How do I: Access contract caterers?

Identified contract caterers as a potential opportunity but not sure how to approach them? Your initial approach is the most important and this guide will help you get it right. It outlines the key areas for consideration and some best practice to help you.

The foodservice market has shown strong growth in recent years and all indications are that this buoyancy will continue. Contract caterers are key players in the UK catering market. They are specialist operators who manage and run catering facilities for a wide range of organisations where the provision of meals is not the primary function e.g. hospitals, factories and schools. Traditionally, their expertise tended to be in 'cost' sector operations such as staff catering, education and the police: however, contract operators are increasingly moving into 'profit' sector businesses such as airports, railway stations and leisure facilities.

The UK’s contract catering sector is dominated by multinational operators, such as Compass, Aramark and Sodexo. Increasing competition has meant considerable rationalisation in the number of suppliers that these contract operators deal with. Often the easiest route to market for small to medium sized food & drink manufacturers is therefore to work with specialist catering wholesalers or larger food companies that are already recognised suppliers.

**BENEFITS**

Accessing contract catering can provide many business benefits, including:

- Considerable growth potential within one of the fastest growing sectors of the UK catering market.
- A single access point to a large number of outlets.
- New, potentially more profitable, revenue stream.
- Potentially significant reductions in distribution costs.
- Develop experience of the foodservice industry within a disciplined environment.

**GETTING STARTED**

Start with the strategy: The identification of contract catering as a potential new revenue stream should have emerged from the company’s strategic planning process. In order to validate this thinking, you should ask the business some key questions:

1. Fit?: examine the key characteristics of the contract catering sector and ensure your business strategically fits with these. While keen prices are always a key driver, innovation and quality of service are even more important in this sector. Do you sell to, or work with, other manufacturers or wholesalers that supply contract caterers? Finally, have you thoroughly researched this market? Mergers and acquisitions are ongoing and it is imperative to keep track.

2. Capacity?: does the business have the capacity and capabilities to access this market? Dealing with the large UK-wide contract caterers will generally require significant production capacity but, at the same time, there are also a significant number of smaller, regional contract operators. What level could you best cope with? Consider efficiencies of capacity e.g. short runs or particular packaging requirements.

3. Commitment?: if this is the company’s first experience of foodservice, it must come with a commitment at the highest level. The foodservice market is different from retail; it has its own set of dynamics and priorities. Contract catering is a sophisticated and dynamic sector that requires a professional approach from knowledgeable staff.

**KEY CHARACTERISTICS**

Contract catering covers a wide range of outlet types. However, there are some key characteristics of the sector which run across all of these to varying degrees. These include:
1. **Service**: quality, efficient service is paramount. There is no room for short or late deliveries. Depending on the type of product, many operators will require daily deliveries and will not have the capacity for large stock holdings. Increasingly, a contract caterer’s relationship with suppliers is seen as a genuine partnership, build on a sharing of knowledge, expertise, support and trust.

2. **Product quality**: in order to ensure a consistent delivery, product quality specifications must be strictly met. The quality of food being served in these outlets will be a key performance measure for the contract caterer and will influence the awarding of future or additional contracts. Contract caterers will, therefore, be looking for suppliers with established quality systems and the necessary resources to deliver to their requirements.

3. **Innovation**: contract caterers will particularly respond to suppliers who can provide innovative and/or interesting products. Operators are not only competing with other contract caterers to win and maintain business but, in many instances, they are also up against local restaurants, quick service outlets and coffee shops. They need products from suppliers that will give them a point of difference and provide an appealing menu that reflects the preferences of each outlet’s customer base. And remember that innovation isn’t necessarily product development focused. It could be about packaging, interesting point of sale material, recipe or menu ideas.

**KNOW YOUR CUSTOMER**

This may sound a simple principle but, particularly if you are coming from a successful retail background, it is an easy mistake to assume you know it all. Contract catering customers are not the same as retail. Their market, customers and consumer expectations are different. Their supply chain is different. All these elements need to be fully understood by potential suppliers if you are going to make a success of launching into this sector.

But how do you find out this information? There are a number of ways and sources of help. These include:

1. **Audits**: this is not as easy as wandering around a few retail outlets and watching shoppers. With some catering operations it may be impossible to physically visit. However, it is worth trying to get an understanding through an audit. This can be done internally, ideally by the people who will be approaching the potential client. For instance, if you have managed to establish some of your target operator’s key contracts. Do you know anyone who works or studies in these organisations? What do they know about/think of the catering e.g. type of dining experience/s, choice, and range?

2. **Desk research**: is an easy and quick way to build your knowledge of a sector and the key players. Sources of information include food trade press, specialist catering trade press, published market research and, in particular, the internet. Several key trade journals can now be accessed on-line (e.g. Caterer & Hotelkeeper and The Scottish Caterer), most contract caterers have a website and a plethora of market data can be found on trade association and market research company’s sites like Horizons and Keynote. The Scotland Food & Drink Helpline also has negotiated subscription access, for qualifying Scottish companies, to key information sources such as Caterfile. See contact details at the end of this guide.

