

# BUSINESS MODELS IN THE CATERING

A survey of catering business models  
and trends in UK members



Prepared by: **The Litmus Partnership Ltd.** May 2017



The University Caterers Organisation

# CONTENTS

- 3 **Executive summary**

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- 5 **Introduction: a rapidly changing market**

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- 7 **The emerging challenge of outsourced caterers**

---
- 11 **A mixed commercial performance for catering**

---
- 15 **Innovations in a fast-changing marketplace**

---
- 18 **Pros and cons of different university catering business models**

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- 23 **Ideas in action: examples of in-house best practice**

---
- 29 **Closing thoughts: five takeaways**

---
- 31 **About the survey: methodology**

# EXECUTIVE SUMMARY

A 2016 Universities UK report Student experience: measuring expectations and outcomes stated that “The student experience is predicated on more than teaching and learning. Universities can challenge students socially and culturally, by pushing them to collaborate, socialise and often live with new people who may come from different backgrounds.”

University and college catering facilities have a vital role to play in enhancing this experience. They are much more than just a place to ‘refuel’ and can be vibrant, cultural hubs where students mix with peers and academic staff, and engage with the broader university and college community. But if they want to realise the potential of these spaces, members should create a welcoming environment where catering services and dining/seating arrangements encourage students to use the facilities to meet colleagues, study and work in groups.

And as students become ever more sophisticated consumers of food and beverages, the university catering teams need to understand and keep pace with expectations and high street trends.

## WHY TUCO COMMISSIONED THIS REPORT

To gain greater insight into this important area, TUCO commissioned The Litmus Partnership to research the sector’s various business models for delivering catering, hospitality and retail services. Litmus is one of the UK’s foremost catering consultancies and works with a diverse range of organisations in the education, corporate, healthcare and commercial sectors both in the UK and internationally. It has an excellent track record in helping clients deliver long-term, sustainable change and has carried out numerous benchmarking studies. For this report, 48 members and colleges completed an in-depth, online survey and the results were augmented with visits to 7 member locations, additional telephone research with a further 4 institutions, as well as dialogue with the 4 leading contractors in the sector: Baxterstory, Chartwells, Elior and Sodexo.

# THE KEY FINDINGS ARE:

## **In-house models predominate but outsourcers are active**

Seventy-three percent of the members surveyed manage all their catering in-house, with 23 percent using outsourced suppliers, mostly as part of a mixed in-house/outsourced model. Despite their low penetration, contractors and high street brands are eager to gain a larger share through innovative service and branding initiatives.

## **Outsourcing has not worked for everyone**

As a result of issues with performance, quality or contracts, 27 percent of members in the survey have reverted from some form of outsourcing to an in-house model in the past few years.

## **In-house catering teams are getting better commercial results**

Sixty-four percent of members with in-house-only teams say they achieved a surplus in the previous financial year, while only 44 percent of those with a mix of in-house and outsourced provision made a surplus

## **Measuring commercial performance focuses the mind**

Two-thirds of members that generated a surplus use profitability as a key performance indicator (KPI); this figure drops to just 14 percent for those experiencing a deficit. Sixty-seven percent of all the respondents' KPIs relate to commercial performance.

## **Innovation is on the rise**

A vast majority (85 percent) of the members surveyed have introduced new types of offerings in recent years. Amongst the innovations witnessed are the creation of strong identities and brands, partnering with local vendors, special purpose vehicles (SPVs), increasing use of technology, and forming hotels on campus.

## **Coffee is the big success story - but established brands may be challenged by smaller players**

Of the most successful new initiatives, 71 percent involved coffee shops and cafés. But students indicate that they are seeking greater authenticity - something that the artisans are well positioned to offer.

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**With a host of ground-breaking new ideas sweeping the sector, and competition from a number of sources, this is an exciting time for HE and FE catering. We believe that the valuable insights from this research can help member university Executive Boards evaluate the business model that best fits their strategic ambitions. The Litmus Partnership would like to thank all the individuals who gave their valuable time to participate in the survey.**

# INTRODUCTION: A RAPIDLY CHANGING MARKET

Millennials (18-30 year-olds) have been attending universities and colleges for some time now. They love technology and have specific food preferences and habits, with less emphasis on conventional meal times and a preference for regular grazing throughout the day, often to boost energy levels. In a swiftly changing world, they value speed and convenience and expect regular discounts and special offers. And they appreciate the need to eat healthily – even if they don't always achieve this goal.

## **More specifically, consumers (students and staff) are increasingly looking for the following:**

- a reduction in meat consumption (for non-vegetarians) and the option to eat only plant-based food a number of days each week
- a wide range of healthy options and detailed nutritional information
- ethical product sourcing and information on provenance
- high quality, welcoming seating environments

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# THE MAIN OPERATING MODELS IN THE UK HE AND FE SECTORS

## **Across the HE and FE sectors there are a number of operating models in use, namely:**

- In-house: the service is managed and operated by an in-house team, with all staff employed by the university
- Outsourced: some or all of the services are managed and operated by a specialist contractor
- Executive lease/management contract: the university engages with a specialist contractor to provide one or more managers, often to oversee a change programme. The remaining staff are employed by the university
- Franchising high street brands: the university lets space to a high street operator for an agreed rent, typically a minimum guaranteed sum plus an additional percentage of sales if targets are exceeded
- Mixed economy: a combination of in-house, outsourcing and high street brands
- Special purpose vehicle (SPV): the creation of a trading subsidiary – with university representation on the Board – to provide services
- Joint venture (JV): the creation of a trading company, in partnership with a specialist provider, for delivering services
- Alternative collaborative model: rather than establishing a joint venture with an existing commercial organisation or specialist provider, the university could collaborate with other associations or institutions

# HIGH STREET FOOD TRENDS

## **The high street food scene is very fast-moving but there are some clearly identifiable trends, namely:**

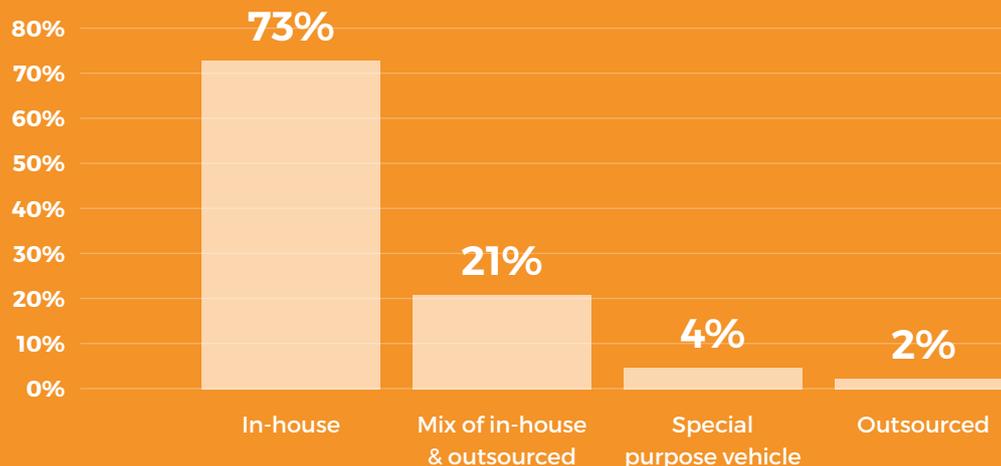
- more and more international flavours and tastes from small specialist operators either via pop-ups, street food markets or fixed restaurants, with an emphasis upon authenticity and innovation
- restaurants with smaller core menus that focus on quality of ingredients and cooking
- healthy foods like bone broth that are packed with vitamins, collagen and keratin
- smartphone technology in the form of online or app based ordering, payment and delivery, to increase speed-of-service: Wagamama, for instance has a dedicated app
- 'third wave' cafés offering ethically sourced, locally roasted coffee served by well-trained baristas e.g. Monmouth, Kaffeine, Sensory Notes, Hej and Workshop Coffee

