Tri Nova Catering Services: Well-Fed or Fed Up?

Decisions, Decisions

One humid mid-morning in June 2014, Julia Dy Mendoza, owner and manager of the Cebu-Philippines-based Tri Nova Catering Services, noticed that her catering supervisor, Vera Francisco had been answering a series of calls from a client with a 120-person engagement. Francisco had been occupied with the client's complaints about slip-ups she claimed the company made in setting up her dining and buffet areas.

When Francisco went to the kitchen to oversee the lunch delivery, the phone rang again — Mendoza immediately took the call. The client on the other end was anxious about not being able to serve mid-morning snacks to her seminar participants. At noon the phone rang once again — the same client was complaining that lunch had yet to be placed on the buffet tables. Mendoza calmly assured the client that the delivery van was on the way, but she could not wait to confront Francisco on these issues.

Just when Mendoza thought that she could finally take her lunch, her close friend, Elise de los Reyes, dropped by. She had flown into Cebu from the U.S. to organize the estate of her ailing parents. Reyes broke the news to Mendoza that she planned to sell the ancestral home that she rented to Mendoza for Tri Nova's headquarters.

Reyes had a ready buyer; Mendoza would have to move out in one month. This would prove difficult for Mendoza. For eight years, she had been renting Reyes' sprawling five-bedroom residence in Cebu. She

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had turned the house and its property into an office, kitchen, and parking lot for delivery vans. After Reyes left, Mendoza caught herself staring blankly at the whiteboard full of scribbles of the month's catering schedules, ruminating over her mixed feelings about moving out.

With a deep breath, Mendoza tried to collect herself, "This must be the game-changer; I will have a tough time finding another place as convenient as this one." This, Mendoza believed, could seal her decision to gracefully exit the catering business she founded some 16 years ago. Over the years, Tri Nova had expanded to include canteen operations. These involved setting up canteen facilities and the provision of on-site meals and refreshments for the employees and guests of host companies. Mendoza found a couple of large companies to sign on for the services, and the operations became very successful.

Mendoza had been considering selling her business especially since her eldest daughter had asked her to travel to the U.S. for the birth of her second child. She had to make the right decision. Should she really throw in the towel? At age 58, Mendoza thought she was too young to retire. She had no plans of staying in the U.S. permanently. She would visit her daughter but return to Cebu when her grandchild reached two months of age.

Mendoza's dictum had always been "no retreat, no surrender." She realized she would have to make a decision soon: Should she retire, or should she move her business to a new location and continue to grow it? Or, should she just maintain her canteen concessions and divest the business of catering services?

The Woman behind Tri Nova

Mendoza's father nurtured his children's interests in entrepreneurial pursuits and beat home the message that to get anywhere in life, they would have to work hard. Growing up the eldest of eight siblings, Mendoza attained her business degree from the then Collegio de San Jose-Recoletos (now the University of San Jose-Recoletos) in Cebu City while working part-time in her father's dry goods retail business.[i] This retail experience shaped Mendoza's entrepreneurial mindset.

Mendoza settled down at the age of 25 and became the devoted mother of two daughters and a son. She augmented her husband's income through a variety of entrepreneurial pursuits, one of which was Tri Nova Catering Services. Still, her husband was satisfied with what he earned as a graphic artist to support the family.

But Julia could never be content with just "so-so," particularly when providing for her children's needs. She wanted only the best for her children. The difference in attitudes ultimately led Mendoza to file for an annulment in 1999. After the annulment, she had the responsibility of fending for her children, prompting her to grow her catering business.

