

# The different types of catering contracts

To inspire confidence and spread knowledge, we have developed bartlett mitchell's recipe for success guides for workplace and contract catering. You can download other guides from our website [www.bartlettmitchell.co.uk/category/expert-guides](http://www.bartlettmitchell.co.uk/category/expert-guides)

Catering contracts are legal agreements entered into between the client and caterer to supply food and refreshments, often in the workplace, for a specified period.

There are many different types of contract and there are pros and cons to each of them. Clients select the contract style that suits; their organisation's requirements, style of food, employee expectations, working environment, location, catering competition and catering policy.

Contracts should be fair to both parties and be able to give accountability and value to the client as well as a realistic reward and/or incentive to the caterer.

## Cost Plus

- An estimated budget is prepared by the caterer.
- The caterer operates the service according to the budget.
- If the budget is exceeded, the client pays the difference; if savings are made, these are passed to the client.
- Subsidy can change monthly.
- Contractors charge a management fee.

## Cost Plus guarantee

- Same benefits as 'cost plus' and in addition the caterer guarantees certain lines within the budget i.e. labour costs, gross profit percentage, sundries as a percentage of sales and management fee.
- Ensures any benefit in increased sales will decrease the bottom line subsidy.
- Cost lines will be 'fixed' or guaranteed and charged to the client.
- Client does not usually benefit from any savings, but an agreement can be made to split any savings between caterer, client and catering team.
- Contract can incorporate an incentivised management fee based upon performance.
- A service level agreement (SLA) is drawn up.
- Caterer agrees to put part of their fee at risk.
- Caterers performance is measured against the SLA.
- Subsidy will be variable.

## Nil subsidy/Cost

- Caterer normally has full autonomy over the tariff, menu and all sundry costs and how these will be applied.
- Nil subsidy can only be considered in high volume sites where near high street pricing is acceptable.
- No cost to the client and the caterer takes all the risk.
- For Nil Subsidy and a Concession Contract, certain parameters need to apply, such as sovereignty over service levels, opening times, offer and pricing.
- A profit and loss account is run by the caterer but these are not submitted to the client.

## Fixed price/Cost/Subsidy

- Annual budget, including all known variables is prepared by the caterer.
- Annual cost is divided by 52 to calculate a weekly fixed subsidy, or by 12 to calculate a monthly fixed subsidy. This cost is charged to the client.
- Client does not pay for any overspends and knows exactly what the subsidy will be each month.
- The management fee element of the subsidy can be incentivised, however this is not entirely fair to the caterer as they already take the risk of providing the service.
- Lower quality contractors could reduce the quality and overheads to enhance their profit.
- The management fee is often higher to take possible risks into account.

## Fixed cost per head/user/employee

- An annual budget is prepared and calculated to provide a fixed cost per user.
- The client is charged using the daily numbers multiplied by the food cost per head.
- Caterers have systems in place for counting the number of users.

This is a common style of contract for hospitality, schools and for clients where the customer does not pay for their meal.

## Concession

- In addition to Nil Subsidy, a percentage return (usually of sales) is given to the client each month.
- Caterer provides client with monthly sales volumes.
- Usually used in retail or on the High Street.
- These tend to be high volume contracts.

## Royalty contract

- Best used as part of a long term strategy.
- Provides the client with a guaranteed percentage return-on-sales each month.
- Transfers the risks of managing food costs and stock holdings to the caterer.
- Client's royalty percentage is maintained even if caterers profit is reduced in the event the caterer doesn't control their costs.
- Royalty contract incentivises both parties.
- Provides an alternative to an incentivised management fee based SLA.
- Only applicable in large turnover operations.

## Glossary of useful terms

### Subsidy

The bottom line cost to the client for a caterer to provide the catering service where the sales income is less than the costs of operation.

### Service-level agreement (SLA)

Part of a service contract where the level of service is formally defined. The caterers income (however earned i.e. management fee) can be incentivised either on sales and/or SLA.

### Gross profit (GP)

The difference between the food cost and revenue that normally offsets part or all of the operating costs

### RRP

Recommended retail price

### Tariff

Selling price

### Operating expenses

Costs other than food, i.e. cleaning, disposables, uniforms, equipment and deep cleans.

### Labour costs

All the costs related to the employment of the team.

### Management fee

Revenue received directly for operating the service to cover costs for employing and managing the people and services needed to deliver the service.

# 5 ways bartlett mitchell powers your business

Great food, eaten in great surroundings, can make a huge difference to your business. It's our job to help you make the most of this, in five ways. . .

## 1. Attracting the best people

Today's employees expect more from their workplace, and the food you provide is a crucial part of that – especially as many people now care more about what they eat. We can help you enhance your 'employer brand' by creating a food and drink offer that sets you apart from other companies. You'll have a happier, healthier, more engaged workforce, and find it easier to recruit and retain the most talented people.

## 2. Improving productivity

Well-fed employees are more productive. In 2013, the Journal of Occupational & Environmental Medicine argued that employees who eat well are 25% more likely to perform better. And, of course, if there's an appealing restaurant or café in the workplace, they will stay on site. More importantly, taking lunch and coffee breaks with colleagues encourages interaction. People talk more freely, information flows more easily, and your business benefits.

## 3. Enhancing your reputation with customers

When customers and other guests visit you, you want them to enjoy the experience and be impressed by your workplace. An appealing, well-run café, restaurant or executive dining facility, serving great food, says a lot about your business. We can ensure your food, drink and hospitality reflect your brand style and values, and uphold its reputation.

## 4. Providing return on investment

Every square foot of your business premises is highly valuable, and the space you dedicate to catering and hospitality has to work hard for you. We ensure these facilities work efficiently and cost-effectively, making best use of your resources. Also, choosing us to manage your food and drink services leaves you and your team free to focus on running all the other vital aspects of your business.

## 5. Collaboration

You want your business to have a positive impact on the environment and your community – and your customers, staff and shareholders want to know about it. We can boost your reputation as a responsible organisation through our strong track record in sustainability. Our achievements become your achievements. And inspiring stories – like the Thirsty Planet water we sell helping to pay for clean water in Malawi – can be associated with your brand.

## About bartlett mitchell

bartlett mitchell is a multi-award-winning contract caterer. Our experienced, energetic and enthusiastic team takes a fresh approach to food and drink – with delicious results for you and your business.

We've grown steadily to a team of over 800 experienced foodies, serving 40,000 customers every day in over 90 locations in the UK.

We're also a responsible company, and can help yours to be one, too. We were the first contract caterer to achieve the Sustainable Restaurant Association Three Star Champion Status, known as the Michelin stars of sustainability.



## Fresh ideas every time

Because we're an entrepreneurial business, we don't have a one-size-fits-all template that we attempt to force on each client. Our catering focuses on tailor-made solutions using innovation. We take time to develop bespoke ideas to match the client culture, employees' tastes and the physical environment.

We also recognise the importance of value for money. We work as a tight, agile team to develop solutions that reduce costs and use resources more smartly.



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