets). Less than 20 per cent of respondents generated more than £100,000 per annum from such activity. Although such activity potentially generates a significant contribution to overall income, the gross margins available from retail operations are significantly lower than catering margins in general. This would suggest the need to establish a viable business case before developing further.

Vending income is generally very low, and not a significant source of revenue. Just over 21 per cent of respondents had no vending income whatever; just over 59 per cent recorded vending income levels under 6 per cent. For the remaining HEIs, vending is estimated as generating anything from 8 per cent to 12 per cent of total income.

Student transfers for halls of residence (student meals) only amounted to just over 9 per cent of total income. This confirmed the growing trend away from providing catered halls of residence. This point is significant in that student transfers offered a stable and almost guaranteed income to catering services. However 50 per cent of respondents had no halls of residence transfers at all. Of the remaining 50 per cent, the student transfers accounted for between 3 per cent and 53 per cent of total revenue. Five respondents indicated that student transfers represented over 25 per cent of total income. Across the income group as a whole, student transfers for halls of residence accounted for 15 per cent of total revenue.

Responses indicated that 34 per cent did not have licensed bar operations. The remaining 66 per cent that did, showed that bar sales represented between 1 per cent and 18 per cent of total revenue. The average for this income group was 5 per cent. Other sources of income include rents, amusement machines, retrospective discounts on purchasing contracts, media services, room hire and commissions.

Institutions with catering turnover in excess of £3 million per annum

In all, nine out of 66 (14 per cent) catering services had an annual catering income in excess of £3 million. Within this income group nearly all catering services generated significant income through commercial/conference catering activities. This ranged from 15 per cent to 51 per cent of total revenue.

Despite falling within the same annual turnover category, there were significant variances in results achieved. Cash income from sales to students ranged from 20 per cent to 64 per cent, with meal transfers contributing up to 44 per cent of total income. In the cases of food, liquor and labour costs against total revenue, there was little commonality in performance. This reflects the results found in the lowest income group. Differing income streams generate different margins, which in turn contribute to overall profitability.

All catering services confirmed that pricing strategy was determined within the catering operation, usually on an annual basis. The majority of catering services worked to a gross margin target when setting prices, but also took into account marketplace pressures.

Detailed findings

The rest of this module considers a number of specific issues related to key performance results for catering services within the three income groups defined earlier, under the following five headings:

- service provision – scale of operations
- staffing and other matters
- business drivers
- pricing strategies and methods
- quality and resources.

The questionnaire distributed consisted of 20 questions, covering issues associated with the areas identified above. The results are based on completed responses received from 66 institutions.

Institutions with catering turnover up to £1 million per year

Service provision – scale of operations

Food costs

Overall food costs varied between 38 per cent and 50 per cent. This variation was affected by pricing policies relating to various sources of income. Commercial and conference income was priced to generate a profit, whereas student catering services were priced to recover costs without generating a significant profit. To support this observation, the two catering services with the highest food costs had high levels of student income. The three institutions with the lowest food costs had a high dependency on external income.

Labour costs

There was no broad commonality between total income and labour cost percentage. Labour costs as a percentage of income ranged between 34 per cent and 67 per cent. This may be the result of catering services having little influence over pricing strategies or rates of pay.

Other costs

There were three other main areas of cost: disposables, equipment maintenance and training. All responding institutions had such costs charged to the catering account. Approximately 50 per cent of respondents also had other costs such as administration, capital equipment, furniture and finance charges charged to the catering account. Approximately 30 per cent of respondents were also charged for estates and utilities. Only two catering services were charged for the space that the catering service occupied.

There was significant variation by institution in what charges were applied to the catering account. The catering industry norm is to expect recovery of disposables, equipment maintenance and training costs; other costs falling 'below the line' would be subsidised by the main company or institution.

Staffing and related matters

People

Unsurprisingly for a labour-intensive industry, salaries and wages made up the major cost area in catering budgets. It was therefore seen as vital to apply good management practice in this area.

The lack of control and flexibility over terms and conditions and pay rates made it difficult for some respondents to compete commercially for conference, banqueting and hospitality business and to react to opportunities for market growth and income generation. Typically, base rates can have a differential in excess of 50p per hour when compared to commercial operators, and enhancements for evening and weekend working are often at time and a half and double time. These would not generally be paid by commercial operators.