Cebu City

Cebu City was situated in the historically significant Cebu province of the central Philippines. Year after year, Cebu's Sinulog festival attracted thousands of tourists and devotees to the city to pay homage to the child Jesus, the Sto. Nino. The Portuguese explorer Ferdinand Magellan, whose expedition brought

[i] A dry goods store is the Philippine equivalent of a mom-and-pop grocery store the U.S.

the Christian faith to the Philippines, was slain in 1521 by the local chieftain Lapu-lapu in Mactan Island, Cebu.[1]

An economic unit, Mega Cebu was made up of seven cities and six municipalities on the eastern side of Cebu beginning in Danao City in the north and extending to Carcar City in the south, including Lapu-Lapu City and Cordova in Mactan Island. Cebu had six special economic zones (SEZ) that employed more than 100,000 skilled workers, and, in 2012, had exports worth approximately 3 billion USD.[2]

Cebu City posted an 8.4% growth rate in 2010.[3] Cebu was the country's largest economy in the south after Metro Manila in the north. With its pristine coastlines and turquoise beaches, the city was home to a number of world class resorts and was a preferred destination for business conferences and exhibitions. Cebu's tourism industry (both foreign and domestic) reached 1.9 million people in 2011.[4] Tourism, education, and shipping, along with exports of semiconductors and furniture contributed to the city's economic boom.

The business process outsourcing (BPO) and information technology (IT) industries were expected to drive further economic growth in Cebu. In 2013, Tholons, a strategic advisory firm for global outsourcing and research, ranked Cebu No. 8 in its "Top 100 Outsourcing Destinations" report. **Table 1** shows the top 10 rankings.

Table 1

Tholons' 2013 Top 10 Outsourcing Destinations

2013	Movement from Last Year	Region	Country	City
1	-	South Asia	India	Bangalore
2	-	South Asia	India	Mumbai
3	+1	Southeast Asia	Philippines	Manila (NCR)
4	-1	South Asia	India	Delhi (NCR)
5	-	South Asia	India	Chennai
6	-	South Asia	India	Hyderabad
7	-	South Asia	India	Pune
8	+1	Southeast Asia	Philippines	Cebu City
9	-1	Western Europe	Ireland	Dublin
10	+1	Eastern Europe	Poland	Kraków

Source: 2014 Tholons Top 100 Outsourcing Destinations: Ranking <http://www.tholons.com/nl_pdf/Whitepaper_December_2013.pdf>.

These economic developments spurred business development downstream — businesses like canteen concessions. Newly established BPO firms, for example, required 24/7 canteen operations on site. This was a new business opportunity for caterers. As a result, an industry that used to be dominated by a few

providers had attracted a number of new entrants. Tri Nova Catering was part of the mix of competitors that had been providing both on-site catering services and canteen concessions for local businesses as well as multinational corporations.

Cebu Catering Services

Filipinos loved to celebrate milestones with family, friends, and colleagues. And whether the occasion was a personal achievement, a family victory, a town fiesta in honor of a patron saint, a corporate activity, or even a death anniversary, there was always a banquet of food and beverages.

For hosts who could not afford catering services and had the time, home cooked meals were usually dished up. But for those who could pay, a professional caterer was often engaged. Contract prices were based on the menu package chosen and the number of guests. Fees varied with the choice of tables, fixtures used, and additional perks requested, such as the Cebu's famous lechon. Guests always looked forward to this centerpiece; even CNN food critic Anthony Bourdain called the skewered, roasted suckling pig "the best pig ever."

There were more than 20 catering brands in Cebu that provided these on-site services, but most did not have Tri Nova's name recognition. The company was competing with two major players in the mid-range market and two other firms in the high-end market. The rest were new entrants that competed on price. Cebu's competitive landscape was made up of 20 independent caterers, serving the mid-range and high-end markets; three national hotel-based restaurants; and four local hotel restaurants.

In addition to private individuals, corporate clients had been a relatively stable source of revenue for Tri Nova. Many were repeat customers. The company served 13 corporate clients with a capacity of 50 to 2,000, providing services in two categories: 1) catering and packed meals and 2) catering services.

A Serving of Tri Nova Canteen Concession Services

As she looked at the catering schedules posted on the whiteboard, Mendoza was interrupted by a text message from her business consultant. Additional requirements were needed for a canteen concession proposal to a BPO firm. The U.S.-based company behind the request for proposal (RFP) had recently established a Philippine branch office in a business zone of Cebu. Tri Nova was one of the select providers invited to bid for the canteen concession.

