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December 1, 2006

## **For the second year in a row, HPS ranked 5th in the nation for food purchasing**

Once again, HPS has been recognized among the top group purchasing organizations in the industry for food purchasing, keeping the number 5 spot from last year. According to the November issue of FoodService Director magazine, HPS has the fifth highest purchase volume in the nation among GPOs for a food purchasing program.

While most of the top ten achieve their volume through a national food service program, HPS is able to put up big numbers through participating members in a regional program. This is driven by the competitive pricing and incentives on the program as well as the high quality of product and service available by the HPS food program vendors.

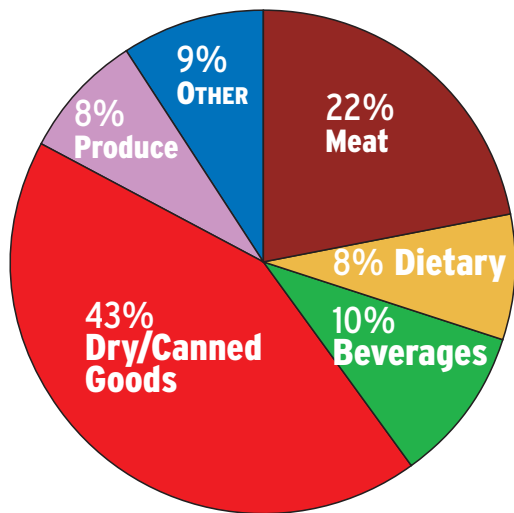
While the rest of the GPO industry scored an average 2.4 percent increase in food purchases, HPS enjoyed an outstanding 24.3 percent increase over the previous year. Currently, over 2,000 members are participating in the dietary program with HPS and Gordon Food Service, and the number of members signing on continues to grow on a daily basis. Intuitively, as more members sign on to the program, the purchasing power will also increase.

“We are so pleased to be on the national stage once again with our food program,” commented Jerry Welsh, HPS president and CEO. “Our staff works diligently to ensure that our membership is given the highest quality of service and that our program will ultimately save their facility time and money. The fact that we are once again listed among the top programs is no surprise.”

According to the article, organics are making a big impact. More and more, GPOs are prompted to look for solutions to member requests for these products, including seeking out contracts for organic items as the demand continues to grow.

You can read the entire article from FoodService Director on GPO food purchasing trends at [http://www.fsdmag.com/pdfs/11-06\\_GPO\\_Census.pdf](http://www.fsdmag.com/pdfs/11-06_GPO_Census.pdf). For more information on the HPS dietary program, please contact Katie Hayward at the HPS office, (800) 632-4572 or [khayward@hpsnet.com](mailto:khayward@hpsnet.com).

## THE GPO FOOD DOLLAR



GPOs and purchasing co-ops spent 13% more on dry/canned goods in '05.

### FSD RESEARCH

## GPO food buys rise 2.4% in fiscal 2005

Total foodservice spending increases 8%.

Food purchasing activity at 41 group purchasing organizations participating in the annual *FSD* GPO Industry Census and Performance Report increased just 2.4% in 2005, reaching \$5.26 billion. Most of the groups in the top 20, however, recorded increases in food purchases ahead of that pace—sometimes far ahead of that pace.

For example, Shared Services America, a GPO based in Atlanta with 917 hospitals and 270 long-term care facilities among its membership, spent \$54 million on food last year, up 80% from the prior year. Med Assets in St. Louis recorded \$50 million more in food buying (up 25%), while Hospital Purchasing Services in Middleville, MI, spent 24.3% more.

Total foodservice purchasing (including equipment, supplies and other non-food items) among the *FSD* Census participants went up 8%, hitting \$6.16 billion.

*FSD* Census figures continue to reflect how healthcare facilities often belong to more than one GPO. The 41 companies reported 10,245 hospital members and nearly 21,000 long-term care facility members; industry studies show hospitals, for example, belong to at least two GPOs, and sometimes more.