Approximately 55 per cent of respondents did not measure staff turnover, which potentially represents a significant outlay in terms of recruitment cost. However all respondents measure attendance. In total 77 per cent of respondents stated they had no input into the terms and conditions of staff they employ.

Business drivers

All respondents knew of, and operated with, key performance indicators. The most common indicators were income and sales data; results from customer satisfaction surveys; and actual performance against budget. Less frequently used indicators included customer numbers; quality audits; employee satisfaction surveys; labour to income ratios; staff retention levels; and service level agreements.

Pricing strategies and methods

Pricing strategy is a critical factor in the food service industry. Of the catering services within this income group, all but one had a pricing strategy. However, 40 per cent had their prices determined by the institution and not the employee

directly responsible for the management of the catering service. The remaining catering services had prices set by catering management. In all, 86 per cent of catering services set prices annually, with the remaining 14 per cent reviewing them termly. All but one respondent were able to adjust prices in the event of unexpected market fluctuations or emergency/contingency measures.

Overall, selling prices were determined by a process of cost plus a percentage mark-up and consideration of marketplace competition, which supports the need for benchmarking against competitors.

Quality and resources

People and training

Within the group, the most common award achieved was Investors in People, with 82 per cent of respondents having either achieved the award or were seeking to obtain it. This demonstrated that catering services had a strong commitment to staff training and development and the involvement of staff and customers in the business planning process. Significantly, only one respondent had achieved Hospitality Assured, an emerging industry standard. The cost of achieving this award was probably prohibitive to this income group.

Technology

Only 40 per cent of respondents invested in new technology; it is assumed that this is due to limited revenue budgets and the smaller scale of operation. Of those who did invest, the majority invested in EPOS systems with two catering services using smartcard technology. Evidence shows that investment in this technology is totally dependent on available funding in catering services. It is considered that investment in new technology is beneficial and assists in providing good management control and business information to aid longer term planning.

Best practice

Comments mainly focused on the reduction of costs, mainly through the use of purchasing consortia and improvements in staff flexibility. There was no evidence of income generation initiatives.

Institutions with an annual catering turnover of between £1 million and £3 million

Service provision – scale of operations

Food costs

Overall food costs varied between 20 per cent and 64 per cent, with an average of 58 per cent. This reflected the different margins achieved through different sources of income. Those catering services with the highest food costs have cash sales as their primary source of income; those with the lowest food costs have high income generated through hospitality. This reflected the findings within the other income groups.

Liquor costs

Liquor costs range from 30 per cent to 70 per cent with the average at 60 per cent. There does not appear to be a correlation between cost percentages and total income in any catering service.

Labour costs

The average labour cost percentage for this group was 44 per cent ranging from 25 per cent to 61 per cent. This compares to the CUBO performance indicators for 2000-01 where the mean of central catering is published at 44 per cent. All have cash food sales as their primary income source, with the secondary source being hospitality, student transfers or conferences in equal distribution.

Other costs

The four main costs areas were: disposables, catering maintenance, training and departmental administration. The least likely costs to be incurred are space charging, security and depreciation. Within this income group, three broad approaches towards cost charging were apparent:

- a. The first approach employed by 65 per cent of respondents required catering services to recover the costs of disposables, catering maintenance, training, departmental administration and capital equipment.
- b. The second approach employed by 33 per cent of respondents recovered all the above costs with the addition of estates maintenance, utilities and furniture.
- c. The third group, approximately 2 per cent of respondents, made a contribution not only to those areas already listed but also towards central finance and personnel costs.

It is assumed that the costs attributed to catering services are part of a larger institutional strategic decision or historical practice. Costs allocated to the catering service bore no direct relationship to the income range of the catering services, or the make up of those income streams.

Other costs charged to catering services and not listed above include cash collection services, capital payback, travel, machine rental, vehicle maintenance, uniforms, laundry, marketing, advertising, insurance, bad debts, printing and small catering equipment replacement.

The survey reveals that there is a wide range of costs that this group of catering operations has to cover. There is no consistent approach shown across the sector; the factors influencing the extent of those charges appear to be unique to each institution. It is therefore difficult to assess value for money when benchmarking within the sector.