Companies operating catering in the workplace are having to adapt quickly to keep pace with these changing consumer and high street trends. Many are partnering with artisan coffee brands and leading edge chefs to bring innovation to workplace food services. To stay ahead of the competition, the university caterers need to closely monitor the marketplace and come up with similarly innovative responses.

# THE EMERGING CHALLENGE OF OUTSOURCED CATERERS

At first glance, the in-house model appears to dominate the UK university and college catering landscape. Almost three-quarters of the institutions we surveyed say they manage all their services themselves. Just 23 percent use outsourced suppliers, which in most cases operate alongside the university's own catering team as part of a mixed approach.

## BREAKDOWN OF CURRENT OPERATING MODELS



To date, no contractor or high street brand has managed to dominate the market, with 18 different national and local providers serving the members in our survey. And of these, only Compass and Baxter Storey – who each work with two member organisations – have succeeded in winning more than one client.

Across the HE sector as a whole, we have identified 55 universities that either wholly or partially outsource their catering and retail services: 35 percent of the total. Even though this penetration is relatively low, the main contractors see big growth opportunities in the sector and are bringing some innovative ideas.

## KEY UK UNIVERSITY CONTRACTORS

(and some of their clients)

- **Baxterstorey:** Queen Margaret University, Greenwich, Stirling, Birmingham City
- **Chartwells** (Part of Compass Group): Oxford Brookes, Salford, Northumbria, Roehampton
- **Elior:** SOAS, South Bank University, Kingston, Chichester
- **Sodexo:** UCL, City University, Richmond University, Southampton Solent, York St John

The experience of Litmus in other sectors, like industry and commerce, suggests that contractors have learnt quickly to adopt new approaches, in particular by taking more of a retail approach to catering.

Sodexo and Chartwells, for instance, use in-house brands for individual outlets under an overarching identity for the food service. Chartwells operate Salfood at Salford University and Taste Northumbria at Northumbria University, while Sodexo has developed its Food Federation brand at UCL.

In addition to their own brands, the likes of Elior and BaxterStorey also operate franchised brands to enhance the customer experience. Baxterstorey runs a branch of Benugo – a high street sandwich and coffee brand owned by its parent WSH – at Birmingham City University.

Of the major high street brands, Costa Coffee and Starbucks have been visible in the sector for some time, either in fully licensed form at universities like Birmingham, Exeter, Nottingham and Surrey, and in the “Proud to Brew” and “Proud to Serve” formats.

It’s not just contractors who have latched on to the notion of branding. The University of Essex offers its food services under the umbrella identity of Essex Food, whilst conferencing and delivered catering are provided under the brand Event Essex. Other members have similar initiatives in place.

## THE IMPORTANCE OF SHARED VALUES

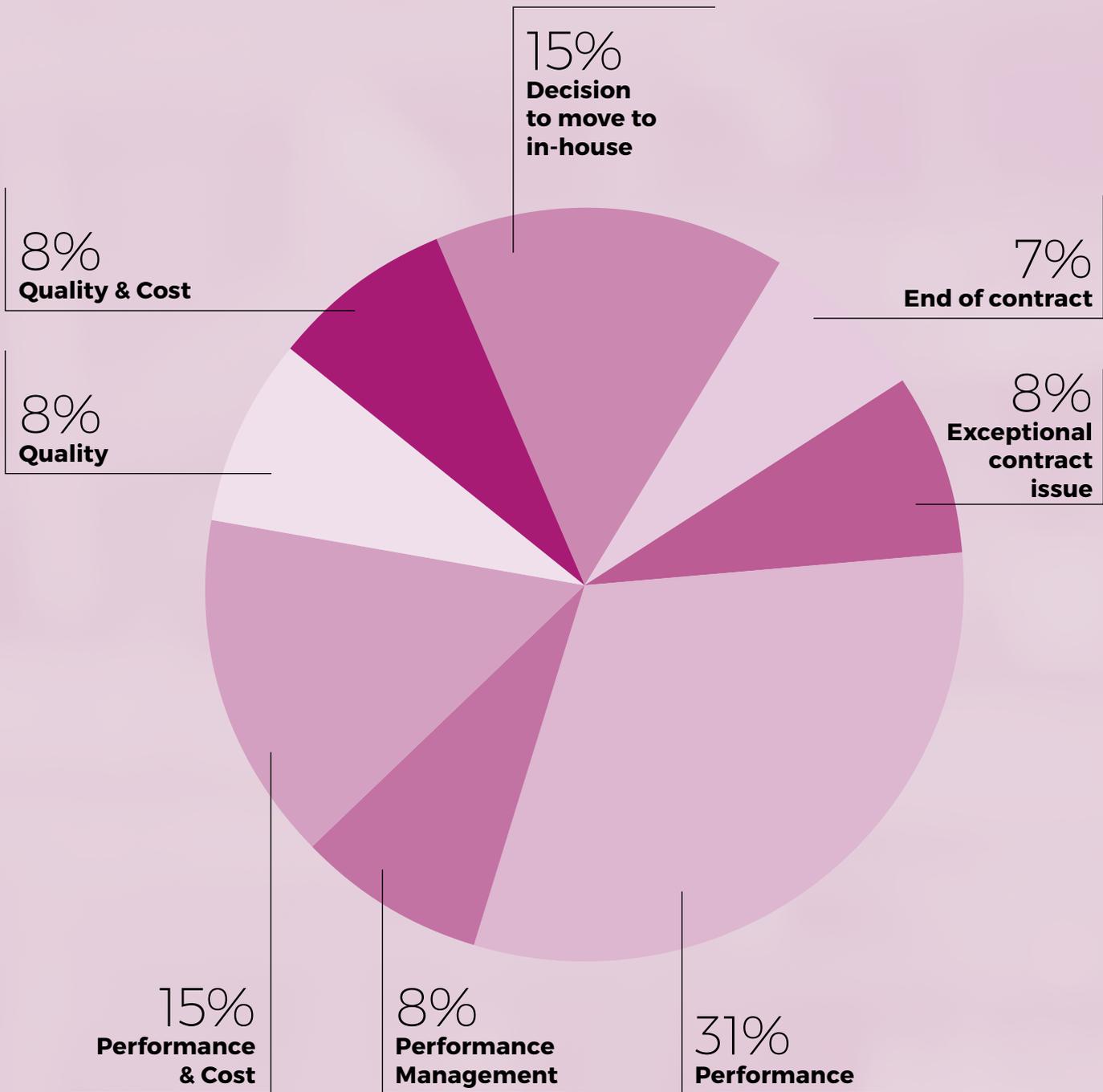
Contractors are recognising the need to integrate themselves and their activities with university and college life and ensure that their service delivery fits comfortably within each institution’s philosophy and ethos. Pret A Manger, with its “organic coffee, natural food” promise, feels that its own values resonate strongly with students, and has ambitious plans to expand in the HE sector, following the huge success of its new University of Exeter outlet, where it doubled its forecasted sales. Pret is committed to becoming part of the university community and is comfortable operating alongside in-house outlets, contractors or other high street brands.