3. **Current suppliers**: do you know, or know anyone that knows, companies supplying your target client or other contract caterers? Can they provide any advice? Would they be interested in listing or carrying your product? Local trade associations and forums can help develop your contact network and Scotland Food & Drink may be able to help you identify potential customers and, through their programme of activities, you could meet up with other suppliers.

The better you know your potential customer (and the market they operate in), the more you will be able to develop your sales presentation to meet their needs and, hopefully, exceed their expectations.
DEVELOPING YOUR PLAN

Based on your overall business strategy and an understanding of the contract catering sector, you can develop your business plan. Effective plans should include:

- **Targeting:** decide which contract catering companies are most attractive to your business and why.
- **Route to market:** decide whether it is best to approach the contract caterer direct; try to sell to an existing supplier/wholesaler or a combination of both.
- **Product:** it is up to you to sell your product to the account (assuming otherwise could be fatal). To do this you will have to demonstrate its potential in a number of ways, including product benefits and fit within the target client’s product range.
- **Price:** at what price do you propose to sell the product? You should have a detailed pricing strategy including account pricing and margin.
- **Service:** the ability to deliver to the required service levels of this sector must be agreed before approaching the account. This will include product quality, shelf life, delivery frequency and packaging format.
- **Marketing:** do you intend to provide any marketing support to develop the sales within the account? For example, you may want to provide point of sale information or explore support for theme days.
- **Financial:** based on your sales forecasts, pricing and marketing investment, the plan should include a full financial forecast. Remember to include any sales conditions which might be negotiated as part of the listing e.g. volume discounts or over-riders. For more information on forecasting see the **How do I: Forecast sales and profitability?** guide.

MAKING THE APPROACH

In order to service contract caterers, suppliers generally have to deal with a central purchasing unit. In many cases, business is awarded via a cyclical tendering process. While most suppliers deal directly with contract caterers, often the physical distribution may be via a nominated catering wholesaler. There are a number of ways to gain a listing with a catering wholesaler. Most commonly this involves direct contact with the wholesaler’s buying team or gaining a listing from a caterer who places your product with their nominated wholesaler.

When planning your approach ensure you identify the right contact person. Your assessment of the account should include an outline of key personnel – some of the Information Sources listed below will be able to help you wish this... Many accounts will also provide useful direction via their websites.

Use your current contacts to either gain information or possibly provide an informal introduction. Look out for industry events at which key contract caterers may be present or consider exhibiting at appropriate trade shows.

If formally cold-calling the caterer, this is best done via a letter and follow-up call to try to arrange a meeting. In your letter, succinctly highlight your product and the potential it offers to the wholesaler. Be clear, concise and compelling.

When it comes time to present your pitch to the contract caterer the same principles apply. Always be seen to respect their time and make best use of it. Your presentation should include the key elements of your plan e.g. understanding of the market, product, price, packaging, service and marketing.

Remember, accessing contract catering is not about repackaging retail product into bulk, plain-wrapped packs. You need to understand their needs and deliver on their priorities. When making your approach, consider the total product offering and demonstrate how your offering could enhance the contract caterer’s offering.
LOCAL SOURCING

It is worth noting, that an increasing number of contract caterers’ clients are proactively asking for local or regional foods. As a result, just like within retail multiples, contract caterers are continually on the look out for interesting local and Scottish products that gives them a point of difference over their competitors. If you think your products are particularly suited to a contract catering environment – remember, some operations are very prestigious e.g. castles, executive dining rooms, civic venues, etc - then consider whether your products could give the contract caterer that innovative menu and point of difference they are looking for?

HOW DO I? SUMMARY

1. Launching into the contract catering sector should be rooted in the company’s strategic plan.
2. Understand the sector, its key characteristics and operators.
3. Develop a well-targeted plan which includes product, price, service, financials and marketing.
4. Use your contacts and the sources available and eager to help to develop your plan and approach.
5. Ensure your initial approach is clear and concise. Consider the total product offering and focus on where you can add value to their business. Consider too if you can offer the caterer that all-important point of difference over their competitors.

OTHER USEFUL SOURCES OF INFORMATION:

- There are many other How Do I? Guides which can help you grow your business.

  The Institute of Grocery Distribution: www.igd.com
  Caterer & Hotelkeeper: www.caterer.com
  British Hospitality Association: www.bha.org.uk
  Horizons for Success: www.horizonsforsuccess.com

www.scotlandfoodanddrink.org - The information service tailored to the food and drink industry.
Contact the Scotland Food & Drink Helpline on 0845 601 3752.