

**ASSESSING THE FEASIBILITY OF A
WHOLESALE FOOD COMMISSARY**

Prepared for

**Mahoning County Board of Mental
Retardation and Development Disabilities**

Prepared by

**George R. Garchar, Research Project Manager
Center for Urban Studies
Youngstown State University
Youngstown, OH 44555
(216) 742-3355**

January 1989

INTRODUCTION

The Mahoning County Board of Mental Retardation and Development Disabilities (MRDD) asked the Center for Urban Studies to conduct a survey to assess the feasibility of a wholesale food commissary. The commissary would employ program participants to prepare food items for sale to area restaurants, schools, and nursing homes. A list of potential survey respondents was provided by MRDD.

One hundred and one (101) surveys were completed. The surveys were conducted by telephone with an owner or a manager. A copy of the survey form is attached as an appendix.

The majority (65%) of respondents operated restaurants, delicatessens, or catering services. The balance of the sample consisted of schools (20%) and nursing homes (15%).

Nearly half (48%) of those surveyed were located in Mahoning County: just under one-third (32%) were located in Trumbull County. The remainder were located in Columbiana County (6%) or Western Pennsylvania (14%).

A general overview of the survey results will be presented next. Following that is a section which breaks down use of the various food items in question by major respondent type (i.e., restaurant, schools, nursing homes). This is followed by an analysis based on cross-tabulations of food items by questions intended to determine the likelihood that the respondent would be willing to use an outside supplier or switch to another outside supplier. Finally, conclusions are drawn and recommendations are made.

OVERVIEW

Respondents were asked whether they used or anticipated using prepared food items. A list of items was read and the respondent stated whether or not they used (or planned to use) the item and whether it was prepared in-house or by an outside supplier (see Tables 1 and 2). The most commonly used items included soups (75%), breads (74%), salad dressings or sauces (74%), and baked desserts (72%).

Other items used by more than half of the respondents were garden salads (64%), vegetable dishes (62%), and macaroni or pasta salads (52%).

The degree to which items were prepared in-house versus purchased from an outside supplier varied considerably. Ninety-four percent of those establishments who served garden salads prepared them in-house. Other items--including macaroni or pasta salads, hors d'oeuvres, vegetable dishes, and potato salads--were prepared in-house by at least two-thirds of those who served them. Bread (and rolls, etc.) was by far the item most commonly purchased from an outside supplier; approximately two-thirds of the respondents either purchased some or all of their bread from outside. Just over half of the respondents stated that they purchased some or all of their salad dressings or sauces from an outside supplier.

Of these respondents who prepared items in-house, approximately 39 percent (or 28% of all respondents) stated that they would consider purchasing from an outside supplier if the food item in question was prepared to their specifications at a competitive price.

Respondents who purchased one or more food items from outside were asked to rate their level of satisfaction with their supplier on several factors including freshness and quality, cost, reliability, and flexibility. Most respondents were generally satisfied with their suppliers (see Table 3). Over 70 percent of the respondents stated that they were very satisfied, and the balance somewhat satisfied, with the freshness and quality of food and reliability of service delivered by their suppliers. No one stated that they were not at all satisfied concerning these factors. Flexibility was rated slightly lower with just under 70 percent indicating that it was very satisfactory, and 4 percent rating it not at all satisfactory. Cost was the lowest rated factor with 50 percent stating that it was very satisfactory, and 1 percent rating it not at all satisfactory.

Respondents who purchased anything from an outside supplier were asked: (1) to identify the item purchased most frequently, (2) to state how often they obtained that item, and (3) to identify the location of

their primary supplier for that item. The items most commonly cited as the most frequently obtained were breads (18%) and soups (13%). In the majority of cases, the most frequently obtained item was obtained at least several times a week. The location of suppliers ranged from local to New York and Indiana. Over one-third of the respondents cited either a Youngstown-Warren location or simply stated that their supplier was local. The single location most often cited was Cleveland, which was named by 23 percent of those responding.

Few respondents (9%) answered affirmatively when asked if there were any prepared food items which they would prefer to purchase from outside but for which they were unable to find a satisfactory supplier. No specific item was mentioned more than once concerning this question.

Approximately 22 percent of the respondents did state that they had to purchase minimum quantities of some products resulting in storage problems. Meats and frozen foods were the only items mentioned more than once.

Prepared food items represented less than one-quarter of total food sales in the majority (76%) of cases. About half of the establishments surveyed employed ten or fewer people in food preparation areas.

FOOD USE BY MAJOR RESPONDENT TYPE

As might be expected, use of prepared food items varied by the type of establishment. Within the three major establishment classifications analyzed--restaurants (including delicatessens and caterers), nursing homes, and schools--the latter two generally tended to use more of the listed items. This reflects, in part, that while some of the respondents from the restaurant category specialized in a particular type of food, schools and nursing homes must provide a varied menu.