# LOOKING BEYOND CATERING

Sodexo's approach differs from its competitors in one regard in that, whilst it will deliver catering as a single service, it is also very interested in taking on other services as part of a facilities management package. At Richmond University, for example, Sodexo provides the catering but is also bidding for cleaning, security and maintenance, where it is up against other commercial facilities management companies rather than caterers.

## OUTSOURCING IS NOT A PANACEA

Thirteen of the members taking part in the survey (27 percent) have reverted to an in-house model and ceased outsourcing in recent years. In most cases this decision was due to performance, quality or contractual issues, and suggests that the initial choice of contractor – and possibly the ongoing management – could benefit from greater rigour. It shows a continued faith in the sector's ability to offer a successful in-house catering and retail service, whilst also serving to illustrate that contractors have yet to find an approach or offer that consistently meets members' requirements.



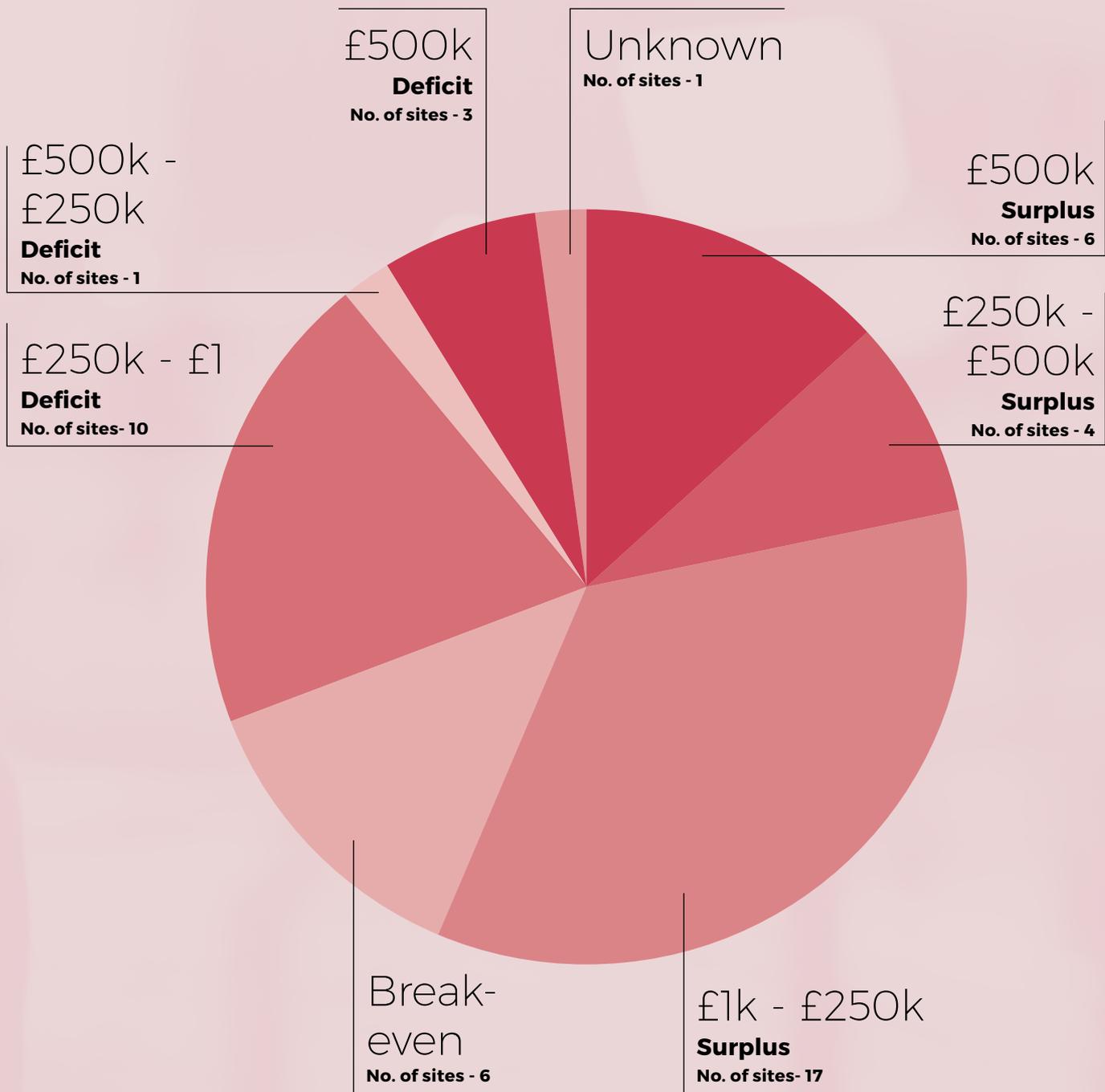
Sixteen of the members surveyed plan to either carry out major refurbishment work or open new outlets – 14 of which are in-house operations – indicating that they are prepared to invest in catering if it delivers a sound business case. Access to capital investment is not, therefore, a reason in itself to outsource, although two members are currently considering this as an option.

# A MIXED COMMERCIAL PERFORMANCE FOR CATERING

In a time of financial constraints, catering services can provide some much-needed revenue. More than half of the organisations taking part in the survey (56.5 percent) generated a surplus in the previous financial year, while 29 percent produced a deficit, with the remainder breaking even.

Although we have no historical trend data on revenue, members are undoubtedly under increasing pressure to improve the commercial performance of catering and retail services, so we would expect a rise in the proportion enjoying a surplus in the next few years. Later in this report we have used the research output to showcase some ideas and examples of best practice, which should help members adopt a more commercial approach.