It is difficult to compare and generalise in this income group when there is such a diversity of income streams and variance in expectations of cost recovery.

Staffing and related matters

Staffing is one of the main costs in all catering services; in the catering services there is an expectation for this high cost area to be monitored and controlled effectively. The results from this income sector indicate that 58 per cent of respondents are able to produce an annual percentage rate of staff turnover per full-time equivalent.

Business drivers

In all, 70 per cent of respondents in this income group had established KPIs to confirm performance and demonstrate improvements to the catering service.

There was a wide range of indicators in place. Quantitative indicators included:

- monthly performance targets/trading period budgets
- food and liquor gross profit percentages
- labour and other cost percentage of revenue
- year on year comparisons
- customer numbers and spend per head
- sales increases in percentage terms
- productivity measurement
- staff turnover and absence statistics
- lost time through accidents
- variation reporting
- contribution/net profit percentages by department and individual cost centres
- staff to income ratio by trading area/activity
- overhead/income ratio by trading area/activity
- CUBO performance indicators as a benchmark
- benchmarking against similar operations in sector.

Qualitative indicators included:

- assessments of service provisions
- surveys
- customer 'surgeries' and customer feedback
- achievement of training plan objectives
- health and safety audit results
- achievement of strategic development plan
- achievement of service level agreements
- skills matrix
- competitor benchmarking on prices
- assessment against quality initiatives.

Eighty per cent of those with sales of less than £2 million indicated that no key performance results were in place, a surprising result given the nature of income streams and the range of catering facilities provided. It would be speculative to suggest, however, that the absence of indicators to measure performance was due to low income levels, or that the catering service in these institutions was less well managed than those employing indicators.

Pricing strategies and methods

The ability to determine the selling price of goods and services in order to cover associated costs is considered an essential pre-requisite in the business world. In determining a pricing strategy, the extent of cost recovery needs to be determined from the outset.

The higher education sector is different to other sectors; there exists many key policies and strategies over which the catering operation has little or no influence or control. In many cases, the catering service is viewed as a service that enhances the staff and student experience, and therefore is only expected to cover costs such as provisions and labour costs. It was noted previously, however, that there is a huge variance, by institution, in expectation of cost recovery. All respondents in the income group had a pricing strategy.

When asked who controls the pricing strategy, approximately 24 per cent indicated that the institution and senior department management determined the strategy. In all, 66 per cent indicated that senior department management took the lead in this area but allowed a degree of control and self determination in developing a pricing structure, with 39 per cent of these indicating that unit management took an active role in determining pricing strategy. The remaining 10 per cent indicate an element of uncertainty in control of pricing strategy.

The majority of respondents (67 per cent) stated that prices were updated on an annual basis. Only 12 per cent indicated that price reviews were undertaken on a term/semester basis. Less than 10 per cent reviewed more frequently than term/semester. Nine per cent used a combination of the three options – changing prices on an ad hoc basis.

All respondents indicated, however, that they had the authority to adjust pricing structures in exceptional circumstances. This would be expected, based on the information gathered on pricing strategy, as all respondents had some degree of ownership/control of the process. This possibly indicates a pragmatic approach by institutions and could be a reflection on the size of the operation.

Most respondents (53 per cent) determined prices by reflecting the cost price of an item plus a percentage uplift, in combination with 'marketplace factors'. Other factors listed as being pertinent in determining price changes were:

- the market capacity/ability to absorb price increases
- raw material costs

- customer price sensitivity and perception of the service
- individual unit margins based on sales mix
- benchmarking with competitors
- market tolerance
- the need to give value for money
- service levels
- TUCO price benchmarking
- vending provision
- loss leaders and the degree of subsidy either from the institution or through cost absorption by catering.

Quality and resources

Increasingly, there is a desire among catering services to improve business and operational performance, through benchmarking with colleagues within the sector/industry, or against national quality initiatives.

The majority of respondents (58 per cent) in this group had either achieved, or were seeking to achieve Investors in People status. In addition 33 per cent had achieved, or were looking to achieve, other industry-recognised standards, such as Welcome Host, Food Safety Awards, Chartermark and EFQM. The Hospitality Assured standard was being sought by only 18 per cent of this group, which may reflect the cost attached to such accreditation.

