

McDonald's Franchisee Cuts Waste Costs by 23%

Cass delivers end-to-end managed service resulting in immediate cost reduction and centralized waste & recycling management.



Introduction

Gilchrist Enterprises owns and operates multiple McDonald's franchise restaurants in Central Florida. Food, supply and facility costs are tightly controlled supported by sophisticated systems and the buying power of the McDonald's organization. One expense area where the McDonald's name provides little benefit is costs associated with waste removal. Waste and recycling services are generally provided by local or regional vendors, leaving franchisees to procure services and negotiate contracts individually.

Waste Removal: A Tricky Expense Category

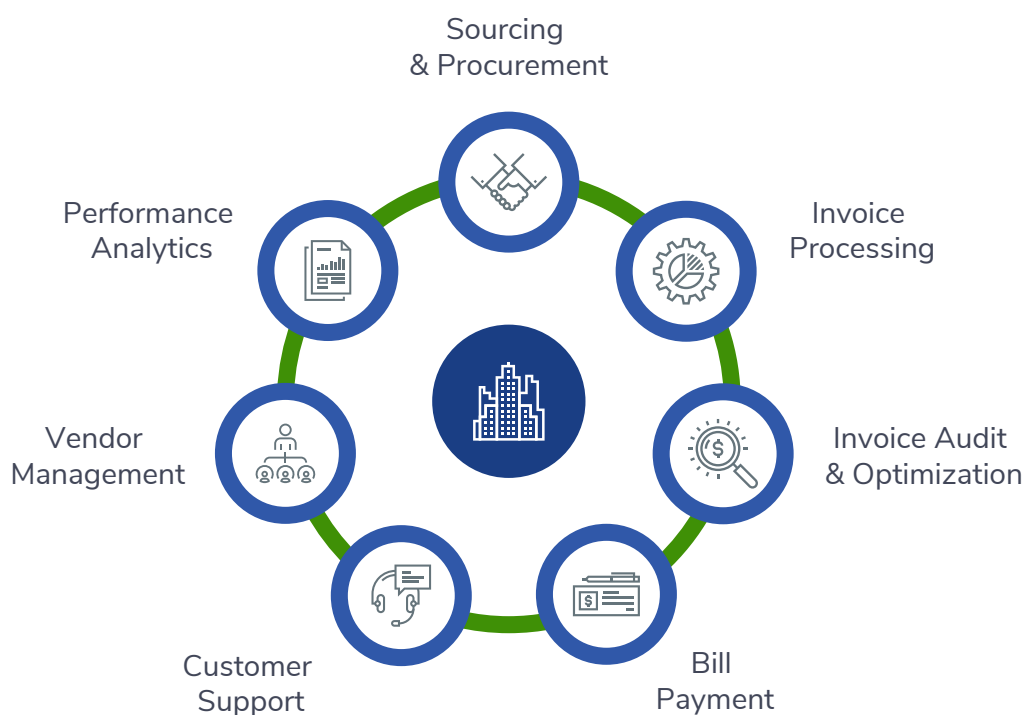
Waste and recycling services represent a complex expense category for these three reasons.

- 1. Procurement** – Unless a buyer has a clear understanding of service cost factors in the local waste market, it's difficult to know if the organization is securing fair pricing. Many companies find their bargaining power limited by waste spend volume. The subtle tactics in waste contracts that facilitate vendors' ability to grow prices also contribute to cost confusion and discrepancies.
- 2. Scarce service usage and waste generation data** – this is a unique characteristic of waste expense that can make it difficult to monitor and optimize services. Unlike other facilities-related services, waste isn't a precisely "metered" service. In most cases, service fees are based on equipment capacity use and pickup frequency, creating an added challenge when trying to maintain efficient service plans. Cass utilizes industry knowledge, vendor relations and our data visualization tool, WasteVision™, to gather valuable waste & recycling insight and maintain efficient service plans.
- 3. Vague invoice formats** – Costs are rarely itemized in detail, making it virtually impossible to catch price increases, unauthorized fee additions or usage errors from a visual inspection of the invoice. Without specific expertise or an automated system to integrate contracts, service details, and invoice auditing, waste customers have little choice other than to pay bills as presented. Unfortunately, the incidence of unauthorized or erroneous charges is high and by design typically benefits waste vendors.

Gilchrist Implements our Closed Loop Methodology for Expense Reduction and Control

Cass Information Systems is a national leader in helping organizations control their waste costs. Multi-location organizations outsource all tasks and business processes related to waste and recycling services to Cass, allowing us to deploy a proactive approach to service and cost efficiencies. With dedicated technology, thousands of clients and over 20 years' experience developing deep domain expertise Cass is saving its clients millions in waste removal costs and assuming the unwanted burden of waste service management.