Surplus/Deficit	COSTS FACTORED INTO SURPLUS AND DEFICIT CALCULATIONS			
	Rent	Utilities or service charges	Central staff recharges	Depreciation
>£500k Surplus	0	4	5	2
£250k-£500k Surplus	2	2	1	2
£1k-£250k Surplus	2	8	11	7
Break-even	0	2	3	3
£250k-£1k Deficit	1	5	3	6
£500k-£250k Deficit	1	1	1	1
>£500k Deficit	2	3	2	2
Unknown	1	1	1	1
<b>TOTALS</b>	<b>9</b>	<b>26</b>	<b>27</b>	<b>24</b>



It is difficult to make meaningful comparisons of members' commercial performance, as institutions differ in the way they treat costs like rent, utilities, staff and depreciation. As an example: none of the members claiming to generate a significant surplus (more than £500,000 a year) factored in rent to their profit and loss calculations.

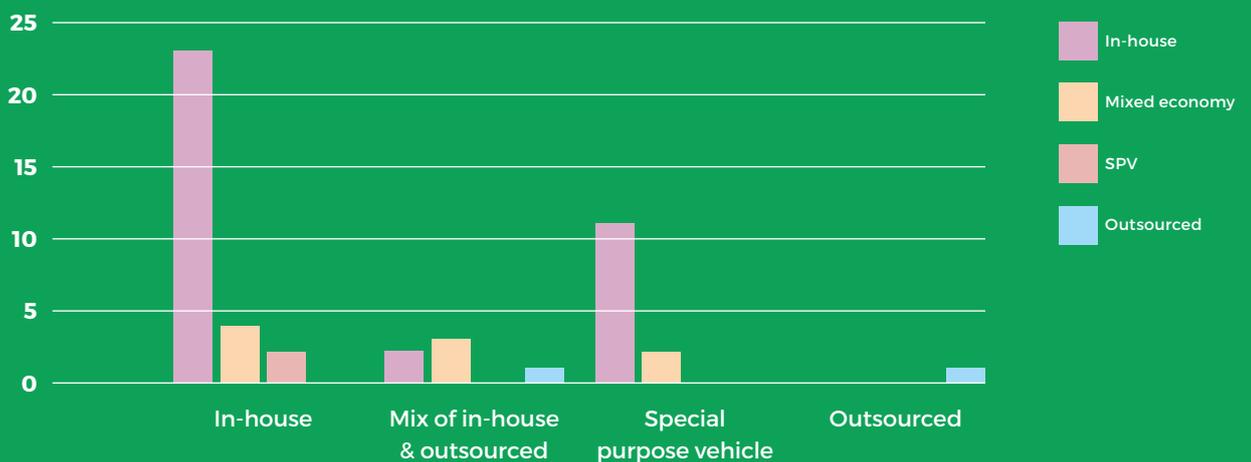
# IN-HOUSE MODELS ACHIEVE BETTER COMMERCIAL RESULTS

Differences in calculating profits notwithstanding, our survey findings suggest that, of the two predominant catering business models, in-house operations are more likely to generate a surplus. As depicted in the bar chart below, 23 members with in-house-only teams (64% of respondents) say they made a surplus in the past financial year, against just 44 percent of those with a mix of in-house and outsourced provision.

# 64%

Sixty-four percent of members with in-house-only teams say they made a profit in the past financial year – compared to 44 percent of those using some form of outsourcing.

## OPERATING MODEL V COMMERCIAL PERFORMANCE



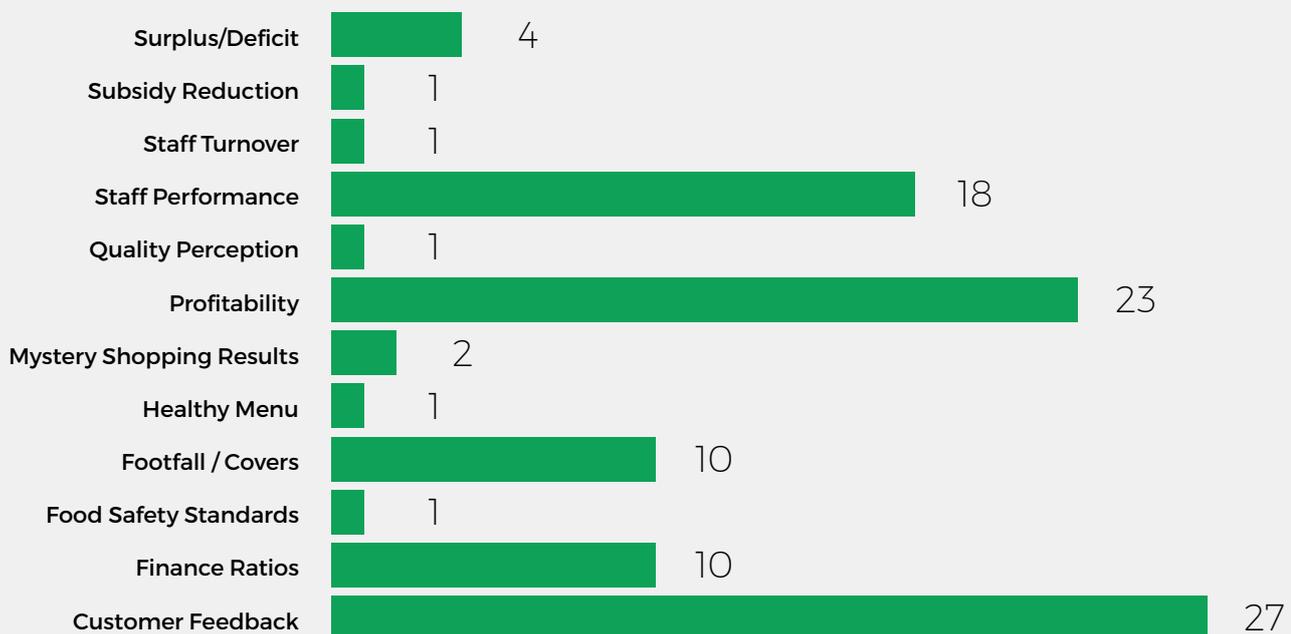
When it comes to actual annual sales per student, the results are less conclusive. Although eight of the top ten members (in terms of sales per student) are in-house operators, this percentage is roughly in line with the total number using this type of model (73 percent). The average annual spend per student across the sample is £238.60.

## WHAT GETS MEASURED GETS DONE

Interestingly, those members that measure profitability also appear to enjoy better financial performance. Of the 27 institutions that generate a surplus, two-thirds cite profitability as a key performance indicator (KPI); just 14 percent of those experiencing a deficit use a similar KPI. Indeed, 67 percent of all the KPIs mentioned by survey participants relate to commercial performance.

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## UNIVERSITY IDENTIFIED KEY PERFORMANCE INDICATORS



Given the importance of creating a positive student experience, caterers need to employ a robust system for generating (and acting on) customer feedback. The above bar chart shows that twenty-seven of the members surveyed use KPIs that revolve around customer feedback of some kind, with some innovative examples:

## UNIVERSITY OF SHEFFIELD

A mystery shopper scheme called Hospitality Gem is used, with a monthly visit across all the operations and the experience benchmarked with comparable high street outlets. The university aims for an 85 percent satisfaction target. In addition, all students are surveyed 3 months after arrival and at the end of their courses, while management also notes and acts on any verbal feedback, as well as carrying out ad hoc focus groups to gain deeper insights into new concepts prior to launch.