However, many of the substantive criteria of EFQM – such as senior management commitment to improvements in catering services, and the inclusion of catering services objectives in institutions' strategies, the setting of objectives, the determination of operating criteria – are not found in institutions' documentation or strategic plans. From comments received it appeared that catering services endeavour to 'fit' their strategic plans with those of the institution, rather than be included within the institution's strategic plan.

There was a general willingness to share information and good practices across the sector. Some examples quoted in responses are:

- purchasing activities through consortia, for example TUCO
- computer-based administration
- computerised stock-taking and calculation procedures.

Institutions with catering turnover in excess of £3 million per annum

Service provision – scale of operations

Income

There was substantial variance on income generated through conference and other commercial catering activities. To a large degree this could be determined by the availability and quality of facilities for such events. There were three catering services whose income from such activities accounted for between 30 per cent and 40 per cent of total catering revenue. A further five catering services had conference and catering revenue accounting for between 10 per cent and 20 per cent of total catering revenue. It was evident that those catering services with catering turnovers in excess of £3 million had busy conference/commercial operations.

All but one catering service operated some form of catering to student halls of residence for which payment was credited. In three catering services this transfer of funds accounted for least 20 per cent of turnover, with one of these institutions reporting that it accounted for 44 per cent of total catering revenue. It was noticeable that those institutions that reported high levels of transfer of funds from halls of residence had lower levels of trading through 'pay as you eat' operations. Conversely, those with higher levels of food sales had little or no transfers from halls of residence.

Food sales to staff and students through catering outlets as a percentage of total revenue varied considerably. The highest level of cash food sales was 64 per cent of total sales and the lowest 13 per cent. One catering service reported that no cash food sales took place.

Income from retail operations such as shops also accounted for a significant volume of revenue for some catering services. Six catering services provided some form of retail operation. In the case of one catering service this accounted for 26 per cent of total revenue. The average for those providing retail operations was 12 per cent of total revenue.

Not surprisingly, vending accounted for only a small element of the total catering revenue on the whole. Two catering services did not have any vended services. Of the other seven catering services, the highest return showed 7 per cent and the lowest 1 per cent. The average was 2 per cent of total revenue.

All but one institution operated licensed bars. The highest reported turnover as a percentage of total revenue was 20 per cent and the lowest 5 per cent. The average within the group was 14 per cent of total catering turnover. Catering services reported other sources of miscellaneous income that on average accounted for approximately 2 per cent of total revenue. These sources included shop rents, pool table and games machine income, room hire and retrospective discounts.

Food costs

There was a significant gap between food costs reported by catering services. The highest food cost was 58 per cent of food sales and the lowest was 36 per cent – a variance of 22 per cent. The average was 44 per cent.

Liquor costs

A similar pattern was apparent with liquor costs. The highest liquor costs was 62 per cent of liquor sales and the lowest was 31 per cent – a variance of 31 per cent. The overall average was 42 per cent.

Labour costs

The highest labour cost as a percentage of total income was 57 per cent and the lowest reported was 27 per cent – a variance of 30 per cent. The average labour cost was 41 per cent.

Other costs

The degree of other costs applied to the catering account showed a lot of divergence. All catering services incorporated disposable items and the vast majority incorporated furniture, maintenance and training costs. Approximately two-thirds of catering services incorporated the cost of utilities, capital equipment and security. Only one catering service was charged for depreciation. No catering service was charged for space.

Accepting the wide divergence of policy towards 'other costs' applied to the catering account, the lowest figure was 9 per cent of total income and the highest 19 per cent. The average was 13 per cent. Other costs charged to some catering services included:

- interest on capital
- contract cleaning
- stock-taking fees
- vehicle costs.

Staffing and related matters

In all catering services, it was found that the terms and conditions for all staff were determined centrally by the institutions. Catering management had little influence despite direct responsibility for a large workforce.

Annual staff turnover levels identified a range of 11 to 18 per cent for manual grade staff, whereas the range for managerial staff was from 0 per cent to 11 per cent. The highest turnover for both manual and managerial staff was at an

HEI in a city centre location. The current staff turnover rate in the hospitality industry is approximately 40 per cent. These comparatively low turnover rates may reflect the generally more favourable terms and conditions offered in the HE sector.

