

Interview with Thomas Lee - Sales Manager Public Sector, Sodexo HC

Back in 1999 when I became sales manager for the public sector, our primary challenge was to develop the market because the public sector was unfamiliar with – and somewhat resistant to – the idea of outsourcing. The numbers showed that Sodexo HC had been lagging behind in the public sector: we were third in market share and well behind the market leader. Today the situation is quite different. We have managed to win a tremendous number of contracts in the past three years. Last year we grew at a rate of 300%, so we are ‘*en pleine euphorie*’³⁵!

We started out in this sector more or less as a new entrant and we approached those hospitals that were already outsourcing their food services with the argument: ‘Look at our offer. We can do better than what you get today.’ However, it would seem that ‘*on a mangé notre pain blanc*’³⁶, there is no more low-hanging fruit. We have reached 50% market share and, while we keep winning new contracts, we have also started to lose others due to stiffening competition. So we need to decide what to do. Should we expend greater effort on sales? Should we modify our offering? Or should we shrink the sales force because it is impossible to get more sales? And how can we capture the interest of those public hospitals that have not yet opened the door to outsourcing?

Within Sodexo we still have an image of a less profitable business, but that’s not the case. Public clients are much larger than private clients and the numbers show that we are indeed exploiting the economies of scale. In fact, management costs are almost half those of the private sector for comparable revenues, so the public sector is a good business to be in and we should expand it. However from a cash flow point of view, public sector clients are far from ideal because they are slow payers. Another difficulty is the financial risk inherent in having a high concentration of business with a limited number of very big players; gaining or losing a single client can make the difference between a very good and a very bad year.

Cost is definitely the most important factor for public hospitals. It is impossible to win a contract if you charge a higher price than your competitors. The market is significantly different from the private sector. For example, it took us some time to realize that the food service offer that we deliver to private hospitals is inappropriate for the public sector. It’s also important to understand that public sector employees perceive private companies as being only after money. From their point of view we are not good enough to be allowed to serve a meal to the patients – something only they can do; it is their mission! This is why we decided, some time ago, to dedicate sales and operations people specifically to this market.

We opted to propose a service that would stop, both physically and contractually, at the kitchen door. This is how our Apprim-Services³⁷ offering was conceived. We basically guaranteed the kitchen people that good quality and safe food supplies would be there on

35 En pleine euphorie = euphoric.

36 *On a mangé notre pain blanc* = literally “We have eaten all our white bread.” Conveys the idea of having benefited from the most pleasant and easiest part, and facing more difficult times in the future.

37 *Apprim-Services* is a service offering built specifically for the public sector. It pertains only to the activities of ordering, purchasing and transporting all required food ingredients to the client’s facilities. Sodexo is not involved in processing the food ingredients or serving the food to the end consumer.

time. This solution was valuable to our clients because we would also assume responsibility for supply management and take the food safety risk off their backs.

Apprim-Services has been an important ‘foot in the door’ for us. While it is the sole service we provide to 25% of our clients, we manage to sell additional services to the remaining 75%. In most of these cases we are responsible for preparing food or, more generally, managing culinary activities, but even so our responsibility is limited to food preparation. The hospital employees then serve the food to the patients.

Despite these difficulties, I believe that the multi-service idea is relevant for the public sector. We face two key challenges in this respect. The first will be to overcome the legislative barriers inherent to the public tendering system. The multi-service concept does not exist in the tender system, so it is currently impossible to offer it as such. If the rules do not change, we will be forced to continue bidding for bits and pieces of the service. The second challenge will be to convince public sector managers who have never outsourced before of the benefits of our service offering. They are hard to persuade because they are by nature suspicious of private enterprise.

In other public sector areas the business challenges are quite similar to those of the private sector. A first example would be direct payment systems.³⁸ A second relates to key accounts. It is not uncommon for public sector clients to be very large, and the approach used with a client who manages 39 different hospitals is definitely different from a one-hospital client.

Another common issue is the difficulty that both sectors have with being more systematic. Sodexho’s success has been driven by a strong entrepreneurial culture. Our managers have a tendency to see themselves as pioneers and have a way of operating that is messy by nature. However, today Sodexho HC has reached a size that requires more structure and order, especially with respect to the process of designing and delivering service offers. So on the one hand we must learn to duplicate successful offerings, standardize them and avoid replicating mistakes and, once this is done, ensure that the standards set for our offerings are implemented. On the other hand, we have to make sure that we retain and foster our entrepreneurial spirit and give people sufficient autonomy. In my view, that’s what drives growth in the first place.

All of these improvements can be only achieved with an adequate workforce, so attracting and retaining talented people is certainly a key priority. The reality is that attracting people in the health care sector requires a well-prepared sales pitch. Our sector has some disadvantages: the workload is heavy and the health care environment can be pretty wearing – working in an environment where people are suffering. But it’s also extremely interesting, it offers intensive interaction with clients and very diverse activities. Furthermore, doctors and government have a lot of weight in management decisions, which means we have to get involved in the policy field and put forward our views on how patient interests can be best served. It’s a very lively, rich and challenging industry to be in – which any good manager would enjoy.

38 *Direct payment systems* consist of making the patient, the visitor or the employee pay directly for the food. This system reduces complexity and increases cash flow because the hospital structure no longer act as an intermediary who makes payment to the service provider at the end of the month.