

m SOURCE IDEAS

“Let’s Do Lunch”

An Intro to
Non-commercial
Foodservice

So who is this E book for?

This is an eBook about the non-commercial foodservice space.

It's for food brands and other product or service providers who would like a brief tour of the space.

From someone who's been there.

A snapshot view of the key players and segments in this marketplace.

A 101 course.

It's not comprehensive, obviously.

Yes, it's a big topic.

No, I won't cover even close to everything. We'll be producing more stuff on this topic soon, so please watch this space.

But we thought you might like an overview of the field, how this marketplace is structured, and who are the main types of organizations in the eco-system.

Who are the biggest kids in the sandbox? To mix metaphors. Oh and there are some gorillas coming up, too.

It's all so you can look like you did some research for your boss.

MORE



Very brief Overview of the Space:

OK; non-commercial foodservice;

What is it?

Defined as: out-of-home-food, when people aren't eating at a restaurant.

How big?

The overall food retail industry in the US is at \$1.2 trillion (Source: USDA)

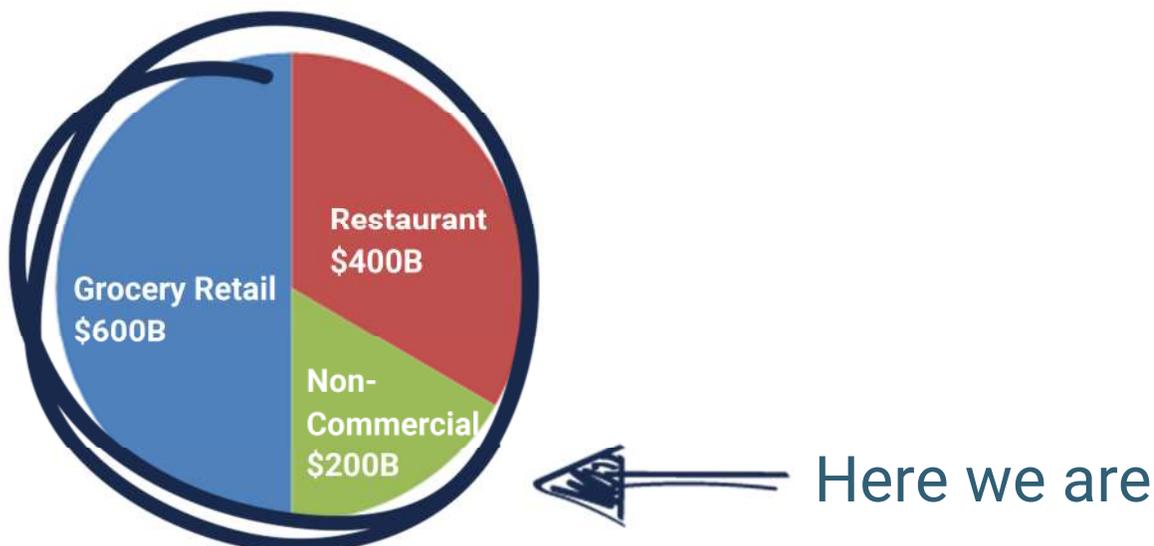
About half of this is retail (grocery) so, \$600B

The other half is \$400B restaurant, and non-commercial foodservice at about \$200B

Not bad, huh? That's quite a few burgers and fries.

That \$200B is forecast to grow 3.7% over the next several years, according to Technomic, a major food research firm.

This is what it breaks down to: Entire U.S. Food Industry – \$1.2 Trillion



Still interested?



We think it is a pretty interesting space. It has its own quirks, and some very big players.

It's worth understanding, because you have some dynamic demographics, such as college students, in this market.

And some very large, stable customers, which makes the space very attractive. Worth understanding.

Large businesses, government entities and non-profits are healthy places to target your marketing dollars.

These folks aren't going anywhere, anytime soon.

Worth learning about and marketing to. (**Shameless plug: call us**)

To re-cap:

It's anywhere people eat out-of-home, but not in a restaurant or traditional retail.