Membership in other categories stayed relatively the same in 2005 compared to 2004. In the Schools column, 75% of members belong to Catholic Purchasing Services, a purchasing agency for the Catholic Church based in Newton, MA, though it's not known how many of those schools make purchases through the group's foodservice contracts.

**Organic growth:** The GPO dollar was spent in 2005 with a little more devoted to dry and canned goods—43 cents in 2005, up from 38 cents in 2004. This year, organic food purchasing—already becoming a significant trend in many areas of non-commercial foodservice—appeared on GPOs' radar screens, prompting two of the top firms to take serious steps in this direction and react to members' requests for organic foods.

"Organics are beginning to have a big impact on our operations," confirms Denise Rubin, senior director for capital food and facilities for Novation, based in Irving, TX. "More and more, our members are looking to us to apply our national resources to more localized solutions."

*Continued on next page*

## PERFORMANCE REPORT FOR 41 TOP GROUP PURCHASERS

GROUP (location)	2005 \$ FOOD PURCHASES (x000)							TOTAL F/S \$ PURCHASES (x000)
	HOSP.	LTC	SCHOOLS	COLLEGE/ UNIV.	CORRECT.	OTHER		
Premier (Charlotte, NC)	\$1,700,000	1,350	2,500	0	35	25	100	\$2,000,000
HPSI (Irvine, CA)	969,651	511	6,928	209	157	22	127	1,043,625
Amerinet (St. Louis, MO)	530,000	1,956	1,792	388	6	0	13,838	595,000
Novation/HPPI (Irving, TX)	443,000	888	98	0	0	0	0	443,000
<b>Hospital Purchasing Services (Middleville, MI)</b>	<b>313,200</b>	<b>135</b>	<b>724</b>	<b>766</b>	<b>48</b>	<b>36</b>	<b>1,608</b>	<b>610,000</b>
UHF Purchasing (Milwaukee, WI)	250,000	0	3,400	0	0	0	0	250,000
MedAssets (St. Louis, MO)	250,000	2,400	2,200	217	150	135	13,900	290,000
Consorta (Chicago, IL)	150,000	545	308	45	0	0	1,155	200,000
Texas Building & Procurement Comm. (Austin, TX)	115,000	15	0	55	25	101	17	122,000
Mississippi Dept. of Education (Jackson, MS)	80,000	2	0	946	0	3	0	80,000
Champs Management Services (Cleveland, OH)	70,000	100	500	3	7	0	155	70,000
New York State Group Purchasing (Albany, NY)	69,000	3	250	0	0	75	0	85,000
Shared Services America (Atlanta, GA)	54,000	917	270	0	0	0	0	54,000
Multi Regional Purchasing Co-op (Richardson, TX)	33,000	0	0	240	0	0	0	45,000
All Health Group Purchasing (Harrisburg, PA)	31,000	357	656	46	0	0	1,085	32,000
South Carolina Procurement Svcs. (Columbia, SC)	25,500	6	0	0	16	31	4	35,000
Greater Cincinnati Health Alliance (Cincinnati, OH)	16,000	35	160	0	0	0	23	16,300
Avera Pace (Sioux Falls, SD)	15,000	42	47	127	0	2	134	18,500
Iowa Dept. of General Svcs. (Des Moines, IA)	15,000	3	0	0	0	9	3	17,000
Kansas State Purchasing (Topeka, KS)	13,000	5	2	7	0	9	0	20,000
Oklahoma Central Purchasing Div. (Oklahoma City, OK)	12,000	0	0	0	0	65	5	12,000
Tennessee Dept. of General Svcs. (Nashville, TN)	12,000	6	0	3	0	17	5	17,000
Alabama Div. of Purchasing (Montgomery, AL)	12,000	0	0	0	0	35	14	12,500
No. Illinois Indpt. Purchasing Group (Oak Park, IL)	10,100	0	0	47	0	0	0	10,700
Sisters of St. Francis Health Svcs. (Mishawaba, IN)	10,000	12	1	0	0	0	0	10,000
Associated Purchasing Svcs. (Kansas City, MO)	10,000	202	0	0	0	0	0	10,000
Massachusetts State Purchasing (Boston, MA)	9,000	12	0	0	0	16	0	9,000
Maine Health Shared Svcs. (Augusta, ME)	5,800	0	212	0	0	0	0	5,800
Rochester Regl. Healthcare Associates (Rochester, NY)	5,700	17	180	0	0	0	11	5,700
West Virginia Procurement Div. (Charlestown, WV)	5,600	6	0	2	0	11	0	6,350
Wyoming Dept. of Admin. & Purch. Svcs. (Cheyenne, WY)	5,000	0	0	0	0	11	0	5,000
OSF Healthcare Systems (Peoria, IL)	3,750	6	1	2	0	0	0	4,000
Utah State Purchasing (Salt Lake City, UT)	3,100	1	0	3	0	2	0	3,100
Florida Division of Purchasing (Tallahassee, FL)	2,500	NA	NA	NA	NA	NA	NA	2,500
Alabama Dept. of Mental Health (Montgomery, AL)	2,300	2	0	0	0	0	1	2,600
Rhode Island Division of Purchasing (Providence, RI)	2,250	3	0	0	0	1	1	2,750
Diocesan Purchasing (Buffalo, NY)	2,100	6	15	106	7	0	0	2,400
North Dakota Procurement Office (Bismarck, ND)	2,100	2	0	0	0	3	1	2,300
Catholic Purchasing Services (Newton, MA)	2,000	630	500	9,000	262	0	185	2,000
Diocesan Purchasing (Pittsburgh, PA)	1,500	0	0	109	0	0	0	2,200
National Capitol Area Services (Landover, MA)	1,000	70	55	0	0	0	0	1,500
<b>TOTALS/AVERAGES</b>	<b>\$5,262,151</b>	<b>10,245</b>	<b>20,799</b>	<b>12,321</b>	<b>713</b>	<b>609</b>	<b>32,372</b>	<b>\$6,155,825</b>

