Should Oxy Change its Meal Plan Structure?

Meal Plan Advisory Committee
Presentation to General Assembly
February 11, 2013
Where do you think there is the biggest room for improvement in Dining at Oxy?

A. Food Quality
B. Service Quality
C. Prices
What we hear over and over

is:

C: Prices
FALL 2010

Oxy’s results in a nationwide survey indicated:

• High satisfaction with quality of **food** and **service**
• Relatively low satisfaction with **value** of meal plans

(Compared to ratings of dining services at other schools by their students)

NACUFS Customer Satisfaction Benchmarking Survey
If Oxy’s meal plans are priced within range of peer institutions, why is value perception lower?
The Meal Plan Advisory Committee analyzed why - and possible ways to address the issue.

**Students**
- Rachel Greenstein ‘12 (through May 2012)
- Cynthia Haynes ‘13
- Desmend Jetton ‘13
- Emma Sorrell ‘13
- Ben DeLuca ‘14 (2011-2012 academic year)
- Hana Kaneshige ‘14 (fall 2012 - present)
- Tyler Medina ‘15 (spring 2012 - present)

**Administrators**
- Kyle Hyde, Card Office
- Amy Muñoz, Hospitality Services
- Tamara Rice, Student Life
- Judy Runyon, Campus Dining
- Michelle Saldana, REHS
Our goal is to create a meal plan structure that is more transparent and understandable to students and families.

Your feedback is crucial to determining if future generations of students will view their meal plans differently.
Proposal: Switch to a “Base Cost Reduction” Meal Plan Structure

Other schools that use this meal plan structure report better overall value perception of their meal plans
Committee Timeline

Summer- Fall 2011

- Discussions
  - Campus Dining budget
  - Current meal plan system
  - Different possible meal plan structures

- Committee Work
  - *Collected data from 16 other similar dining schools*
  - Recommended exploring alternate structure
  - Developed focus group questions

November 2011

- Three Focus Groups Held
  - Results supported moving forward

March 2012

- Presentation to ASOC
  - Received go-ahead to proceed to General Assembly
If a change won’t improve value perception there is no reason to implement it

- There is time and effort involved in implementation
- The net overall cost effect to students and the College’s budget should be neutral
## College Meal Plans: 2 Types

<table>
<thead>
<tr>
<th>MEALS</th>
<th>DEBIT</th>
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<tbody>
<tr>
<td>• Plans include a set # of “All-You-Care-To-Eat” meals, usually supplemented with a small debit account</td>
<td>• Plans consist of dollar or point balances, items are priced “A Lá Carte” and the balance declines with each item purchased</td>
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<td>• About 90% of colleges have this type of meal plan</td>
<td>• Oxy is among the approximately 10% of schools with all-debit meal plans</td>
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Cost Of Goods Sold

**COGS**: COST OF FOOD AND DISPOSABLE SERVICE SUPPLIES THAT GO INTO A FOOD OR BEVERAGE ITEM
Debit Dining: 2 Structures

“Dollar for Dollar” [Oxy]

- Every purchase price in the dining facilities includes ALL COSTS for ALL CUSTOMERS
- Since other cost factors are fixed, prices are set to achieve a budgeted average COGS

“Base Cost Reduction”

- Fixed costs for labor, supplies & services, overhead taken out up front
- Residents, as “members” use remaining starting balances to receive discounts in the dining facilities, paying prices closer to COGS

The ratio of schools we looked at was about 50/50
All three focus groups, when “Base Cost Reduction” was explained, indicated that they felt it would increase value perception.

Before you consider the proposal further, here’s some information about Campus Dining’s budget and pricing...
Where does Campus Dining Revenue Come From?

- CASH: 1%
- CATERING: 10%
- MEAL PLANS: 77%
- SUMMER CONFERENCES: 7%
- FLEX & TIGER PLUS: 3%
- OTHER: 2%
- OTHER: 2%
- CASH: 1%
- CATERING: 10%
Campus Dining Budgeted Expenses
Every dollar of revenue is allocated to these expenses
At 38% **COGS**, Markup is $2.632 (item purchased for $1 would ideally be priced @ $2.63)

Other Factors that Affect Pricing and **COGS**

- Customer Perception
- Service Philosophy
- Shrinkage
- Tier pricing & bonus dollars
- Employee meals
- Condiments, free items
- Rollover from prior years
Proposal: Move to a “Base Cost Reduction” Structure

Some other schools that use “Base Cost Reduction”

Colorado College - Reed
Virginia Tech - Penn State
Washington University in St. Louis
• A fixed **Base Cost** would be subtracted up front from the starting balance of meal plans.

• The **Base Cost** covers labor, supplies, utilities, equipment replacement, maintenance & repairs, technology, administrative support, debt service, insurance, and other costs required to support the dining program.

• Remaining meal plan dollars would be used to pay for food and beverages purchased in the dining facilities, with substantial discounts because the base costs are already covered.
• Meal Plan purchases would receive a 50% discount off posted prices in all dining facilities

• FLEX and Tiger Plus purchases would continue to receive a 5% discount

• Other purchases would continue to be at full price: Cash, IDC, Rollover, Summer Bucks

• Meal Plan participants may add to their plans and continue to receive the 50% discount for the semester

Proposed Pricing Strategy
Sample Prices for Meal Plan Purchases

Marketplace Cookie $ .50  Son of a Veitch  $2.50
Whole Fruit $ .53  Montreal Chicken $2.75
Pizza Slice $1.43  Lg. Pasta to Order $2.88
Tiger Cooler Latte $1.68  Organic Potato Bar/2 $3.25
Medium Salad Bar $1.75  All-Meat Stir Fry $3.75
Marketplace Dessert $1.98  Auntie Em’s Entrée $4.00
Naked Juice $2.38  Carne Asada Plate $4.25
Homestyle $2.48  California Roll $4.75
Full Sandwich $2.38  Rangeview Dinner $5.75
WHAT WOULD THIS MEAN TO THE NEXT GENERATION OF STUDENTS?

HAND-OUT: SAMPLE DINING PATTERNS

- Plan A **14-19** Meals per Week*
- Plan B **12-16** Meals per Week*
- Plan C **9-13** Meals per Week*
- Plan D **7-10** Meals per Week*

*(Marketplace Price Range High-Medium)

*Budget savvy participants could achieve more meals per plan*

WHAT WOULD THIS MEAN TO THE NEXT GENERATION OF STUDENTS?
• **Overall Buying Power Should Not Change**

• *Individual students may be affected differently*

Dining Diaries were kept by 2 pilot groups to illustrate buying power in the proposed structure.

Plan B: Average expenditure translated into new system was $69.09 per week

Plan D: Average expenditure translated into new system was $48.15 per week

• **Over Time** - changing the structure would also provide opportunities to address chronic issues – such as the price of packaged goods - for all customers.

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**Buying power**
Would the proposed meal plan structure be more transparent and understandable?

Would it result in better value perception?
Q & A and Discussion
Thank you!
Please Send Feedback to:

dining@oxy.edu
or any committee member