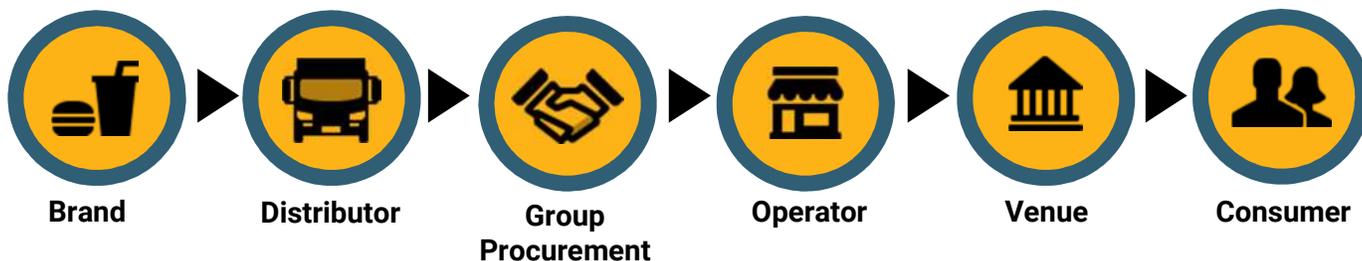
- At work (Business & Industry).
- In a hospital (Healthcare).
- Schools and colleges (Education).

And a few other niches, like the Military and Senior Living.

MORE



The Supply Chain:



What are the pieces of the puzzle?

So it's a supply chain. One thing leading to the next; starting with your business, on the left, (could be a food product or other service).

And ending with the consumer, to the right.

Here's a brief explanation of each piece:



Brands

That would be you. As a food manufacturer, brand or service seeking entry into these types of venues.



Distributors

Storing and moving stuff. Right product, right time, sort of thing.

They usually purchase from brands in quantity, warehouse goods and get them to the operators.

They're an important gatekeeper.

As well as moving stuff, they are really in the convenience business. One-stop shopping, multiple products being brought in on one delivery. One set of invoicing and payments.

One sales person to deal with.

It's convenient.

So you're going to need to navigate this; which distributors work with your type of product?

Who's your competition that they're already working with, in your category?

Will they move enough of your product to want to bring you in to distribution?

Yes, you can go direct to the operators, and you may have to start there, but ultimately they'll want you to be 'in distribution'.

Why? Convenience. For them.

Actually for you too, if you can get there. Less selling for you, and less invoicing, etc.

Uh-Oh – Catch 22

Did you see the movie? Check it out. It's got Art Garfunkel in it.

Like the famous 'catch', distribution can be a bit complicated.

A multiple sell; to the distributor and the operator

So sometimes the operator only wants to use your product if you're already in distribution. But then distributors only want to carry your products, if they know their customers are interested.

So, Catch 22 (great novel, too, by Joseph Heller)



Big Guy Alert:

By the way, the largest four foodservice distributors are, in order of size:

- Sysco
- US Foods
- Performance Food Group
- Gordon Food Service

And lots of medium (regional) and smaller (local) players, too.



Group Purchasing Organizations (GPO's)

Also big.

And they want you to know it. They might actually be the 1,000 lb. gorillas.

GPO's are buying groups that pull together buying power for their institutional customers and negotiate lower prices from brands and vendors (that would be you, sorry)

So they negotiate discounts on behalf of their clients, which are large high-volume customers. For example, state colleges, government agencies and healthcare groups.

For this, they get a small percentage of sales, usually from the vendor.

You again. Sorry.

They don't actually carry the product. They don't move it around. They just negotiate price and terms, and go out and research vendors (you, again). Make sure they have good food-safety practices and are good corporate citizens and the like.

We're sure you fit the bill.

GPO's started out in the healthcare field, 60 plus years ago. Negotiating deals on behalf of hospitals for bandages, beds, medicine etc.

Later they expanded into foodservice.

Another Big Guy Alert.

Some of the (really) big GPO's, not in order of size (didn't have time to research, sorry):

- Avendra
- Food Buy (part of Compass Group)
- Entegra (part of Sodexo)
- Novation.