## UNIVERSITY OF BIRMINGHAM

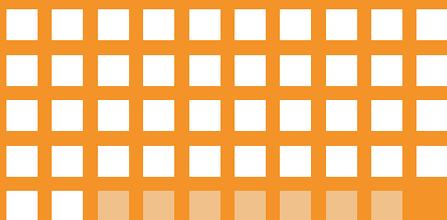
Electronic tablets are used to capture immediate customer feedback with full reporting and Net Promoter Score outputs. Forums are held each term with students in halls of residence. Management and staff also perform regular walk-throughs, to ensure they experience their outlets through the eyes of the customer.

## HARPER ADAMS UNIVERSITY

This university carries out a student catering survey, which is followed by a further survey highlighting the key points actioned from the previous survey, to demonstrate the responsiveness of the catering teams.

## UNIVERSITY OF ESSEX

Essex also uses electronic tablets in outlets to capture immediate feedback. In addition, the University recently conducted an extensive consumer insight survey using gap analysis, where it measured customer satisfaction for those aspects of service deemed most important to users. This approach has generated extremely useful insight that has driven a concrete action plan, with focused priorities, all of which has been incorporated into the new business plan.



**42** out of **49** members surveyed have introduced new types of offerings in the past 5 years.

# INNOVATIONS IN A FAST-CHANGING MARKETPLACE

## COFFEE RULES – BUT AUTHENTICITY FROM NEWER PLAYERS IS CHALLENGING HIGH STREET BRANDS

As they strive to adapt to changing student needs and competition from other providers, university catering teams have been highly proactive over the last 5 years in developing and trialling new services. 42 out of the 48 institutions involved in the survey have introduced new types of offerings, with coffee shops and cafés the most common choices. And, when asked which of their initiatives had proved most successful, 30 out of the 42 respondents cited coffee shops and cafés – see the table below.

These responses reflect the wider increase in coffee consumption in the UK, as well as the tendency for young people to graze throughout the day, rather than have three fixed meals. Perhaps more importantly, coffee shops are increasingly seen as a comfortable and welcoming environment in which both students and staff can socialise and study.

There are a number of successful commercial examples of coffee shops in the HE sector, notably at Warwick and Leeds, and we are aware of other members that are looking into this option as a means of growing external revenue.

As mentioned earlier, Costa and Starbucks have had a presence on university and college campuses for some time. Yet, despite these brands' popularity, a significant proportion of students prefer to drink what they perceive as more ethical, artisan coffee; hence the emergence of smaller producers and suppliers like Grumpy Mule and Union Coffee. A recent student and staff survey conducted by Litmus at the University of Essex indicated no demand for any high street brands on campus. Reports of the death of the major brands may be premature, but every university needs to maintain a barometer of its students' tastes, to evaluate the most appropriate mix of independent and established coffee providers.

The most frequently-mentioned alternative outlets were high street-style offers and, especially, pop-ups. Pop-ups have of course become a popular feature in our towns and cities, either in permanent locations or as part of larger street food markets, and their proliferation in universities is in direct response to students' desire for consistency of quality and authenticity of international cuisine.

TYPE OF SERVICE	No
Coffee shop	30
Café	18
Retail outlet	15
Pop-up street food outlet	15
Restaurant	13
Take away hot food outlet	11
Sandwich bar	10
Supermarket/Convenience store	6
Hotel	3
Other	7
<b>TOTALS</b>	<b>128</b>

# PROS AND CONS OF DIFFERENT UNIVERSITY CATERING BUSINESS MODELS

In this section we examine some of the advantages and disadvantages of the various models available to members.

## IN-HOUSE

The service is managed and operated by an in-house team, with all staff employed by the university.

### PROS

- University retains sovereignty and total control over all aspects of the service
- Total control over all tariffs
- Catering and retail services closely aligned with university ethos and culture
- Staff feel part of the university
- Trading surplus not shared with a third party
- Space can be released quickly

### CONS

- Potential for staff to become set in their ways, leading to lack of innovation
- No access to specialist catering/retail management, training, trending awareness or marketing support
- Difficult to determine true costs
- Commercial pressures on university management

## OUTSOURCING

Some or all of the services are managed and operated by a specialist contractor.

### PROS

- Access to capital to invest in outlet and kitchen facilities
- Catering and retail operated by specialist company with dedicated marketing, training and commercial support, plus in-depth consumer knowledge
- Agility to react to trending activity
- Reduced support costs
- Contractor can share best practice from other parts of its business

### CONS

- Loss of direct control
- Tied to a long-term contract, particularly if there has been investment
- Contractor may not understand or integrate with university culture
- Potential compromise between quality and profit
- Service provider may be acquired by or merge with others, potentially causing disruption
- Service delivery failure implications



**The university lets space to a high street operator for an agreed rent, typically a minimum guaranteed sum plus an additional percentage of sales if targets are exceeded.**

## **EXECUTIVE LEASE/ MANAGEMENT CONTRACT**

The university engages with a specialist contractor to provide one or more managers, often to oversee a change programme. The remaining staff are employed by the university.

### **PROS**

- Access to external professional catering management, training and marketing expertise
- All other catering staff remain on the university payroll – no TUPE process
- Manager[s] has experience of driving change for other clients
- Focused activity to deliver goals

### **CONS**

- Manager does not have line management responsibility for catering and retail staff
- Manager may view it as a short-term project
- Manager not viewed as part of the university senior management team
- Key individuals move on

## **FRANCHISING HIGH STREET BRANDS**

The university lets space to a high street operator for an agreed rent, typically a minimum guaranteed sum plus an additional percentage of sales if targets are exceeded.

### **PROS**

- Brand recognised by students and staff
- Consistency of product offer and customer service
- Anchor brand attracts customers to other nearby university outlets
- Guaranteed income plus incentives to grow sales
- Central brand marketing and product promotion

### **CONS**

- Brand collapse through improper association/ scandal
- No flexibility of product offer or pricing
- University tied into a long-term arrangement
- Potential brand fatigue in the medium- to long-term
- Brands not popular with some students

## MIXED ECONOMY

A combination of in-house, outsourcing and high street brands.

### PROS

- Allows university to orchestrate efforts of others whilst focusing on what it can do better
- Customers feel they have real choice
- Encourages healthy competition – if set up and managed in the right way
- University retains the ability to change some elements of the offer to respond to customer expectations
- Guaranteed income from external providers

### CONS

- Tied into a long-term arrangement with the external providers
- In-house team feels disadvantaged against external competition
- University managing multiple relationships
- Clashes of different offers may cause friction

## SPECIAL PURPOSE VEHICLE (SPV)

The creation of a trading subsidiary – with university representation on the Board – for provision of services.

