



Food Research and Action Center

# Buying Groups: Helping School Districts Purchase Healthy Food

## OVERVIEW

A buying group, one option for collaborative food procurement, can help school districts maximize nutrition program dollars while offering high quality food items to students. Collaborative food procurement pools the purchasing needs of a group of organizations (e.g. school food authorities) in order to increase buying power. Larger purchase order sizes encourage vendors and distributors to aggressively compete for a group’s bid. Increased competition often drives down prices allowing schools to buy the goods needed to prepare appetizing, nutritious meals for students at lower costs. Of the methods available to collaboratively procure food, a buying group may be a good option for school districts because membership typically does not have associated fees.

In a **buying group**, one or more organizations (e.g. school food authorities) collectively purchase combined orders of desired goods and self-manage the purchase order process. Often in lieu of a fee structure, the administrative workload is distributed among participating schools.<sup>1</sup> The buying group collectively develops, agrees upon and submits a request for proposal to distributors and vendors.

When considering a collaborative food procurement plan, remember that school food authorities must follow state and federal procurement standards. If state and federal procurement standards are different from one another, school food authorities must comply with the stricter standards.<sup>1</sup> For more information, review USDA’s guidance regarding how to [procure services from purchasing cooperatives, group purchasing organizations, or group buying organizations](#).

**As outlined by the Public Health Law Center, other methods of collaborative food procurement include:**

**Group Purchasing Organization (GPO):** A third party entity serves as the umbrella organization to a group of school food authorities. Schools develop a contract with the GPO and the GPO assumes the responsibility of submitting, managing and negotiating bids for desired products. This model often requires members to pay a fee in order to be a member.<sup>1</sup>

**State Purchasing Cooperatives:** Through certain state laws, states may have established cooperatives that allow its schools to benefit from pooling its product needs with other state contracts.<sup>1</sup> Specifics regarding the structure and function of such cooperatives vary by state. Administrative fees may be associated with this option as well.

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1. Public Health Law Center, “Collective Purchasing of Food for Federal school Nutrition Programs” <http://publichealthlawcenter.org/sites/default/files/resources/Collective%20Purchasing%20of%20Food%20for%20Federal%20School%20Nutrition%20Programs.pdf>

## BENEFITS OF A BUYING GROUP

- **Increase buying power:** Purchasing food items in larger quantities results in lower food costs for participating schools.
- **Increase bargaining power:** A larger purchase order affords the opportunity to request deviated pricing (deeper discounts) from distributors and manufacturers which can be difficult to secure as a single school or school district.
- **Reduce administrative workload:** Members are able to delegate specific pieces of the purchasing order process (RFP development, USDA meal pattern compliance, meal preparation ideas, manufacturer/vendor/distributor liaison etc.) to various members of the buying group.
- **Share expertise:** For the betterment of the group, each member contributes their knowledge regarding technology, nutrition and prior vendor experience or reliability.

## FACTORS TO CONSIDER WITH A BUYING GROUP

- **Compromise:** Members must agree upon purchasing contract details as a group (e.g. product amount, drop days, brand etc.). Participating schools must trust one another and be team players in order to successfully sustain buying group efforts.
- **Cheapest isn't always best:** Although a main driver of collectively purchasing food is to lower costs, often other factors such as quality, vendor reliability, and ease of ordering will play a role in proposal decisions. With multiple parties involved, the cheapest bid may not always be the winning bid.
- **Estimate order sizes carefully:** Do not inaccurately inflate purchase order sizes to drop the price point. If you purchase a smaller or larger amount of product than originally quoted, this can cause strained distributor and vendor relationships.
- **Separate purchases:** Due to your student population's preferences, there may be a certain product or item that your school continues to buy as an individual entity.

## GETTING STARTED WITH A BUYING GROUP

- **Gather best practices:** Reach out to others that are involved in buying groups to understand what has worked well. Review [National Food Service Management Institute's](#) and [Alliance for a Healthier Generation's](#) resources regarding procurement.
- **Evaluate buying groups in your area:** Conduct research to see if there is an existing buying group in your state or region. Assess whether or not their practices (minimum order requirements, product quality, flexibility, decision making power, etc.) align with your district's vision for procuring healthy food.

If your locale does not offer any viable options, you can consider starting your own buying group:

- **Select partners:** Identify like-minded school food authorities that are willing to work cooperatively to purchase healthy food items. Collaborative food procurement requires teamwork so select your partners wisely.
- **Create a food procurement vision:** Collectively develop a group name, overall mission and guiding principles for rating vendor proposals. (This statement should be included with your RFP so that distributors can take it into consideration when designing

proposals.) Create a detailed scorecard based on guiding principles to evaluate and select winning proposals.

- **Decision-making:** As a group, determine the best way to distribute voting power among members. Depending on your group's makeup (if a mix of small and larger districts), it may be reasonable to allow certain members to exercise more voting power than others.
- **Garner superintendent buy-in:** Secure superintendent support prior to officially moving forward with your collaborative food procurement plans. School administrative support is critical to the sustainability of the plan.
- **Seek out legal support:** If your state has one, meet with the state procurement director to ensure that your plans comply with state and federal procurement standards. Check in with your school's attorney to ensure all necessary legal steps have been executed.
- **Accountability:** Ensure that the collaborative food procurement plan is working by monitoring and analyzing your numbers regularly. Consider providing periodic reporting to demonstrate to administration that the plan is effective in driving down food costs.

### Success Story: Eastern South Dakota Buying Group

Several years ago, Gay Anderson, School Nutrition Director of Brandon Valley Schools, realized that she was leaving money on the table by not increasing her school district's buying power. As the fifth largest school district in South Dakota, Anderson already had the ability to negotiate lower bids with manufacturers and distributors but creating a buying group would provide her with even more opportunities. Anderson connected with two neighboring school districts, Harrisburg and Yankton, to create the Eastern South Dakota Buying Group. At the time, this group was first of its kind in South Dakota.

Together, Harrisburg, Yankton and Brandon Valley school districts have more than 10,000 students enrolled, which transformed them into the second largest school food buying entity in the state. The increased buying power allowed Eastern South Dakota Buying Group members to secure deeper discounts and have certain items stocked that were previously unavailable when ordering individually. When asked if joining the food buying group helped Brandon Valley, an already large school district in South Dakota, Anderson noted that "we [got] their attention *even more*."

The benefits to participating in a food buying group have been numerous. Comparing school year 2011-2012 to 2012-2013 (the year the updated school nutrition guidelines were implemented), Brandon Valley school district found that they saved five cents per [meal equivalent](#) as a result of buying food through the Eastern South Dakota Buying Group. These savings are remarkable especially during a time when many school nutrition directors were experiencing increased food costs. Instead of charging a fee to join, administrative tasks associated with the food procurement process are delegated to members of the group. Members have found that distributors now make an extra effort to engage with them by providing updates on new technologies, service offerings, products and paying special attention to their request for proposals. Due to its success, the Eastern South Dakota Buying Group will add a fourth member in the near future.

For others considering forming or joining a food buying group, Anderson provides the following tips:

- As a tool to gaining the support of your school administration, consider offering to operate the food buying group for a specified time as trial to prove cost savings.

- Once a member of a food buying group, try not to dig your heels in about a specific product or item. Listen to all sides and conduct taste tests among members to determine the best product.
- When issuing your RFP as a food buying group, provide interested parties with enough time to complete it. Consider releasing your RFP in April and requesting that it is completed by May.

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