

Buying Healthy Food through a Group Purchasing Organization

Frequently Asked Questions



Region of Waterloo
PUBLIC HEALTH AND
EMERGENCY SERVICES

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1 Introduction to Group Purchasing

1. Introduction to group purchasing

This document is a follow-up to the event “Exploring Opportunities in Group Food Purchasing” hosted by Region of Waterloo Public Health and Emergency Services on November 2, 2018.

Twenty-six stakeholders from Waterloo Region participated in the session. Participants represented many sectors including: food banks, not-for-profit charitable organizations, municipalities, post secondary schools, school boards, and community associations. Many questions came up throughout the webinar and the in-person session. This document is intended to address the most frequently asked questions about a group purchasing process.

The first half of the session included a [presentation](#) from the group purchasing organization [MEALsource](#). This organization was chosen as they are a not-for-profit agency that facilitates group purchasing contracts. The typical clients for this organization are long-term care facilities and hospitals. However, this organization has also facilitated group purchasing for the [Student Nutrition Program](#) in two regions in Ontario. Therefore, the organization is well positioned to assist in facilitating group food purchasing contracts that contain nutrition guidelines.

The second half of the session included facilitated small and large group discussions on barriers, facilitators, and outstanding questions about the group purchasing process.

The format of the education session was a provincial webinar produced by the [Nutrition Resource Centre](#)¹. The webinar format was chosen as there was extensive interest throughout the province in learning more about this type of food purchasing strategy. The benefit for the local stakeholders is that a larger group of organizations purchasing healthier food and beverages increases their availability in the food supply and can help to reduce costs as purchasing volumes increase.

¹ The webinar was funded by the FRESH-IT project through Region of Waterloo Public Health and Emergency Services. The FRESH-IT network is led by Dr. Catherine L. Mah at Dalhousie University in collaboration with Dr. Leia Minaker at the University of Waterloo, supported by the Canadian Institutes of Health Research (CIHR FRN # KAL139697).

2 Group Purchasing Process

2. Description of the group purchasing process

Step 1. Describe what you already purchase

Use a template to keep track of items that you already buy. The template should include information such as a description of the product, the name of the brand(s), the size of the package and how much of the product is typically purchased in a year.

This allows the group to determine what they typically buy in a year.

See the template example below:

Product description	Current manufacturer	Current manufacturer pack size	Annual volumes
Unsweetened applesauce	Company ABC	100 ml (single serve)	(10 per week) 520 per year
Whole grain pasta	Company XYZ	454 g	(3 per week) 156 per year

Step 2. Connect with other peer organizations

Find other organizations to work with. Any non-profit organization in your community that wants to purchase healthy food could participate in the group purchasing process. Examples of non-profit organizations that often buy healthy food include: hospitals, long-term care facilities, government buildings, schools, colleges and universities, child care facilities, food banks, charitable organizations and community associations.

Other organizations do not need to be physically located nearby. For example, recreation centres across Ontario could form a group to buy healthier packaged products suitable for retail services.

Get together with the other organizations you would like to work with and compare typical purchases. Make note of products that are common among the group. Also make note of the size of packages or cases that each organization purchases.

Add up common purchases to see if your group buys at least 100 cases per year.

Step 3. The buying group works with a group purchasing organization

Once your group has identified products that meet or exceed the 100 case per year purchasing threshold, contact a Group Purchasing Organization (GPO) such as MEALsource. The group purchasing organization will help to create a list of food products to purchase as a group.

Step 4. The list of food products is posted online for manufacturers to bid on

The group purchasing organization will help your group to write a request for proposal. This will allow your group to set criteria for products. For example, an unsweetened applesauce in a single serve 100 ml container that is made from Ontario apples.

The group purchasing organization will post the list on the Canadian Public Tenders (MERX) website for manufacturers to bid for 15 days. Manufacturers will have three weeks to answer the bid and offer their products for the group's consideration.

Step 5. The buying group samples the products

The members of your buying group will be able to sample all of the products from manufacturers that reply to the request for proposal on the MERX website.

Step 6. The buying group compares the products to selection criteria

Group members will review each sample product using criteria such as price, performance and palatability to make a decision on the final products that you will buy as a group.

Step 7. The buying group selects the product(s)

After the members of the buying group have tested the products, the group will make a decision on the product or product(s) to select for the contract.

Step 8. The group purchasing organization puts out a list for distributor bidding

Once the buying group has decided on the list of products, a second bid is put out for distributors to bid on.

MEALsource has a group of prequalified distributors for each category of products. This is called “using a Vendor of Record Agreement.” MEALsource puts the delivery contract out for bid. The distributors submit proposals to answer the second bidding process, to deliver the products selected in the first part of the bidding process.

Step 9. The group selects a distributor

The distributor with the best price and delivery options will be selected as the distributor for the contract.

