

# Implementation of MOG and a Culinary Consult Enables Hospital System to Increase Contract Utilization by 25% and Rebate Revenue by 65%

## The Challenge

This hospital system had significant purchasing power but wanted to more fully leverage and maximize the full value of its purchasing contracts through Foodbuy. The system's utilization of contracted items hovered at 52%, which put pressure on other parts of the business to over-perform. Increasing system utilization of contracted items would directly benefit the customer's bottom line due to the rebates tied to those items. In addition, the customer felt there were more cost-saving and revenue-generating opportunities to be found by auditing operational procedures at the facility level.

## The Solution

Foodbuy began a thorough review of purchasing practices, which entailed optimizing items, creating a Managed Order Guide (MOG), and auditing purchases after implementation. Moreover, the Foodbuy Culinary Solutions team performed on-site consultations with four hospitals. The team analyzed the flow of goods from the loading dock to the customer's site (including storage & safe handling), re-engineered the menu, made recommendations for product optimization, and reviewed the retail strategy (merchandising, margin management, and marketing).

## The Results

As a result of our close collaboration and problem-solving, Foodbuy was able to:

- ✓ Increase total contract utilization for the system by 25% (52% to 77%) within 7 months.
- ✓ Deliver a 30% contract utilization lift to hospitals which had direct Foodbuy engagement (52% to 82%).
- ✓ Increase rebate revenue by 65% over 20 months.
- ✓ Discover items that were not being prepared according to the customer's specifications and switch to more optimal items for the applications. Costs were reduced by \$.02/oz.
- ✓ Decrease the blended cost of retail items from 54% to 47% by increasing price on select items. No negative impact to revenue.
- ✓ Create Interruption points—which encourage impulse buys of high profit margin items—in the coffee shop with seasonal and specialty items. Sales immediately increased by 3%.