To that end, Novation has inventoried its national contract portfolio and compiled a list of more than 500 organic product lines. Rubin says the organization—with nearly 1,000 members and purchasing power of \$443 million in food—will now look at gaps in the portfolio to see what items need to be found.

“We have several high-interest needs,” she notes, “such as fair-trade coffees and organic yogurt. The demand for organics is growing, but it’s still spotty. We’re seeing it most in the Northeast, some spots in the Midwest, and California.”

Christopher Mantel, senior director for contracting at Consorta Inc., agrees with Rubin’s assessment. “We’ve seen a significant increase in requests for organic items,” he explains. Consorta has about 2,000 members, whose food purchases total \$150 million. “For us, the requests are centering around milk and vegetable categories. When members want organics, we special-order them; they are viewed as just another vendor product. We’ve had no problem getting items, although the cost is still significant.”

**Understanding and standards:** The bigger issue, Mantel adds, is two-fold: There is not an intimate understanding of organics among members, and not many standards governing this aspect of the business. “There isn’t any strong definition of what organic is, and members don’t know a lot about organic products, so we are trying to educate our customers as best we can.”

Rubin notes that the desire among members for more locally grown or produced foods has Novation exploring ways to identify local farmers and enter into purchasing agreements with them. The GPO is currently piloting such a program in Livermore, CA, with Portland, OR, being eyed as another potential market.

## IFDA ISSUES GPO STUDY

GPO foodservice purchases are valued at nearly \$16 billion when factoring in the volume of the purchasing arms of three major hospitality companies, according to an International Foodservice Distributors Assn. study released this month.