Step 10. The group purchasing organization writes the contracts

Once the products and the distributor have been selected, the group purchasing organization writes a contract for each group buying member with the manufacturers and the distributor. The contracts last for one year with an option to continue into a second year.

Step 11. The group purchasing organization notifies the manufacturers and the distributor

Once the contracts with group buying members, manufacturers and distributor are signed, the group purchasing organization will notify everyone that the contract has started.

Step 12. The group buying members can place orders

Members of the buying group can place orders for their organization.

3

Frequently Asked Questions

3. Frequently asked questions

1. Questions about the bidding process

1. How does the process get started?

Any organization can begin to contact other organizations to see if there is interest in starting a group purchasing contract.

2. How can groups from different sectors work together?

The group needs an anchor organization to host the process. The group gets reports from everyone who wants to be a part of the process. Then common items are identified that meet the 100 case minimum (per year).

This process creates synergy across the different sectors. It could be as few as five or 10 items to get the process started.

3. How does the group know how much each product costs?

Product costs are part of the bid that companies make during the bidding process. Companies will offer samples, state the product specifications and set a price for the products that they would like your group to consider for the contract.

4. What is a case?

The definition of a case depends on the product. Some products are sold in a single unit, while other cases may contain a number of units within a package. For example yogurt may come in a single two-litre container (which is counted as a case) or packages of six, 12, 24 or 72 individual units (all are examples of different case sizes).

For distribution, a case is the number of units of a product that moves through their system. Distributors will not generally make room in their warehouse for any product that sells less than 100 units (cases) each year.

5. How long does the process take to set the criteria for products, put out a bid, test and select products and sign a contract?

The process begins six to eight months before the contract is scheduled to begin. This allows time to collect information about products organizations already purchase, post the request for bids for products, test the products and award the contract(s).

6. How long after the contract is in place before the first delivery?

Ideally, contracts are finalized three to four weeks before starting so that distributors have time to get the products in the warehouse to fulfill the orders.

7. What is a typical contract length?

A contract is usually one year long, with a second-year option and then the group starts the bidding process again.

8. Does the process become more difficult if there are a larger group of organizations involved?

The process is the same no matter how many organizations are involved.

Larger groups can have an advantage over smaller group purchases, as they have less trouble making the minimum orders. More product volume also gets the group better pricing.

9. What products are available for group purchasing?

There is no pre-approved list of products to choose from.

The products that are available to be purchased by your group are determined by the criteria that your group selects for the bid. Criteria can include place of origin to emphasize local (Ontario) products. You may also want to consider sustainable farm processes such as organic farming. Groups can also include nutrition standards for sodium, fat, fibre, etc.

10. Is there an ongoing group that we can join?

There may already be organizations in your area that have a group purchasing contract. The organizations with an existing contract may not be able to let you join until the current contract expires and the next bidding process starts.

You can ask the Group Purchasing Organization if there are other similar organizations they are working with that might be willing to take on new members.

2. Questions about ordering

11. How do organizations order products?

Organizations would set up accounts with awarded distributors and order their items directly from the distributor.

Group purchasing organizations such as MEALsource do not handle orders, invoices or payments. Group purchasing organizations facilitate and manage the contracts.

12. What do the order forms look like?

All distributors have an online ordering system. Organizations can establish templates within these systems that only allow group members to order from a selected group of products.

13. What happens if needs fluctuate throughout the year?

An average of two cases a week is often used to describe the minimum order of 100 cases per year. (For example, $100 \text{ cases} \div 52 \text{ weeks} = 1.92 \text{ cases per week}$).

While there is a need to meet the minimum order of 100 cases per year, it is not uncommon for some products to have an increase in seasonal demand. For example, fresh local fruit is typically purchased in the summer.

Companies that have signed the contract can adjust to meet the fluctuating demands for products throughout the year.

14. What happens if things change and the minimum of 100 cases are not purchased?

Groups typically do not have a problem meeting the 100 case requirement for the year. On average this is two cases a week across the entire group.

3. Questions about delivery

15. How does delivery work?

Distributors typically have a minimum order of \$500 required to get a delivery.

16. How often are products delivered?

Products can be delivered once a week or once every two weeks, depending on the perishability of the products.

17. What happens if organizations in the group are spread over long distances?

It does not matter where the group members are located, unless the location is remote enough that delivery would be difficult.

18. What happens if organizations are located in Northern regions?

There may be a way for MEALsource to partner with existing organizations to get food to far northern locations.

Distributors may be willing to drop deliveries at a central location in Northern communities, which may require organizations to travel long distances to pick up their deliveries.

The more food that is purchased for organizations located in northern Ontario, the better the infrastructure will become. There is an opportunity for northern organizations to work with organizations from southern locations. The larger the group, the more influence it has, which may help to get better delivery service.