### PROS

- VAT and accounting benefits
- Reduced staff costs
- Commercial reward packages embed a more commercial mindset in those employed by the SPV
- Flexibility and speed of decision-making and accounting

### CONS

- Two tier workforce – potential union and staff dissatisfaction
- Protracted legal process to set up SPV
- Legal fees
- Need for fiduciary protection
- Extra administration

**Rather than establishing a joint venture  
with an existing commercial  
organisation or specialist provider,  
the university could collaborate with  
other associations or institutions**

## **JOINT VENTURE (JV)**

The creation of a trading company, in partnership with a specialist provider, for delivery of services.

### **PROS**

- VAT and accounting benefits
- Reduced staff costs
- Commercial reward packages embed a more commercial mindset in those employed by the JV
- Access to external expertise and specialist support
- Flexibility and speed of decision-making and accounting

### **CONS**

- Two tier workforce – potential union and staff dissatisfaction
- Protracted legal process to set up JV
- High legal fees
- Need for fiduciary protection
- 50-50 ownership can make dispute resolution difficult

## **ALTERNATIVE COLLABORATIVE MODEL**

Rather than establishing a joint venture with an existing commercial organisation or specialist provider, the university could collaborate with other associations or institutions

### **FOR EXAMPLE:**

- the University's Students' Union
- the local FE college hospitality school
- another university within the vicinity

### **SUCH VENTURES WOULD BE FOCUSED ON:**

- sharing best practice,
- amalgamating top tier overheads
- filling unused capacity

# DOUGH



# IDEAS IN ACTION: EXAMPLES OF IN-HOUSE BEST PRACTICE

Many members are stepping up to the marketplace challenge and coming up with creative approaches to meet student needs. In this section, we showcase the successful initiatives that in-house teams have implemented to enhance the customer experience and/or the commercial performance.

## CREATING IDENTITIES AND BRANDS

### UNIVERSITY OF SHEFFIELD

Sheffield University Commercial Services is part of Accommodation and Commercial Services, with the Commercial Services arm branding a range of services with US:

- hUStle and bUStle – cafés and bars
- gUSto – delivered hospitality
- cUStomised – meetings, events and accommodation
- momentoUS – weddings and occasions

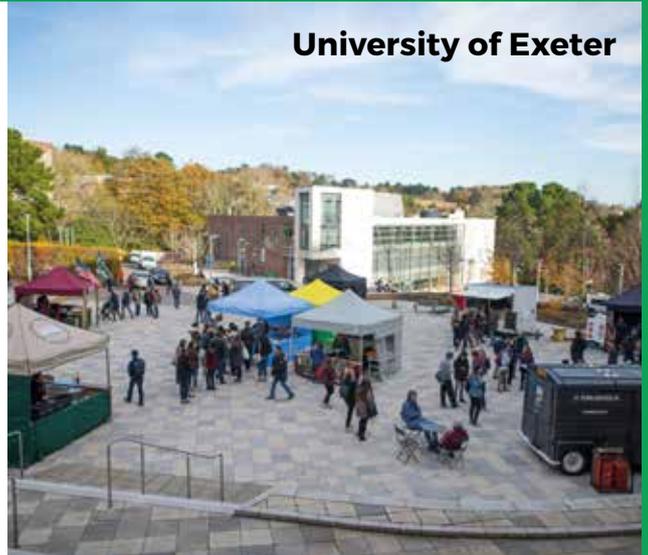
### UNIVERSITY OF ESSEX

- Essex Food and Event Essex are the overarching identities for catering and conferencing respectively.
- Essex Food has its own vision statement: "Essex Food – bringing the university community together by inspiring people, delivering value and providing quality and choice".
- A number of brands or outlet identities sit under the Essex Food banner. Bonds is a coffee shop, serving Costa coffee, located in the Business School; Happy Days is a burger offer in the upper square; and No. 64 is a London bus serving premium pies.

# PARTNERING WITH LOCAL VENDORS

## UNIVERSITY OF EXETER AND UNIVERSITY OF ESSEX

Recognising the growing demand for quality and authenticity, several members, including Essex and Exeter, regularly host street food markets on one day of the week or month enabling local vendors to showcase specialist food offers.



## UNIVERSITY OF NOTTINGHAM

The University of Nottingham has taken this concept a step further by leasing space for two of its main campus outlets. One tenant is a local Chinese restaurant operating a high-volume café/restaurant (400 seats), while the other is a food court pod selling Afro-Caribbean food. Both pay rent, with the subsequent income included in the declared surplus.



# SPECIAL PURPOSE VEHICLE (SPV)

There is strong evidence from the financial performance of the two members (Sheffield and Essex), and from the management style of their catering teams, that creating an SPV has embedded a more commercial approach and mindset.

## UNIVERSITY OF SHEFFIELD

UNICUS, a wholly owned subsidiary, was formed in 2012 with a loan from the university, payback of which commences in 2017. Any new outlets in new buildings, or outlets refurbished or reinvented as part of a major refurbishment, were subsequently set up as UNICUS outlets with staff employed by UNICUS. A number of employees in other outlets, or in central Commercial Services, have left, and UNICUS has recruited replacements, leaving some outlets with a mixture of Accommodation & Commercial Services (ACS) and UNICUS employed staff. Currently 60 percent of Commercial Services staff are employed by UNICUS with the remainder on ACS contracts.

One of the objectives of UNICUS was to move away from the university employment terms and conditions and onto a recognition and reward model. Interestingly the hourly rate for UNICUS basic level staff is actually now higher than ACS staff, with UNICUS paying the living wage. Rewards are outlet specific.

The café and bars hUStle and bUStle operate on a fully costed, self-sustaining model, paying a per square metre rent for all outlets, which is measured from the hatch or server area (excluding seating area).

## UNIVERSITY OF ESSEX

Essex Food and Event Essex sit within the Campus Services SPV, created to provide a sharper focus and professionalism whilst also generating a stronger financial contribution to the university.

These initiatives were the result of a long consultation period, with the unions on board from the outset. Consequently, there have been no major issues with the existence of a two-tier workforce, where new staff joined on SPV terms and conditions. The SPV is not tied to restrictive salary scales and has the freedom to reward staff based on personal and SPV performance.

# INNOVATIVE USE OF TECHNOLOGY

Today's retail environment can be significantly enhanced through the use of digital technology for payments, monitoring of demand, and customer communications.

## HARPER ADAMS UNIVERSITY

Digital television screens are in place across the campus, and the catering department use two of them to advertise menus and promotions to students and staff.

Student and staff ID cards have multiple uses: as a payment method and a means to monitor transactions. In the Queen Mother Hall dining room, for example, students scan the cards for their catered meal three times a day, with the data fed to the dashboard system to provide daily figures for the catering team. Staff and students can pay for print services as well as food, with a 10 percent discount to incentivise use of the cards. Apple Pay is also available for payments.

The catering department uses social media to communicate with students and staff, posting details of relevant menus and offers and garnering feedback on quality of food and service.

# HOTELS

During the past 5 years, three members that responded to the survey have opened hotels, using different operating models – all of which have achieved an overall surplus.