The company's digital bid process was a relief for Mendoza. The information exchange was electronically coursed through the BPO firm's website. This was in contrast to the RFP for canteen concessions for a U.S. call center firm Mendoza had worked on two weeks earlier. She and her consultant had to make their presentation in the wee hours of the morning to accommodate the business hours of the decision makers. Work shifts at this time of day were common among Filipino BPO firm locators. BPO call centers had customers that were mainly located in the North American region; Cebu call center agents answered calls from a time zone that was 12 hours behind the U.S. The 24-hour operations of these BPO firms required full-time canteen operations seven days a week.

Mendoza breezed through her files and found some of the documents needed for the RFP. In spite of the anxieties she had been beset with lately, she felt determined to carry on as an entrepreneur. Even if she was raring to confront Francisco on the company's recent bungles, she could not help but feel elated, reminiscing about what her catering business had achieved since she started it a decade and a

half ago. Staring at her financial statements, Mendoza noted how she had grown Tri Nova single-handedly, with minimal capital. Her business survived and thrived on personal loans from family and friends. Much of her earnings were reinvested in the company. She had never envisioned expanding into canteen concessions, particularly for large BPO firms. **Table 2** shows Tri Nova's financial performance from 2009 to 2013.

Table 2

Tri Nova Catering Services' Financial Performance in Philippine Pesos (PHP)

	2009	2010	2011	2012	2013
Revenue					
Catering	5,542,879.63	7,039,457.13	9,503,267.13	12,069,149.25	14,482,979.10
Canteen	1,780,000.00	26,013,400.00	6,245,070.00	6,389,222.10	6,997,302.98
Total Revenue	7,322,879.63	33,052,857.13	15,748,337.13	18,458,371.35	21,480,282.08
Operation Profit					
Catering	3,325,727.78	3,871,701.42	5,511,894.93	6,275,957.61	7,241,489.55
Canteen	890,000.00	14,307,370.00	3,247,436.40	3,194,611.05	3,778,543.61
Total Operation Profit	4,215,727.78	18,179,071.42	8,759,331.33	9,470,568.66	11,020,033.16
Profit after Tax					
Catering	1,662,863.89	1,742,265.64	2,866,185.37	3,012,459.65	2,751,766.03
Canteen	534,000.00	7,283,752.00	1,249,014.00	1,150,059.98	1,049,595.45
Total Profit after Tax	2,196,863.89	9,026,017.64	4,115,199.37	4,162,519.63	3,801,361.48

Source: Created by the author of the case.

Tri Nova's entry into BPO canteen services was a natural evolution for a company that had experience in offering canteen concessions to large local corporations. For over a decade, Tri Nova had been the canteen provider at the main office of a conglomerate based in Cebu City, serving approximately 500 employees. The conglomerate also established a training and eco-sports facility in the mountainous outskirts of the city. And again, Tri Nova was tapped to provide catering services to the various clientele that visited the facility. In addition, Tri Nova had been the canteen concession provider at the headquarters of a Cebu-based national retail chain for the past five years. And for the last three years, it had been the resident canteen operator of a local university hospital, serving thousands of students and employees.

Mendoza attributed her business with these local firms to the word-of-mouth advertising she received from satisfied clients. She was grateful that the revenues of the catering business were complemented by canteen operations. Not only did the contract canteen concessions provide regularity

of income, they also spread the kitchen overhead across the organization. Ironically, the downside of canteen concessions was contracts — when a contract expired, so did revenues, as was the case in 2009. At the end of 2008, Tri Nova had been awarded the canteen concession contracts for a U.S.-based BPO firm and a Taiwan-based firm in a SEZ on Mactan island. The contracts contributed to an increase in revenues in 2009, but the year that followed saw a sharp drop in revenues as the contracts ran out. Tri Nova had nine canteen concessions contracts over the 2004-2014 period with a capacity of 300 to 2,000.