19. What happens if less than \$500 of product is ordered for delivery?

Depending on the size of the organizations in your group, an anchor organization may need to be selected.

If smaller organizations in your group need a delivery but they do not have a large enough order, they would need to select an anchor organization that has the ability to receive products, and store them appropriately. The smaller organizations would need to travel to the anchor organization to pick up their order.

The smaller organizations would also need to coordinate their orders so that together, they had a minimum of \$500 of products to be delivered to the anchor organization.

20. Where are products stored?

Before products are delivered they can be stored in the distributor's warehouse.

Your organization will need to ensure that there is enough dry storage space for non-perishable food products. Your organization may also need to consider whether there is enough cold storage space for perishable food products.

4. Questions about billing

21. What does the billing process look like?

An invoice comes to you along with the delivery. It is generally expected that payment will be made within 15 to 30 days.

22. What forms of payment are accepted?

Organizations can pay by: cheque in the mail, electronic funds transfer (EFT) or credit card.

23. What happens to manufacturer or producer rebates?

Any rebates offered by manufacturers or producers are given back to the group member who purchased the product at the end of the contract term.

5. Other questions

24. How does MEALsource get paid for their services?

For health care providers the fee for the group purchasing service is \$10 per bed per year.

Manufacturers and producers are charged a one per cent administrative fee based on the volume of products that were purchased by the members throughout the year.

Some programs such as Student Nutrition Programs do not have a fee as their ministry funding does not allow for a fee to be paid. In this case the fee for service has been waved for the non-for-profit agency.

25. Will organizations still need to buy from other sources?

The purpose of group food purchasing is to allow small organizations to save money on food and beverages that they buy often. It is likely that the group will have a number of staple items that they will purchase through the group purchasing contract.

Other food items that are purchased in smaller quantities or that are specific to one organization will need to be purchased from other sources, for example: wholesalers, grocery stores, big box food retailers, or directly from local producers.

This can be an advantage if your organization would like to continue a relationship with a local food producer. For example, your organization may buy fresh carrots from a local farmer, while purchasing other staple items that are not available locally, such as pasta, through the group purchasing process.

26. Is this process compliant with the Broader Public Sector Accountability Act?

The process that MEALsource facilitates is compliant with the [Ontario Broader Public Sector Accountability Act](#). This ensures that public sector organizations are buying products in a fair, ethical and transparent process.

27. Is this process compliant with the provincial and federal trade agreements?

MEALsource ensures that all of their purchasing processes and contracts are compliant with the many different regulations and legislations that govern trade agreements, such as Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the Canadian Free Trade Agreement (CFTA) and the United States – Mexico – Canada Agreement (USMCA).

28. Does group food purchasing result in food waste?

If your organization begins to order larger quantities of perishable food, you will need to ensure that it can be used before it spoils. Careful planning can help to ensure that food does not go to waste.

Organizations can also ensure that food is not wasted by ensuring that all food is stored at the correct temperature and that menus are planned in advance.

29. Can group purchasing change the food system?

This group purchasing process allows food companies that are not always available in retail stores or through existing distribution channels to sell their products to organizations.

For example, a municipality may have a small local apple grower that only sells processed products in their store. This company could put their product forward to be considered in the bidding process. This is one way that group purchasing can change the food system, by creating opportunities for smaller companies that offer healthier food products. MEALsource provides support to new vendors to help them be successful in the bidding process.

A second way that the process can change the availability of certain types of food is to request that the distributor carry their products in the warehouse. This makes the products available for other groups to buy.

Sometimes forward contracts are developed with farmers. This allows the distributors to tell farmers how much they need of each item and guarantees a price. The farmers can respond to the demand by growing the crops that have been awarded contracts.

Sharing your experiences with other organizations can help to raise awareness of what is possible and can help other organizations to meet their financial, nutritional and environmental goals related to the food system.

30. Does MEALsource consider local food?

MEALsource has been extensively involved in an "[Origin of Food](#)" process to emphasize local food products. MEALsource has established relationships with local producers and manufacturers to make it easier for them to participate in their bidding processes.

Vendors are asked to declare the origin of their products when they submit their response to the bidding process.

31. Does MEALsource consider sustainably produced food?

Groups can specify criteria that relates to sustainability when they put out their bid for products. The group should be clear on the requirements that will be evaluated when the product bid is developed.

32. Would the group purchasing process work for Good Food Box programs?

There may be a different process that would better serve these produce programs, such as an invitational quoting system to increase variety of available options. For organizations spending less than \$100,000 per year, a separate process could be used where the vendors provide monthly quotes from approved vendors for produce offerings, through a three part quoting process.

33. How can I get in touch with MEALsource?

Phone: 519 751 7096

[MEALsource website](#)