They're important people to understand.



Operators

(they do stuff)

OK, so these folks are pretty much your main customer.

They're doing, like actual work.

Cooking meals. Serving them. Doing the dishes.

Operations.

Taking the money from customers. Paying rents or %s of sales to the venue.

These folks are also called 'Contract Management Companies', as they manage the foodservice, under contract, for the venues.

There are also some pretty big kiddies in this sandbox.

Some of them play only in some types of venues, like education, healthcare, business & industry.

The larger ones play in all of them.

The biggest ones are:

- Compass
- Sodexo
- Aramark

And quite a few other regional players. And just a few significant smaller players in local markets.

OK, we're almost done! I know, it's exhausting.



Venues

The venue is the *type* of location where all this is happening.

Where food meets consumer. So, college, government entity, military installation, hospital etc.

Sometimes, the operator and the venue are the same entity.

So for example a college that operates their own dining program is both the operator and the venue.

These are sometimes known as 'self-operated'.

But some colleges will bring in an outside operator (like a Sodexo, for example) to run their dining operations.

Again, that's known as contract-management.

LET'S DO LUNCH Serving Up Non-commercial Foodservice

A n E b o o k b y M S o u r c e I d e a s

The venues are also sometimes folks that you'll want to tell your story to. Naturally, they care very much about the quality of the products in their Venue.

In the case of colleges, even if they outsource the dining operations, the quality of the dining operations is highly important to them.

And the actual end-user, the consumer.

This brings us to:



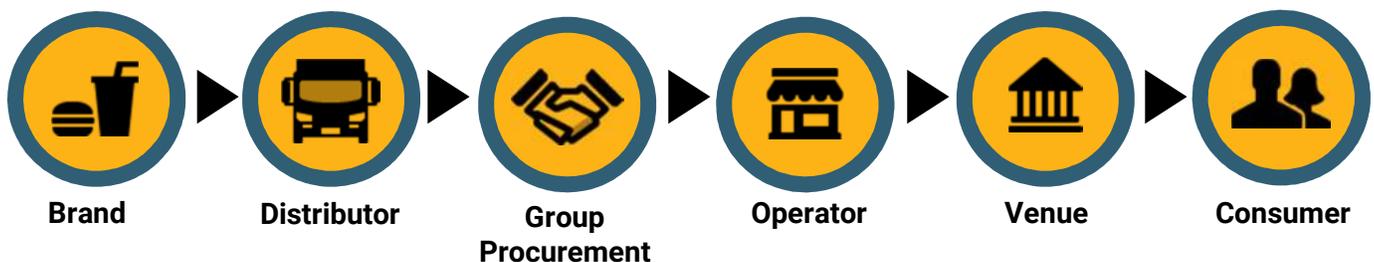
Consumer

This one's easy. This is the ultimate decider-in-chief. The star of the show.

If the consumer loves you, wants you, needs you, all the other players above will also tend to follow suit.

Wrapping it up:

Here's that supply chain again:



Hope all this helped. As we said, it's a large (\$200B), stable marketplace. It's a complicated market, with quite a few layers to understand and navigate.

But for food companies and related businesses where there's a fit, it's a space worth investing the time and energy into understanding and marketing to. See you out there!

Aw shucks, something about us:

At M Source Ideas we've been in the food industry a while. Especially in some high-traffic specialty niche areas like college and healthcare foodservice and travel foodservice. We have an eBook coming out soon on the travel market.

We help businesses in the food and food service industries expand into institutional foodservice markets, using some pretty cool tools like inbound marketing, sales automation and account-based marketing.

For more, read our blog at: msourceideas.com, and below are some trade associations, conferences and media groups that serve the non-commercial food service space.

Further Resources:

Industry Associations:

- National Association of College & University Foodservices nacufs.org
- National Association of College & University Business Officers nacubo.org
- Association of Healthcare Foodservice healthcarefoodservice.org

Media:

- Foodservice Director Magazine
- Winsightmedia.com
- Food-management.com



Contact us for more information:

lionel@msourceideas.com

msourceideas.com

Tel: 914.406.9485