

Supply Chain Partner

Rafi Taherian, executive director of dining services at Yale University in New Haven, Conn., has always had an interest in the supply chain.

“Over the years I have been very much interested in both ends of the supply chain, the customer side and the distribution. The traditional view in the operator community is that organizations require a strong purchasing manager to process a bid for products and services. The bids are reviewed and the lowest bid is rewarded with the contract – which becomes only a price-oriented type of process. To ask both the supplier and distributor to reduce their cost without considering what role we play in this process is not realistic. For example, the frequency of deliveries, the volume, terms of payment and a range of other issues are key factors, which is why we are so focused on developing partnerships and relationships that will educate both parties and help us to work toward our collective objectives.”

Though competitive sourcing is great for an organization, because price is a significant factor, “it is shortsighted to not look at it in terms of partnerships and developing relationships,” he said. “Quite honestly, our purchasing managers do not have the time to constantly research commodity pricing and go cherry-picking every day.”

Instead, Taherian wants the purchasing manager to spend his time in other ways. “I want our purchasing manager to focus on sustainability. I want this person to focus on finding new, sustainable, exceptional quality products to bring to our campus, while making sure that we are doing it in a cost-effective way.”

Partnerships, he said, are the key. “In today’s supply chain, you cannot do this alone, or at least be completely effective.”

He found a good example of the proper way to do things in the healthcare sector. “In regard to the hospital sector, I think they figured this out many years ago. In fact, I don’t think there are hospitals or patient-care facilities that do not belong in a group purchasing organization [GPO]. They have figured out how to utilize these resources and focus on quality, service and long-term relationships.”

To help handle its supply chain, Yale University Dining Services recently partnered with Premier, a GPO which got its start in the healthcare industry.

Premier

Premier as it exists today was formed Jan. 1, 1996, through the merger of three different healthcare GPOs: American Healthcare Systems in San Diego, Premier in Chicago and Sun Health in Charlotte, N.C.

“They came together and formed one larger national GPO, representing about a third of the not-for-profit acute-care beds in the country,” said Joan Ralph, Premier’s vice president of continuum of care services. “For the hospitals, it was based on the need to reduce costs, particularly accelerated in the mid- to late-’80s as significant reimbursement cuts came into the healthcare business.”

While the new company primarily had healthcare clients, there were a few in education, including some hospitals with university affiliations.

The company took its first look at the higher-education market in the late ’90s, when it was approached to partner with another group to create an online ordering platform that would cover any purchases a college or university (CU) would make.

“I started to look at what was available in our portfolio that would be able to be transferred to a university environment – foodservice contracts, facilities and engineering contracts, support services contracts, laboratory, imaging,” Ralph said. “Then you start to look at the student health centers and you start to see that while universities aren’t doing surgical procedures or hip replacements, there is a significant part of our portfolio that would apply to a higher-education setting.”

After a number of presentations that drew a high degree of interest, the bursting of the “dot-com bubble” caused Premier’s potential partner to lose its funding.

Despite this setback, Ralph kept the idea of the higher-education market in the back of her head. “Then in 2001, one of my staff members and I said, ‘We’ve got to get this moving.’ We started making some key calls on different universities across the country. We had some success after some strong persistence on our part. We started to add some universities to our program, as well as some other market segments. It seemed like a very logical fit. They are not a cookie-cutter program from one to another, but there is a significant amount of overlap, where we just used that overlap to build as a base and then expand the program to meet the specific needs of the CU marketplace.”

Products and Services

In addition to reduced pricing and negotiating agreements, Ralph said the company offers other added-value programs. “We are working with U.S. Foodservice, which is our distribution partner, in developing a value statement that shows colleges and universities where they have the opportunity to drive additional savings based on their purchasing selections, so it helps them make informed decisions in terms of how to maximize their savings potential with items under contract.”

One of these programs is providing members with the framework for establishing retail foodservice concepts, including smoothies, pizza and Asian – all under the school’s own name. “It gives operators a jumpstart in terms of things they may want to offer in their environment, and that includes things from the basic recipes all the way up to the marketing materials, equipment requirements, physical layouts — if they want to take it that far — to the brick and mortar kind of thing,” said Ralph. “A lot of operators today, because they don’t have the depth of an organizational chart like they used to in the past, don’t have enough time between managing their day-to-day operations and launching some of these big projects. We figured that this could help them along those big lines in getting a headstart, and they can choose what they want out of our offer.”