When presented with the Cass solution, Howard Hughes, Director of Operations, was admittedly skeptical that Cass could find substantial savings. Only five stores were in open markets, with the ability to negotiate contracts with vendors. The other six locations were in areas in which the municipality selected and controlled waste removal costs. An experienced negotiator, Hughes felt he had secured competitive pricing, but had no way of validating his costs compared to others in his market. The opportunity to gain tighter controls while outsourcing distracting administrative tasks and vendor management was appealing. After meeting with Cass Waste Expense Management experts who were able to provide Hughes with a comparative analysis, he decided to outsource waste & recycling to Cass Waste Expense Management.



Transitioning to Cass was Easy

Transitioning to Cass was simple. Gilchrist provided their dedicated client manager with copies of waste and recycling contracts, a general service structure overview and recent invoices. The client profile was created in our WasteVision™ platform detailing waste removal services, contract terms and conditions, location information and specific rate structures.



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Immediate Cost Reduction of 23%

Using our knowledge-based procurement methodology, Cass conducted detailed analysis for each of Gilchrist's hauler contracts. Based on prior negotiations within the same region, analyst quickly identified cost concerns and the need for renegotiation. As a managed service provider acting on behalf of Gilchrist, Cass was able to assume negotiations with the vendors. Industry knowledge and relationships added bargaining power, even with months left on some contracts.

“As Gilchrist, I don't think we could have gotten them to budge, but Cass had the volume buying power to get the vendors to the table and commit to lower rates.” – Howard Hughes, Gilchrist Director of Operations.

In open market stores, Cass was highly successful in negotiating deep savings. **Cost reduction ranged from 20%-27% per restaurant, with a total savings of 23%.** For the majority of its closed market stores (where waste services vendors are designated by the local municipality), Cass still found opportunity, negotiating lower recycling rates or the removal of administrative fees. For these closed market stores, Gilchrist achieved average savings of 6.1%.

How does Cass achieve such steep savings?

1. We manage waste services across varying waste markets nationwide, accumulating detailed knowledge of fees & service structures by region. The aggregate volume of business Cass negotiates also translates into buying power, enabling durable rate reductions that our customers are unable to achieve independently.
2. Our specialized expertise in the complexities of waste contracts along with experience negotiating terms and conditions protects our clients from cost surprise. (i.e. automatic rate increases, hidden fees, and contract extensions)
3. We understand the industry. Waste hauler operating costs vary by region due to local regulations, competition, availability of recycling services and local landfill space. Such knowledge allows us to set informed rate targets to prevent costs from being assumed by you.
4. Cass utilizes its technology systems and communication with vendors and customers to obtain an accurate read on waste generation volume. Cass utilizes this information to maintain optimal service plan efficiencies, avoiding a common and costly pitfall of over-servicing.



Invoice Audits Reveal Overcharges

The other side of the coin for achieving hard-dollar, measurable savings is the monthly invoice audit. Organizations are overbilled every month for waste and recycling services. These overages typically are the result of data entry errors, phantom containers, but more commonly they are across-the-board price increases or hidden fees. Gilchrist was no exception to this occurrence. Within the first eight months of service, Cass prevented 26 non-contracted rate increases and overcharges. Without Cass' precise auditing capabilities, these non-contracted rate increases, and other charges would have escalated annual spend by 13.37% and counting.

The Cass WasteVision™ platform calculates an expected amount for every waste invoice before it ever arrives. Enabling a truly closed-loop expense management process, WasteVision™ identifies in real time, statements that are out of compliance with contract terms or that do not match usage data, prompting quick resolution. Cass sends approved invoices to Gilchrist accounts payable group for payment, working with vendors when necessary to ensure that credits are applied for overcharges.

Gilchrist now has a best-practice process for controlling this expense category. Thanks to this, Hughes now feels confident that they:

- pay competitive rates
- only pay charges in compliance with service contracts
- only pay for services rendered

Cass Delivers an End-to-End Managed Service

As an extension of the Gilchrist team, Cass proactively controls costs and supports the administrative elements of managing waste removal services. Gilchrist employees enjoy a centralized service with first-class, one-stop support for all their waste-related problems and requests. Routine, but time-consuming tasks, such as rescheduling or special service requests can be assumed by the Cass Customer Support team available 24/7.

In addition to an eased workload, multiple benefits will be derived by entrusting Cass with Waste & Recycling Expense management.

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Service orders, changes and invoice audits are documented within the same system, allowing checks and balances to ensure compliance with negotiated rates.