## UNIVERSITY OF NOTTINGHAM

The main University Park Campus houses the East Midlands Conference Centre and Orchard Hotel; buildings that are owned by the university but managed by De Vere. The university executive sets a turnover target, and a percentage of revenue is returned to the university.

## UNIVERSITY OF SHEFFIELD

The 38 bedroom-hotel has been a great success, turning over £1.3 million and generating a surplus of £250,000 annually, mostly for conferences and weddings. On the back of these attractive numbers, the university is now converting student halls into an 80-bed student hotel, with a 6-bedroom annexe refurbished as a bridal family facility. The booking systems use the most up-to-date technology to check comparative local rates in order to price competitively.

## UNIVERSITY OF ESSEX

In addition to being a university-owned country house hotel, Wivenhoe House is also home to the Edge Hotel School, offering students fast-track, 2-year, intensive degree courses, enabling them to experience a real working environment in the hospitality industry.

# APPLYING HIGH STREET PRINCIPLES

Today's retail environment can be significantly enhanced through the use of digital technology for payments, monitoring of demand, and customer communications.

## UNIVERSITY OF BIRMINGHAM

"Employ us as the professionals" is the catering team's proposition. By following high street retail principles, the department has driven a more commercial approach that delivers a healthy surplus.

Whilst the operating model is in-house, exceptions are made where external brands provide a good fit and produce positive operating results. Both Costa and Starbucks will introduce new outlets on campus in 2017.

Outlet product ranges are reviewed each term, informed by daily sales statistics. The team constantly monitors high street trends using TUCO data and organising exhibitions and conferences, such as Caffe Culture and Casual Dining, which provide insight into the world of food.

## UNIVERSITY OF NOTTINGHAM

Two main campus outlets are tenanted: a local Chinese restaurant operates a 400-seat café/restaurant, while a food court pod sells Afro Caribbean food. Both tenants pay rent, with this income included in the declared surplus. The university also has two fully licensed Starbucks outlets.

The catering team tracks sales product-by-product, and carefully selects specific products for each outlet.

A Leon-style concept has been developed, to be located in the extended medical school space.

## **UNIVERSITY OF SHEFFIELD**

By acknowledging the high street as the main competition, the catering department constantly monitors the latest trends and responds accordingly. Sales data is continually interrogated, leading to swift decisions to add and remove products according to popularity.

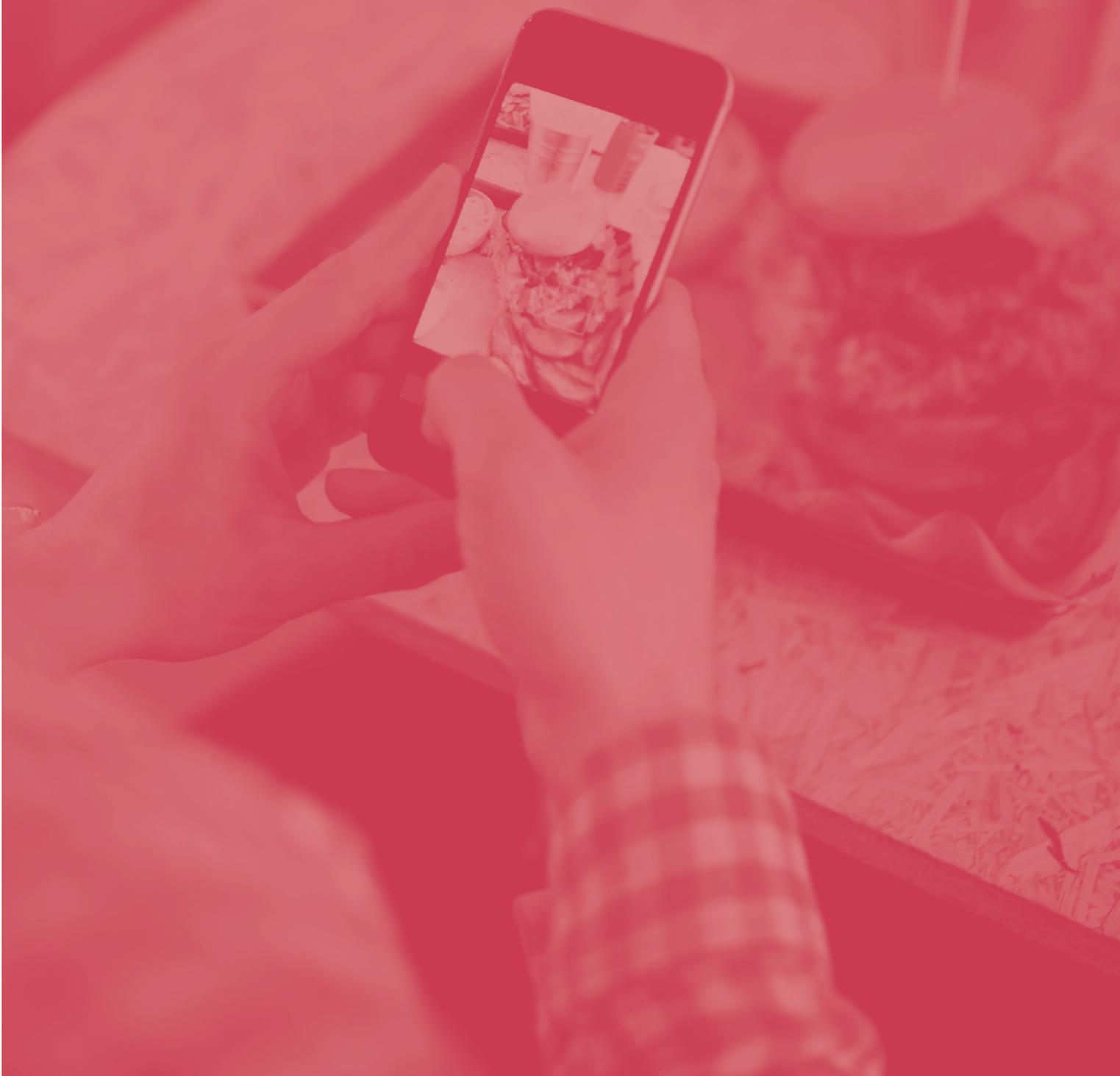
As evidence of the professionalism, each individual outlet is set weekly sales and labour ratio targets with wastage also measured, while catering staff are coached to carry out profit and loss analysis, to encourage accountability and ownership.

## **UNIVERSITY OF EXETER**

The university operates a mixed economy model with three fully-licensed high street brands on the main campus: Pret A Manger, Costa Coffee and AMT.

This provides healthy competition to the in-house catering operation and the Students Guild, whilst also offering customers real choice at a number of different price points.

# CLOSING THOUGHTS: FIVE TAKEAWAYS



The insights from this paper are designed to help university catering teams consider how to stay ahead of the competition and generate a healthy surplus, while providing the kind of environment that enhances the lives of students and staff. Here are four key talking points that can inform their strategies:

### **1. Staying true to the culture and ethics of your university**

Students have shown that they appreciate authenticity and ethically sound brands, and catering should reflect these values. Whether working with large or independent external partners, or managing wholly in-house, the sourcing, ingredients and broader brand identity will be under increasing scrutiny.