Mendoza e-mailed her business consultant the information that would be useful in the preparation of the RFP, but had reservations about being locked into another contract. She was also weighed down by the prospect of finding another business location. Still, Mendoza knew that if the company won the contract, it would be a major breakthrough. She had visited the company's headquarters and was pleased to find it housed a state-of-the-art kitchen and canteen facility.

Tri Nova's Daily Grind

The quality of the meal items served is crucial in the food and catering industries. Mendoza survived years in catering, remaining steadfast in the pursuit of her philosophy of the 3 Ps — palate, price, and perception. For Mendoza, the first P — the palate — was the most critical. Discriminating customers demanded delicious and flavorful foods. With her culinary background and genius for recruiting the right cooks, Mendoza was able to whip up a variety of international favorites and fusion entrees. Customers had different preferences, so she made it a point to offer the widest array of choices possible, even if Tri Nova had carved out a reputation for its all-time favorites.

The menu was also closely tied to the next P — price. Mendoza served different customer segments with various price sensitivities. From the simplest packed meals to the fanciest buffet, all customers wanted to maximize the value of their peso. To that end, Mendoza had concocted a bag of perks to meet the third P — perception. With minimal formal training in marketing, Mendoza had developed a knack for delivering catering packages that appealed to her customers. Without any additional cost, these perks, such as the addition of lechon, fruits of the season, or the arrangement of thematic center pieces kept customers coming back.

A customer-centered business, catering could be stressful. Mendoza and her employees had to work weekends, evenings, and even holidays. While everyone else was partying, they were working. And their customers expected trouble-free celebrations with efficient and courteous service. This meant that her employees, from the kitchen crew that prepared the food to the front-line waiters who assisted customers, had to be trained.

While Mendoza had been able to put measures in place to ensure the quality of menu items over time, she had yet to develop strategies to ensure her crew's service quality. One challenge was maintaining a staff of regular waiters. The crew requirement for canteen operations remained relatively unchanged, however, catering services staff needs were unpredictable during the off season.

Mendoza maintained a minimal number of cooks and waiters during the off season. When the need arose, she had to recall some employees who had worked for her before. Maintaining the same strength of service throughout the year was not financially feasible due to the irregularity of the demand. As a result of the variability of business activities, some of the kitchen and wait crew would jump off to other catering services firms. Mendoza quipped to herself, "I am left with no choice, but to become the never-ending trainer of the newbies in the catering craft. My competitors should thank me for this." She found

this high turnover of workers to be a major irritant. She knew that most of her clients' dissatisfaction stemmed from quality lapses due to her service crew's inadequate experience.

The peak season was Christmas through the fiesta of the child Jesus, culminating in the Sinulog in mid-January. Then, during the last two weeks of March, came the graduation parties. Throughout the year, clients continued to need catering for town fiestas, christenings, housewarmings, birthdays, weddings, anniversaries, *despedidas* (sending off someone who departs), and *bienvenidas* (welcoming someone who arrives). The business also serviced private and corporate activities such as seminars, office blessings, product launches, team-building, and officers' inductions. Even academic activities such as acquaintance parties, ring-hops, and school proms figured into the random demand for catering.

Spice of Life

Mendoza heaved a sigh of relief as she reviewed the last three years of Tri Nova's performance. Business was good, but critical service operations left much to be desired. Ever the shrewd business owner, Mendoza had been anxious over the repeated service mistakes her unexperienced crew made. Still, she was feeling confident after winning new business with BPO firms. She wondered, should she continue to grow her canteen operations and leave the catering business? If she did, she could move into a smaller space and sell most of her catering equipment, furniture, and fixtures. She also recalled the offer an acquaintance made for short-term training courses for catering personnel. This could allow her to continue to grow her catering operations. She mulled over the possibilities as she contemplated her business' future.

Endnotes

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