All or nearly all of the schools and nursing homes served garden salads, baked desserts, breads, vegetable dishes, fruit, salad dressings and sauces, and soup; the majority also served potato salad and pasta.

The proportion of restaurants serving each of these items ranged from only about one-quarter (for fruit) to about two-thirds (for breads, soups, dressings and sauces).

As a whole, schools and nursing homes also generally tended to prepare more of the foods in-house than did restaurants, although this varied by item. Garden salads and vegetable dishes were prepared in-house by most establishments and institutions, regardless of type. Other items, including potato salad, macaroni and pasta salads, and baked desserts, were prepared in-house by a greater proportion of schools and nursing homes than restaurants.

POTENTIAL MARKET FOR FOOD ITEMS

Determining the extent to which the various food items are utilized by the various types of establishments or institutions represents a first step toward determining potential markets for the food commissary project. However, looking at other information in conjunction with the above provides a clearer picture. For this reason, each of the ten food items listed on the survey was crosstabulated against several other survey questions (Q4, 5, and 7). These questions seek to determine several important pieces of information including: to what extent establishments preparing food in-house would be willing to use an outside supplier, how satisfied the respondents were with outside suppliers along a number of factors, and to what extent satisfactory suppliers are not available for certain prepared food items. The results related to these questions have already been presented in the aggregate; this section presents how these results vary by food item.

Table 4 summarizes the results of the analysis mentioned above. In this table, a zero indicates that the response to a particular question for respondents who use a particular food item was near average (within 3 percentage points). A plus sign (+) indicates a response which is more positive than average. Whereas, a minus sign (-) represents a response which is more negative than average. A double plus sign (++)

indicates a response which is substantially more positive (over 10 percentage points) than average. A positive response means that the potential market for the item in question is probably more favorable than average. For questions 4 and 7, a high percentage of affirmative responses is favorable; for question 5, low (relatively) satisfaction levels represent a favorable market.*

CONCLUSIONS AND RECOMMENDATIONS

The results of this analysis indicate that there is probably a market for a targeted, well-run MRDD food commissary program. Most of the food items mentioned were used by the majority of respondents; and while most respondents appeared to be satisfied with current suppliers, a significant percentage of those who prepare at least one item in-house indicated that they might be willing to use an outside supplier if the conditions were right.

It is recommended that MRDD consider soliciting an agreement with one or two institutional (school or nursing home) food services for one or two food items on a trial basis. If this trial program is successful, it could then be expanded to other institutions or to commercial establishments. This arrangement has several advantages:

1. It is probably easier to establish and administer one or two moderately-sized contracts than several smaller ones.
2. An agreement for some set time period with an institution would give a new program more stability than would attempting to compete on an "order-by-order" basis in the private sector.

*It is important to note that responses to questions were not specifically addressed to a particular food item, but rather to the establishment which uses that item, regardless of how many other items they use. In a strict sense, this means that, based on the results presented here, one cannot state explicitly that (for example) respondents were less satisfied with suppliers of vegetable dishes, but that respondents who served vegetable dishes were generally less satisfied with their suppliers (regardless of item). However, because all items were included in the analysis simultaneously and compared, it is probably safe to assume that differences in responses displayed in Table 4 reflect feelings about particular items.

3. Institutions may be more likely to share some of the program goals with MRDD and, therefore, be more understanding, patient, and flexible in the early stages of the program when problems may need to be worked out.

It is also recommended that the program concentrate on a food that is currently being prepared in-house. This approach is recommended because: (1) with the exception of cost, respondents are generally very satisfied with their suppliers, and (2) competing with existing suppliers on cost may be challenged as "unfair" competition. The recommendation to concentrate on items being prepared in-house is compatible with the first recommendation because institutions are more likely to prepare some food items in-house than are restaurants.

Based on total market size (as evidenced by the percentage of respondents using the item), on the percentage of establishments making the food in-house, and on what might be referred to as market penetrability (as evidenced by willingness to use an outside supplier for foods currently produced in-house and by dissatisfaction with current suppliers), five food items appear to be the most viable initial candidates for the project. These items are potato salad, macaroni or pasta salads, fruit (dishes), salad dressings or sauces, and soups. Garden salads could be added to this list except that most respondents seem to view this food as most appropriately prepared in-house. Factors such as capability, resources, and infrastructure must be considered, however, before deciding which food item(s) to specialize in. Also, and perhaps most importantly, this decision should be driven by the "customer" institution which ultimately emerges.