### **2. Managing outsourced partners effectively**

The fact that a number of members in this study reverted to an in-house model suggests that performance and contract management of providers is a high priority. High street retail names and national contractors can bring both professionalism and strong brand recognition, but members should ensure they make the most of these relationships.

### **3. A focus on measurement can improve performance**

The survey results show a strong link between positive commercial performance and use of appropriate KPIs, so members should consider what they're measuring and how they can obtain regular, reliable data, making full use of technology to ensure that the numbers are accurate and up-to-date.

### **4. Innovation is a key source of competitive advantage**

Consumer tastes and retail trends continue to transform at an accelerating pace and catering has to adapt accordingly. More than one of the respondents to our survey acknowledges that the high street is the main competition, and innovations like unique brand identities, partnering, use of technology and special purpose vehicles are likely to become more common. Maintaining a barometer of emerging trends can help, as can a mind-set and infrastructure for trialling new ideas.

### **5. Know your customers**

Regular customer feedback is an essential element of any successful catering and services offering. But it's equally important to make sure members are measuring the things that matter most to students and staff - and acting on this information. Real insight comes from using gap analysis (the difference between importance and satisfaction) to understand what consumers value, and tracking how effectively the catering team is meeting these expectations vis-à-vis the competition. Once again, there are sophisticated technology tools, such as online consumer insight programmes, to help this process.

# HOW TUCO CAN HELP MEMBERS SELECT THE RIGHT MODEL

As the leading membership body for in-house caterers in the higher and further education sector, TUCO can offer a range of advice and support to senior management, whether they are operating an in-house model or seeking alternative approaches.

Our procurement services include framework agreements giving access to nearly 200 suppliers, quality assurance, food safety and high-risk audits. The TUCO Academy offers a wide range of quality learning and development opportunities, including training, online learning and Study Tours.



# ABOUT THE SURVEY

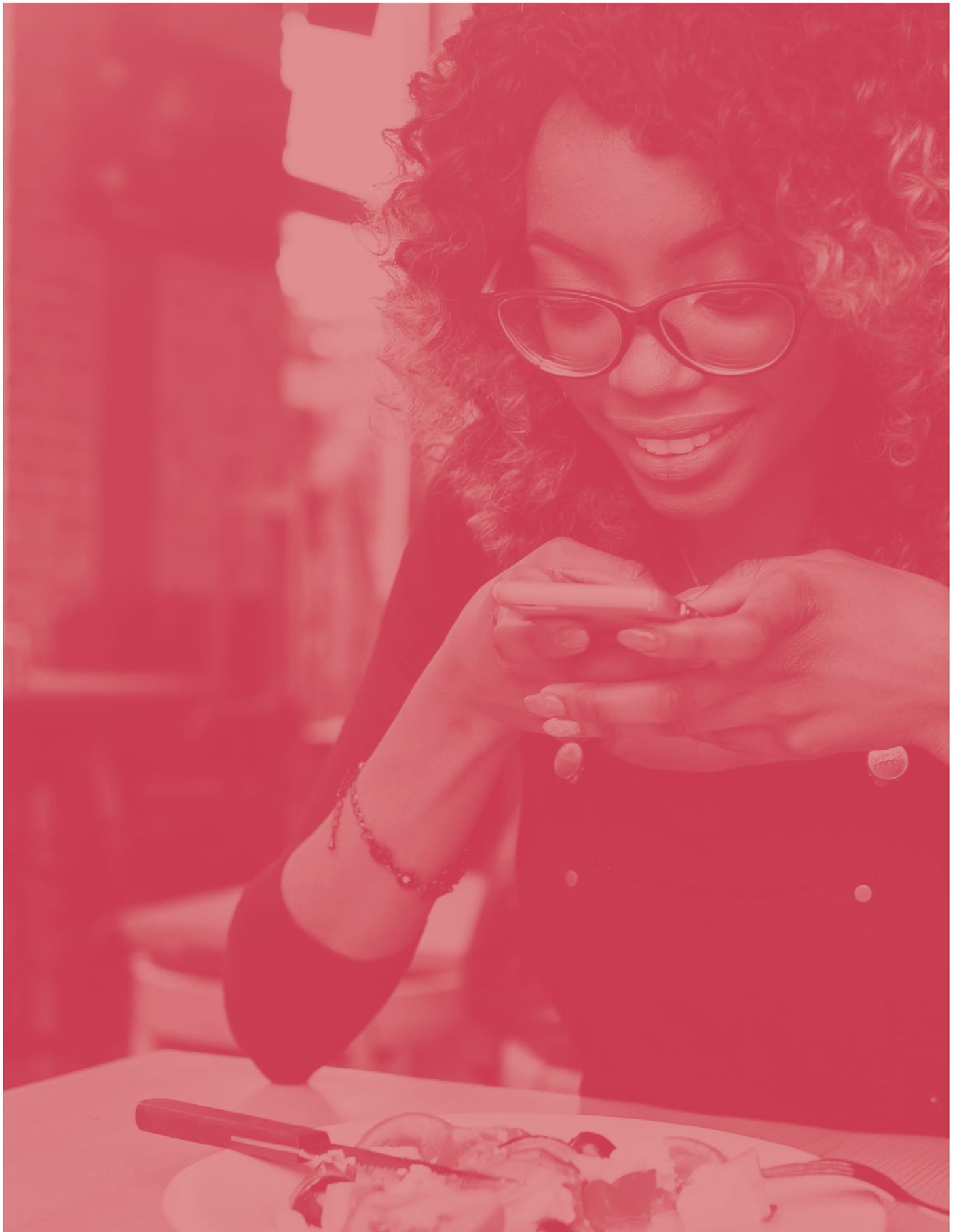
TUCO commissioned The Litmus Partnership (Litmus) to research the different business models available within the university sector for delivering catering, hospitality and retail services. The findings should help university Estates Departments consider the most appropriate model, in order to offer an outstanding customer experience and meet their commercial goals.

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## METHODOLOGY

### THE DATA WAS GATHERED FROM A NUMBER OF DIFFERENT SOURCES:

- An extensive online survey of 48 members and colleges, to understand the current range of models, the associated commercial performance, and key success factors and challenges
- Additional telephone research with selected members, to gain greater insight into the rationale behind the choice of specific models and to clarify data
- Visits to seven members to interview key stakeholders and gather case study material to support the research output
- Insight and data from Litmus catering and retail projects conducted inside and outside the HE and FE sectors during the last 2 years
- Dialogue with the leading contractors in the sector to gauge their views on how catering in members and colleges will develop, and to understand their approach to opportunities in the sector both now and in the future. The companies we spoke with were:
  - BaxterStorey
  - Chartwells (part of Compass)
  - Elior
  - Sodexo



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