At the end of financial year 2001-02, vacancies for all catering posts ranged from 1 per cent to 18 per cent. By January 2002 this range had reduced from 1 per cent to 12 per cent. The highest percentage of vacancies were recorded at a city centre campus.

Staff absence and attendance rates were recorded and measured in almost all catering services. Either computerised or manual records were maintained.

Business drivers

Key performance results were identified in seven of the nine institutions in this group. The group identified a range of business drivers, which included:

- customer feedback by means of 'mystery shoppers', annual student surveys, guest questionnaires, customer satisfaction surveys, customer complaints
- profitability – gross profit ratios for food and liquor, Sales per m² and meals per m², production cost per meal, labour cost to sales ratio, annual sales growth
- staffing costs – sickness absence, labour turnover, cost benefits of training
- external measurements/accreditation – Hospitality Assured, Investors in People, quality audits, external specialist audits, market research, benchmarking against CUBO statistics.

Pricing strategies and methods

All nine catering services within the group reported that they had in place a pricing strategy. All nine institutions also confirmed that such a policy was determined by the catering operation and not by the senior management of the institution.

In two HEIs' catering services, pricing was determined solely by senior management within the catering operation. In the remaining seven, pricing was determined by both senior and unit catering management. Seven HEIs reviewed prices on an annual basis, while two reviewed prices on either a termly/semesterly basis or more regularly. All catering services confirmed that prices were reviewed in the event of exceptional market circumstances.

In their approach to pricing, all but two catering services adopted a cost-plus methodology. All catering services indicated that they took into consideration what the marketplace was charging for similar products. Other factors mentioned by respondents were:

- gross margin targets
- student meal plans.

Quality and resources

Quality initiatives achieved within this group include Hospitality Assured (56 per cent), and Investors in People (100 per cent). Other significant awards had been achieved which reflected recognition of quality service within the wider hospitality industry.

EPOS systems were used by seven of the catering services in this group, with five of the nine using smart/cashless cards within the catering environment. Computerised stock control systems are used in six of the catering services. This is a higher percentage than in the other two income groups.

Other IT solutions used within this group included:

- hospitality reservations systems
- time and attendance system
- financial and HR links to the institution's main software systems.

The level of use of this technology is significantly higher in this group than in those with lower annual revenues, reflecting the level of investment required in purchasing and implementing such technology.

Self-assessment checklists

The Catering Expert Working Group has developed a Key Performance Results self-assessment checklist (see Annex C) for managers to review their catering operations each year. The questions within the checklist are drawn from the EFQM model and refer to best practice in business. The checklist at Annex C may be scored using the simple scoring system indicated. This will facilitate the tracking of any improvements and progress made by the catering service.

6 People results and society results

Key findings by expert working groups: People results

As a people-oriented business, catering services are used to working with staff and customers; 67 per cent of all catering services responding have achieved Investors in People status. The findings reported in the policy and strategy section show that business plans widely include reference to feedback from customers and staff alike.

Other significant outputs

Development schemes are in place in most catering services in HEIs; this shows there is recognition of the skills shortage in the hospitality industry and helps to retain those with specific skills within the sector.

Communication is generally very good. Staff views and opinions are highly valued and are sought regularly. The formality of the approach taken increased as the services became larger.

Staff satisfaction is measured in 25 per cent of the services. Issues most commonly asked about are working conditions, health and safety, hours of work, and training. These are all, to a large extent, areas over which catering management has most influence. The least measured are holidays, job security, and rates of pay. These are areas where the institution has the most direct influence.

Review and recognition schemes are in place in the majority of the sector. These are relied on to motivate and retain staff, rather than terms and conditions over which there is no direct influence. Coupled with this, there is evidence that the benefits of empowerment of staff are recognised, but not necessarily implemented.

Sickness absence levels are monitored and measured, but it is evident that little action is taken by institutions to address this issue; this would not be acceptable in the private sector. Sickness absence is costly, as absence frequently has to be covered to maintain service levels. This cover is often provided at premium rates, or by the use of agency staff. It is also highly demotivating to those staff who do not abuse the generous conditions that exist.