TABLE 1: Percentage Of Respondents Who Use Or Plan To Use Selected Food Items

Item	Percentage
Garden salads	64
Potato salad	44
Macaroni or pasta salads	52
Baked desserts (pies, cakes, cookies)	72
Breads	74
Vegetable dishes	62
Fruit	50
Salad dressings or sauces	74
Hors d'oeuvres	21
Soups	75
Other	19

TABLE 2: Percentage Of Respondents Who Prepare Selected Food Items In-House Versus Purchase From An Outside Supplier

Item	In-House (%)	Outside (%)	Both (%)
Garden salads (N=65)	94	6	-
Potato salad (N=44)	69	31	-
Macaroni or pasta salads (N=53)	77	21	2
Baked desserts (N=73) (pies, cakes, cookies)	59	34	7
Breads (N=75)	33	63	4
Vegetable dishes (N=63)	74	19	7
Fruit (N=50)	55	18	27
Salad dressings or sauces (N=75)	45	38	17
Hors d'oeuvres (N=21)	76	19	5
Soups (N=76)	58	30	13
Other (N=19)	21	79	-

TABLE 3: Satisfaction Level Of Respondents Concerning Outside Suppliers

Satisfied with...	Very	Percentages	
		Somewhat	Not At All
the freshness and quality of the product (N=74)	77	23	-
the cost (N=70)	50	49	1
the reliability (N=73)	74	26	-
the flexibility of service (N=72)	69	26	4

TABLE 4: Comparison Of Responses For Individual Food Items To Average Response On Selected Questions

	Q4	Q5 ₁	Q5 ₂	Q5 ₃	Q5 ₄	Q7
	consider purchase from outside	freshness and quality	cost	reliability	flexibility	unable to find supplier
Garden salads	0	0	+	0	+	0
Potato salad	++	0	0	0	0	+
Macaroni or pasta salads	+	0	+	0	0	+
Baked desserts (pies, cakes, cookies)	0	-	0	0	0	0
Breads	0	0	+	0	0	-
Vegetable dishes	0	+	+	+	++	0
Fruit	+	++	++	0	++	0
Salad dressings or sauces	+	0	+	0	+	0
Hors d'oeuvres	+	-	-	0	+	0
Soups	+	0	0	0	+	+
Other	-	+	-	-	-	-

MRDD SURVEY

Hello, this is ___ (Name) ___ from Youngstown State University. May I speak with the owner or manager.

We are calling local food service businesses to learn more about their need for prepared food items. I would like to ask you a few brief questions. (The results of this survey will be used by the Mahoning County Board of Mental Retardation and Development Disabilities to determine whether they should develop a food services program at their vocational workshop.)

Q1. Does your business currently use prepared food items such as packaged salads, baked goods, or soups?

- (1) Yes
- (2) No---> Do you anticipate using such items in the near future?

(1) Yes---> ASK Q2, THEN THANK RESPONDENT AND TERMINATE CALL.

(2) No---> THANK RESPONDENT AND TERMINATE CALL.

Q2. Which of the following items do you (plan to) use?

	<u>Inside</u>	<u>Outside</u>
___ Garden salads	___	___
___ Potato salad	___	___
___ Macaroni or pasta salads	___	___
___ Baked desserts (pies, cakes, cookies)	___	___
___ Breads	___	___
___ Vegetables dishes	___	___
___ Fruit	___	___
___ Salad dressings or sauces	___	___
___ Hors d'oeuvres	___	___
___ Soups	___	___
___ Other _____	___	___

Q3. Are these items prepared in-house or by an outside supplier?

- (1) In-house
- (2) Outside----> GO TO Q5.
- (3) Mixed---> DETERMINE WHICH (SEE Q2) THEN PROCEED TO Q4.

Q4. For those items which you prepare in-house, would you consider purchasing them from an outside supplier if they were prepared to your specifications at a competitive price?

- (1) Yes
- (2) No

IF IN-HOUSE ONLY, GO TO Q7.

Q5. For those foods prepared by an outside supplier, how satisfied are you with:

	<u>Very</u>	<u>Somewhat</u>	<u>Not At All</u>
(1) the freshness and quality of the product	1	2	3
(2) the cost	1	2	3
(3) the reliability of service	1	2	3
(4) the flexibility of service	1	2	3

Q6a. Of those foods prepared by an outside supplier, which one do you use most frequently?

b. How often do you obtain this item?

- (1) Daily
- (2) Several times a week
- (3) Once a week
- (4) Less than once a week

c. What is the location of your primary supplier for this item?

Q7. Are there prepared food items which you would prefer to purchase from outside but for which you are unable to find a satisfactory supplier?

- (1) Yes---> What are these items? _____
- (2) No

Q8. Do you have to purchase minimum quantities of products, resulting in storage problems?

- (1) Yes---> For which products? _____
- (2) No

Q9. Approximately what percentage of your total food sales consists of prepared food items?

- (1) Less than 10%
- (2) 10-25%
- (3) 26-50%
- (4) 51-75%
- (5) More than 75%

Q10. How many employees do you currently employ in food preparation areas?

- (1) Less than 5
- (2) 5-10
- (3) 11-20
- (4) 21-40
- (5) 40+

Q11. About what percentage of these employees are full time?

- (1) Less than 10%
- (2) 10-25%
- (3) 26-50%
- (4) 51-75%
- (5) More than 75%

Q12. Do you have any other concerns or needs related to prepared food items which we have not covered?

- (1) Yes---> Please explain _____
- (2) No