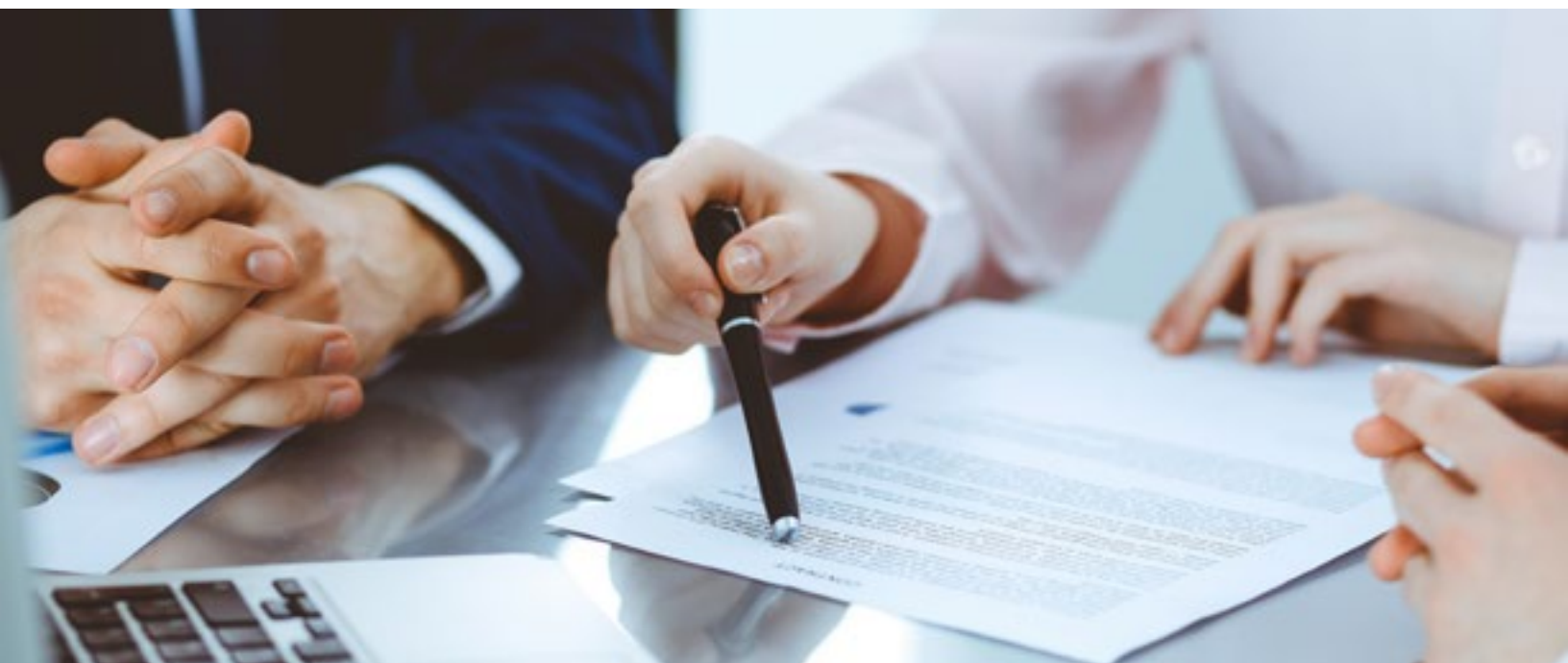
Cass will proactively monitor market costs and aggregate pricing levels to identify additional opportunities for cost-saving negotiations. Cass also keeps a close, system-driven eye on contract expiration dates and renewal windows. Gilchrist's contract details are now in a data-driven environment and electronically archived as well.

Visibility to the Expense

Through regular reporting from Cass, Hughes now has a clear picture of the company's waste expenses, contracts and cost drivers.

- Aggregate & itemized service costs (i.e. base service charges, variable fuel charges, and equipment costs)
- Equipment in use
- Usage – in cubic yards of waste, per location
- Solid waste tonnage
- Recycling services

Additionally, Cass reports on key performance indicators – the savings achieved for Gilchrist – along with what they are spending with waste service providers. Regular reporting allows clients to evaluate performance, adjust services and realize the ongoing value of outsourcing to Cass.



Results with Cass

Hughes is clearly satisfied with the results his organization has achieved with Cass. When asked what advice he would give to other organizations, it was simple: “You can’t lose. If Cass accepts your business, they negotiate with your vendors. If they find savings, both you and Cass share the results”.

Hughes and his staff – including store managers – have found Cass responsive and communicative. “The transition to Cass’ management of our waste services was invisible from the point of view of our restaurant staff.” The only visible change was a welcomed one: Gilchrist now has centralized service management. When a waste service is needed, they simply call Cass, and it is handled. “I believe we have greater accountability this way.” states Hughes.

Gilchrist receives approved hauler statements ready to be processed by billing, verified by Cass. Accounts payable teams can respond quickly and confidently, knowing bills are error-free.

We would never have known if there were billing errors or not. Now I know that we only pay what we’re supposed to pay. Now we have a process we trust.

Without specific expertise and customized technology, truly controlling waste expenses is nearly impossible. Having Cass provide a true waste expense management solution has been a win all around for Gilchrist.

“Cass works as an advocate for its clients. They’ve been an excellent vendor partner for us.”



Visit

www.cassinfo.com/waste for additional resources.

Cass Information Systems (Nasdaq: CASS) is North America's largest and leading provider of lifecycle solutions for managing recurring complex payables, such as communications, utilities, transportation and waste. With more than 1,000 employees, Cass has been in continuous operations since 1906.

www.cassinfo.com
US: 904-246-1520
wastesales@cassinfo.com