The IFDA study, titled “The Impact of Group Purchasing Organizations on the Foodservice Industry,” itemizes that \$16 billion in the following manner: \$5.7 billion from the *FSD*

HOW TOP GPOs SPEND THEIR BUDGETS							
ORGANIZATION	2005 \$ FOOD PURCHASES (x000)	% MEAT	% DIETARY	% BEVERAGES	% DRY/CANNED	% PRODUCE	% OTHER
Alabama Div. of Purchasing	\$12,000	20	6	5	60	9	0
All Health Group Purchasing	31,000	20	5	5	60	5	5
Consorta	150,000	15	4	6	44	9	22
Diocesan Purchasing	2,100	15	0	10	60	15	0
HPSI	969,651	39	7	9	30	10	5
Hospital Purchasing Services	313,200	25	19	8	27	6	15
MedAssets	250,000	28	6	5	26	9	26
Multi Regional Purchasing Co-op	33,000	35	5	25	35	0	0
National Capitol Area Services	1,000	5	50	10	10	10	15
New York State Group Purchasing	69,000	30	5	0	60	5	0
North Dakota Procurement Office	2,100	10	0	30	50	10	0
OSF Healthcare Systems	3,750	34	9	11	42	4	0
Premier	1,700,000	24	7	10	18	4	37
Rhode Island Division of Purchasing	2,250	30	15	10	30	10	5
Texas Building & Procurement Commission	115,000	15	1	5	60	19	0
UHF Purchasing	250,000	22	8	5	30	5	30
Utah State Purchasing	3,100	20	0	20	50	10	0
West Virginia Procurement Division	5,600	10	2	5	73	10	0
<b>TOTALS &amp; AVERAGES</b>	<b>\$3,912,751</b>	<b>22%</b>	<b>8%</b>	<b>10%</b>	<b>43%</b>	<b>8%</b>	<b>9%</b>

Census (2004 data); \$5 billion from Foodbuy, the GPO for Compass Group; \$3 billion from Entegra, Sodexo’s purchasing division for non-contract clients; and \$2 billion from

Avendra, the GPO owned by the Hyatt, Marriott and Fairmont hotel chains.

The study (\$95 for members, \$285 for non-members) is available at ifdaonline.org.

## Technology Key to Managing Expectations

GPOs clamor to meet members’ needs for sales, savings and education.

There’s no question that the Internet has made food and foodservice pricing more transparent, as foodservice buyers can take advantage of the Web to comparison shop. This transparency means that operators may challenge their group purchasing organizations or other buying representatives more frequently on issues of concern to them.

“We’re learning that we have to educate our members on the whole process of financial flow,” says Denise Rubin of Novation. “They need to understand exactly how we operate. Our incentive is not just to drive sales but also to drive cost savings to our members. We need to communicate that to them better.”

**Lots of info, fast:** Christopher Mantel says that Consorta’s customers are looking for information—lots of it, and as fast as possible. “There is an increasing need for data and analytics, instantly,” he says. “It seems that as people become more edified about [purchasing], the more desire there is for even more information. They expect us to mine the data and get it out to members as quickly as we can, and we’re trying to do that.”

Rubin notes that Novation is using technology to try to speed its contracting process. “Novation as a whole has been looking at what it takes to implement a contract,” she explains. “At present, it can take nine to 12 months to complete the process. Well, in today’s marketplace, a year is a long time for operators. So we’ve hired a consultant to help us streamline that process.”

‘As we expand our classes of trade...we will have to redefine our supply chain strategy.’

—Christopher Mantel, Consorta

**Looking beyond:** Another area of focus for GPOs is the broadening of the customer base. Most GPOs have concentrated on the healthcare industry, and historically that has meant acute-care facilities.

“Up to now, our contracts have been very focused on products for acute-care facilities,” says Rubin. “But with the growing senior population in our country, we are asking

suppliers to focus more on non-acute care, on the types of products nursing homes need, such as texture-modified foods and portion-controlled items.”

Mantel adds that his company also has seen a growing desire on the part of not-for-profit organizations and institutions, such as camps and convents, to become part of a GPO.

“As we expand our classes of trade, making sure we can satisfy all of our members will become a challenge,” he explains. “Acute-care agreements are not portable to a convent, for example. We will have to redefine our supply chain strategy.”