Conclusion

Where catering services have direct influence on policies, processes and strategies it is done well, and there is evidence of continuous improvement. However, where influence is low, the results are less successful.

Key findings by expert working groups: Society results

The greatest impact that catering services have on the local community is that of employment. The high number of part-time posts available is particularly attractive to people locally. The additional fact that catering services have a good record in training and development means that the indirect benefit to the community is significant. *'We offer major employment opportunities to the community.'*

Other significant outputs

Recycling is undertaken by 86 per cent of catering services. This recognises the impact that waste materials have on the local community. The following are the more regularly recycled items by catering services:

- oil 72 per cent
- paper/card 57 per cent
- glass 72 per cent
- cans 50 per cent.

'Lack of space and local council no longer encourages recycling.'

'We turn our food waste into fertiliser.'

Energy policies are in place, with 40 per cent of the sample stating they measured usage year on year.

'There is a lack of information on energy usage.'

Where there are bar facilities close to the local community, liaison and monitoring groups have been established by 65 per cent of respondents.

Local purchasing is undertaken only by a small number of those responding. Other sections of the study support this view, with most institutions acknowledging a strong commitment to national, inter-regional and regional purchasing initiatives.

Charitable support is at a similar level to that found in the private sector. Local good causes are often supported.

Conclusion

The largest impact on the local community of catering services is employment that offers a substantial number of part-time posts with perceived secure employment packages, which suits local residents.

7 Customer results

Key findings by expert working groups

For the Customer Results module, the Catering Expert Working Group (EWG) used information and comments from previous questionnaires to establish the specific measures/indicators used by institutions to monitor customers' demand for and satisfaction from catering services.

Strategic drivers

Two important elements embedded in institutions' catering services are mission statements and commitments to customers against defined service levels. The latter have been widely adopted by catering services in institutions, and many encourage better customer relationships and greater understanding of customer requirements by explaining how in-house catering services work and what is expected of them.

Customer care policies and systems

There are many examples of 'best practice' in operation within catering services for customer care. Nearly all the institutions participating in this study recognised the benefits arising from operating 'customer feedback' systems. Typically, these systems involve the use of questionnaires, face to face interviews, customer comments forms, focus groups and various committee formats. 87 per cent of catering services replying used the feedback obtained from these systems to develop their business plans; others indicated how comments from their customers were used to introduce changes in service operations.

Within those catering services with lower levels of turnover (under £1 million per year) there appeared to be less formal processes for obtaining customer feedback, such as compliments and complaints, customer comment cards. Responses obtained were therefore more likely to be reactive and often conducted face to face, for example exit interviews.

Industry standard – quality assurance processes

A significant number of catering services in the highest income group (annual turnover over £3 million) were working towards achieving standards within Hospitality Assured – Standard of Practice (see part 7 of Annex C). This requires a strong and measured customer focus. This new standard now sets itself alongside the EFQM model and, as it is a cross-industry standard, it is possible to benchmark both internal and external service providers. Many catering services also provide Welcome Host training for their staff.

Those catering services that have been able to afford to undertake achievement of Hospitality Assured are likely to benefit from the disciplines that gaining and retaining the award bring about. The cost of this is circa £6,250 in the first year (£3,750 subsequently) and is likely to be prohibitive to smaller catering services. However if catering services adopt methods of good practice and measure success as a result of responding to customer comment, benefits should be achievable.

Other external benchmarks are also in use. The Investors in People initiative has been achieved, or is awaited, by 76 per cent of institutions responding. This award does not emphasise 'customers'; it is more allied to the people within the services. The benefit to the customer, therefore, is derived more from an effective catering workforce.

Response to high street developments

The results of the study also revealed that a high proportion of catering services, from all income groups, recognise the need to respond to high street trends. Competition is acute for many city-centre HE catering services, and the need to 'brand' catering outlets has grown. A number of catering services have responded to this challenge by introducing branded catering outlets, such as the concept of Grab & Go coffee shops, and a movement away from traditional two and three course meals. Those interviewed indicated that the introduction of catering services that reflected high street levels of quality increased sales by up to 30 per cent, and also increased levels of customer satisfaction and loyalty.