



Scott

A Mutually Beneficial Relationship

In 2007, when Mark Scott came on board as executive director of Campus Auxiliary Services, a separate corporation that provides all of the auxiliary services for the State University of New York at Geneseo, he decided that purchasing and procurement on campus were areas that he wanted to review.

“When I came into the business, one of the things I wanted to evaluate was organization — people versus function,” he said. “I had a purchasing person, but he really only focused on purchasing for dining services. Well, procurement and purchasing are much bigger than dining services. I wanted to evolve the purchasing function into more of the supply chain kind of approach — understanding what we need, how much of it we need, when we need it, who we are in partnerships with and developing a department or function whereby we have someone governing relationships, identifying partnerships and contacts.”

Scott, who has a background in health care, knew that in order to do that — and perhaps gain price leverage in purchasing — he should work with a group purchasing organization (GPO). “There is a realization at the end of the day, we’re a school that has just over 5,000 students, with about 3,000 on the meal plan — and there is only so much buying power that you are going to be able to gain from that,” he said. “What I wanted to do was take a page out of the ‘big boys’ textbook. How can I be part of some sort of aggregate volume of purchases — whether they were local, regional, national or international — that would help me yield lower cost?”

Before the decision to work with a GPO, the school was buying from a number of vendors. “Back then, we were engaging in a ‘cherry-picking’ system,” said Scott. “We had U.S. Foodservice, we had Sysco, we had Palmer and also Maines. We had what seemed like everybody and their brother delivering to campus. That seemed to consume all of my then-purchasing manager for dining services’ time — trying to see who had the best price.”

Before any change could be made, he had to prepare his staff. “I said, ‘First of all folks, you have to wrap your mind around the idea of sole-source broadline distribution.’ That was very scary for my folks, primarily because Sysco had 90 percent of our spend for dining services. U.S. Foodservice ... had less than 10 percent. We had a very archaic and very inefficient procurement process — in particular around dining services.”

Students would also need to be prepared. “In the name of better pricing for all students, we had to

start to have conversations with our student body about things that we probably needed to look at — things that were costing all students more unnecessarily. We were just so afraid to change those things. But I am happy to say that we have made some progress in those areas.”

The GPO chosen to help make that progress was Provista.

Provista

The company that is now Provista was founded in 1996 as a GPO jointly owned by the University Health System Consortium (UHC), an alliance of 104 university medical schools and 220 of their affiliated hospitals, and VHA, Inc., a nationwide network of community-based nonprofit hospitals. “Entities outside the aforementioned categories are served by Provista,” said Romulus Matthews, senior director of sales with Provista.

Known as Healthcare Purchasing Partners International (HPPI) when it was founded, the company rebranded to become Provista in 2007. “One of the reasons for the rebranding was because of the market diversification strategy including the education market,” he said. “We looked at existing relationships across our customer base, including student health centers and clinics, and determined it was a natural fit that we diversify in other areas of the campus.”

The company currently has more than 5,500 members representing over 27,000 sites in the healthcare, education, corporate and corrections, with colleges and universities making up 825 of those members.

Provista’s primary offerings are divided into six areas that it calls solutions: Dining Services; Student Health; Business and Office Technology; Science and Research; Human Resources; and Facilities and Engineering.

For dining services, the company has contracted with U.S. Foodservice to be its sole-source distributor. In addition, more than 100 product agreements offered by Provista are contracted and managed by Novation, its contracting services company.

The company also works with its members to make sure they are getting the best value for their expenditures. “We conduct audits to ensure correct pricing so that customers are maximizing the value of the program,” said





Matthews. “We steer them toward more on-contract and value-added products, which results in savings and efficiencies.”

An internal team consisting of three credentialed foodservice professionals also works to make sure members are getting the best services possible. According to Matthews, the team routinely monitors food commodity indices to forecast product supply and demand; communicates budget impact to participating locations; conducts strategic planning meetings with all suppliers to align goals and consistently deliver market-leading value; assures member satisfaction through timely communication, problem resolution and execution of individualized support plans; responsibly executes product and market research, competitive bid and bid analysis procedures and the Novation contracting process; and facilitates dialogue with member task forces, committees and councils to assure the business activity meets member requirements.