Education programs are also a major value-added item. “We do culinary clinics — hands-on culinary training for our members, and we utilize teams of executive chefs,” she said. “We do a number of different educational forums throughout the year, so they can get continuing education, without a registration fee.”

Premier also hosts its Breakthrough Conference, which features a vendor show, for its members from across all of its markets, each summer. “This gives them an opportunity for education,” Ralph said. “There is no cost for registration and they have a chance to meet up with the suppliers and network with others throughout the industry. What we have found is that there is a richness in interacting with all of these various market segments as it relates to sharing ideas. While you may think, ‘What does one market segment have in common with another?’ it is actually more than one would think. It may be something that they are doing in their market segment that, while it couldn’t be cookie-cutter from one to the next, it may spark an idea of an approach that somebody could go after and modify to fit their organization.”

A food safety program is also in the works. “Ultimately, it works back up the food chain to validate and hold accountable every company that touches the supply chain of a product; each party holds the group that they get their ingredients from accountable for it,” she said. “So we have a whole foodservice safety program that is part of our RFP [request for proposal] process, part of our business management and our supplier relationship.”

Ralph said Premier’s customers have a strong interest in sustainability, and the company is working to help them. “We have just launched a sustainability leadership council that is made up of a few key customers on the college and university side, a few key customers on the healthcare side and a half-dozen key suppliers. We are looking to get the suppliers and customers together and actually look at how we can improve sustainability and the approach to sustainability in the industry.”

She said the idea for the council came about after visiting with a few manufacturers and realizing that in spite of doing a lot in terms of sustainability, they were not publicizing it well. “This is the kind of thing the customers need. I am looking at this to do a couple of things, one to provide better information and flow into the industry, into both customers and suppliers, and we are looking at setting up an industry Web site, so it is not just available to Premier members, but also available to the general public.”

The Web site would allow companies, in one centralized source, to post their information in a consistent format about their various programs. “Another component of this is that there are many debates that are linked to sustainability,” said Ralph. “It is like there is no silver bullet on a particular concept. We are also looking to provide that information or education where people can see the debates on some of these issues and better understand that there are environmental impacts to almost every choice and selection that’s made. The suppliers have committed their ongoing participation in this moving forward in the industry as well as the CU and healthcare part of it.”

Benefits

Ralph said there are a number of benefits for a school to



partner with a GPO. “I think for them, it frees them up to focus on their core competencies or the core part of their business, which is the provision of food service to their students, to their faculty and guests at other venues they have on their campus. Purchasing, for most organizations, is kind of like the necessary evil. Their core business really starts after the product is in the house. It is one less thing that they have to worry about going out and doing. They can really focus on the utilization part of the supply chain and their satisfaction.”

Members aren’t the only ones who benefit from GPOs. “One of the benefits [manufacturers] find working with Premier is that they are not out there having to strike individual deals and respond to individual RFPs,” said Ralph. “They are able to secure a significant amount of business with one RFP, one contract that applies to others. So it ultimately reduces their cost of sale.”

Events like the Breakthrough Conference allow them to promote directly to users. “We also have a detailed launch program with which we strike a contract with a manufacturer to increase the awareness of their products with our membership, as well as having it stocked through U.S. Foodservice.”

Yale

Taherian told *On-Campus Hospitality* he is pleased with the partnership with Premier. “They are just an excellent organization. They listen to the customers. They are constantly proactively looking at how they can position their contract and how they can create contracts for us so we can be leveraged in terms of our purchasing. From that perspective, I have already seen that they are looking, they are asking questions.”

He is particularly interested in the Sustainability Council. “They know that there is huge attention paid to sustainability, and they created a focus group between suppliers and customers,” he said. “They want to see what manufacturers can bring to the table, and on the other side they want to see what the buyers specifically want manufacturers to do for them. These are the kind of things, as a single buyer, you wouldn’t be able to do by yourself. It is great to leverage their organization. And with all this, their prices are good. They are delivering value to our organization.”

Taherian concluded, “At the end of the day, that is very important. We are meeting our objectives in terms of sustainability focus, product differentiation, and more efficient supply procedures to our dining facilities — and we are doing that in a fiscally responsible way.”