In addition to the internal foodservice professionals, the company has its Higher Education Advisory Team, or HEAT, a group of campus foodservice directors who work to improve the company’s performance and build company objectives.

Working Together

Scott said the partnership with Provista has already been beneficial to his operations at Geneseo – especially the procurement process. “Provista is doing all of the work now. They are doing the research for us. They are helping us understand who is out there, so now my supply chain manager can focus on managing relationships, getting a better feel for what the organization needs – not only today, but also looking long term.”

He explained that their relationship began in the Request for Proposal (RFP) process. “Provista was really engaged from the start. We have a pillar-based management platform – we have six pillars. We have goals and objectives on all of those pillars. One of the things that we asked the respondents to do when they replied was to think about our pillars because we want to be engaged in partnerships with people who really understand what we are trying to do long term.”

He continued, “Right from the very start, they paid attention, they carefully weaved into their RFP response and presentation the places where they are and the solutions they bring to market and specifically to our organization, how they fit into each one of our pillars. There is a people pillar, an operations quality pillar, corporate and community citizenship pillar, a growth pillar and a financial pillar. They carefully interweaved them into the solution that they were bringing to our campus and our overall

operating platform.”

Another benefit of the partnership for Scott was the opportunity to help the company build, specifically in the form of its HEAT team. “They gave us an opportunity to participate, to have a voice,” he said. “Unlike health care, higher education, I think, still has a ways to go in terms of the values of GPOs to the business. We are significantly further behind, so I wanted to be able to avail to Provista a partner who is just as interested in them being successful as we are. I want to avail to them everything that I possibly could for them to be successful.”

One part of the relationship that Scott called a deal maker involved one of the auxiliary corporation’s pillars. The corporate and community citizenship pillar features three goals, one of which is to implement 50 percent of all the recommendations that its sustainability committee makes. “We talked about reducing truck traffic on campus and increasing the number of vehicles that use alternative fuels. Through the deliveries they were already making to our campus, U.S. Foodservice was using a truck that was fueled by biodiesel fuel. They didn’t tell us beforehand, but later they said, ‘Oh, by the way, we have trucks in our fleet that use biodiesel fuel.’ That actually floored me because they are listening – they are paying attention.”

He continued, “That gave me comfort that over the life of our relationship they are going to pay attention to us. We may not always get it right, but they are at least going to pay attention and put their best foot forward.”

Another benefit of working with a GPO for Scott is the fact that “Provista is only going to engage in relationships with companies that they have thoroughly vetted in terms of food safety and food handling, both in terms of manufacturing, and also in terms of who their distribution partners are going to be. We know that they have thoroughly evaluated U.S. Foodservice as a partner, and this is a great organization to be in a relationship with.”

The relationship with Provista also allowed Scott to get rid of an inefficient storage warehouse on campus. “My managers would take a look at what they needed for the next week, they would let my purchasing guy know what they need, he would aggregate all of the orders, bring them into the warehouse. When that next week came, my folks would order for the next day from the warehouse. It was very inefficient. Food was being handled two and three times.”

The relationship now allows for direct deliveries. “It gives my managers more autonomy over the procurement process, more accountability for supply levels and food costs,” Scott noted.

The elimination of the warehouse has benefited the university financially. Monthly cash flow has been improved by \$74,000-100,000 due to lower inventories on hand, and the auxiliary corporation will save \$1.5 million over 10 years from various fixed and variable cost reductions related to the warehouse.

In addition, the corporation has seen a savings of more than \$21,000 in the first 15 months of the partnership, not including decreased postage and check costs from the elimination of multiple distributor relationships.

Scott said that the best is yet to come. “Our unit cost savings will begin to accelerate as we move more of our purchases to Provista contracts and start taking better advantage of this extremely beneficial relationship.”

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