THE HIGH COST OF A LOW BID:
When Short-Term Successes Have Long-Term Consequences In Your K-12 School District
Choosing a service partner for your K-12 school district is a complex process. You want to make the best decision for your schools and your students’ learning environment but must also consider budgetary concerns and the opinions of other stakeholders. More often than not, price becomes the ultimate driver, and the lowest bid is awarded the contract.

Initially, securing the lowest cost services may seem like an immediate success; however, your schools may soon feel the counter effects of settling for a low bid. While you’ll be saving money on the front end, there are concrete and costly risks associated with choosing a potentially less qualified option. The old adage of “you get what you pay for” can quickly take on significant meaning.

From high turnover, learning disruptions and poor service delivery, the challenges associated with cutting corners on a service partner often cost school districts more than they initially saved. Yet, how are administrators supposed to justify bypassing a lower-cost bid in favor of a more expensive option?

To convince your board of the risks and potential consequences of choosing a less qualified outsourcing partner, you need to provide clear justification for your recommendation. Understanding the hidden costs is the first step.
BEHIND THE SCENES OF A LOW BID

While your school board may be hyper-focused on the final price of each proposal, there are several factors that contribute to a company’s ability to offer a lower bid. For instance, one of the key ways to keep costs low is by paying workers the bare minimum. This “shortcut” saves even more money when employees struggle to afford their benefits packages and ultimately opt out, allowing the company to lower its cost of contribution. While this saves money for the company and, in turn, your district, low wages are often the catalyst for other problems.

Consider these eight hidden costs and consequences of a low bid:

- **HIGH TURNOVER**
  When employees don’t feel fairly compensated, they aren’t likely to stay in a job any longer than necessary. If they can get higher wages or improved benefits elsewhere, they will likely leave.

  Additionally, turnover can be impacted by a company’s investment in its employees. Without the right tools, training, and equipment, employees are likely to feel less valued and possess less loyalty to stay.

  **TIP:** Understand the level and types of employee investment included.

- **HIGH ABSENTEEISM**
  Turnover often leads to high absenteeism among those who remain. High vacancy rates may encourage existing employees to take time off without fear of reprisal. The result is unpredictable staffing levels.

  **TIP:** Investigate the provider’s ability to recruit & retain talent, particularly during periods of low staffing.

- **VACANT POSITIONS**
  Speaking of unfilled vacancies, low wages and lackluster benefits make it harder to find quality employees, leaving crucial positions unfilled. This causes existing employees to be spread thin between necessary tasks and leads to work going undone or not done well.

  **TIP:** Investigate the provider’s ability to recruit & retain talent, particularly during periods of low staffing.

- **POOR QUALITY AND SERVICE DELIVERY**
  That brings us to our final hidden cost: without a dedicated, fulfilled and motivated team, the quality of services delivered isn’t likely to be worth the money saved.

  **TIP:** Understand the provider’s approach to maintaining quality control.

- **SIGNIFICANT DISRUPTION**
  The lack of a fully operational staff can cause significant disruption to the school day, affecting how teachers teach and how students learn. Failing to complete simple tasks, like cleaning classrooms, cafeterias and restrooms, can impact the flow of the school day.

  **TIP:** Understand the provider’s approach to maintaining quality control.

- **ADMINISTRATIVE TIME WASTED**
  In order to solve the inevitable disruptions, administrators must carve valuable time out of their day to troubleshoot and assemble cleaning personnel and resources. This time spent takes administrators away from their student-centric issues.

  **TIP:** Understand the provider’s approach to service recovery and responsiveness.

- **LACK OF PROPERLY TRAINED STAFF**
  High turnover means new staff are continually being onboarded and trained. However, it is challenging to sufficiently deliver services when employees are not on the payroll long enough to properly learn the job. Additionally, companies can lower prices further by eliminating or placing less emphasis on employee training.

  **TIP:** Investigate the provider’s approach to training & frequency.

- **LACK OF OWNERSHIP AND PRIDE**
  With unfulfilling wages and an inconsistent team, even the employees who are on staff for a longer period of time aren’t likely to feel pride and ownership over their work. They are likely to feel they are bearing more of the burden. As a result, the service they provide suffers.

  **TIP:** Investigate a provider’s approach to employee engagement.

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It may not be immediately clear how each of the eight hidden costs and consequences of a low bid ultimately add up to searching for a new service provider. The below graph makes it painfully clear just how detrimental choosing the lowest cost provider can be, resulting in learning disruptions and poor service delivery.
THE PROBLEM WITH A REVOLVING DOOR OF SERVICE PROVIDERS

As these problems become too great, many schools then make the mistake of switching to another low-cost service provider, in hopes that the same issues won’t arise. Service providers are often encouraged to meet or beat the current provider’s bid, knowing that a low bid won the previous round. Yet, this creates a endless cycle where each subsequent provider is even less prepared to deliver quality service. The result is a revolving door of service providers who are unable to delivered the expected service.

In the meantime, schools suffer from inconsistency and poor quality service where building conditions worsen, the deferred maintenance backlog continues to grow, and service complaints increase. Administrators and board members are ultimately making the decision to sacrifice a clean, safe learning environment for their students for the temporary benefit of a lower bid.

Rather than facing a new version of the same old problems every few years as contracts end, K-12 school districts are far better served to invest a little more up front. By accepting slightly higher, qualified bids, districts can gain improved employee satisfaction, higher morale, better quality, greater value and peace of mind.
THE BOTTOM LINE: CONSIDER WHAT SAVING MONEY WILL COST YOU

Seeking out the most affordable solution is a natural inclination. With tight budgets and pressure from board members, it can be difficult to turn down a good deal. However, by investigating the finer details of what temporarily saving money will inevitably cost, districts can reframe their selection process around what variables contribute to a good deal. Focus instead on the intangible savings that make the financial cost of a higher bid well worth the risk.

See if Aramark is the right choice for your facilities management in our guide: Why Choose Aramark for Your Facilities Management.

THE ARAMARK DIFFERENCE IN ACTION

After years of selecting the lowest bid for cleaning services and consistently being disappointed with the services delivered, a public school district in Tennessee decided enough was enough. While outsourcing had originally helped lower the district budget by a staggering $12 million, the superintendent decided the dramatic cuts weren’t worth sacrificing their students’ healthy and stable learning environment. By deciding to expand the budget, the district would still be saving a substantial amount of money, but without the risk of compromising student needs.

The district decided to partner with Aramark for custodial services. At the time, the incumbent offered an entry-level wage rate of just $7.25 per hour. This comparison with Aramark’s entry-level wage rate of $8.75 to $9.25 made it easy to see why Aramark employees had a better quality of life. Plus, in addition to a higher hourly rate, Aramark also offered employees training, engagement and development programs to help employees feel confident in their abilities.

To truly demonstrate their commitment to more efficient and higher quality service, Aramark invested $2.9 million into upgraded equipment and tools in the district. Thanks to their partnership with Aramark, the district saw a near-immediate improvement in service and learning environments and still saved $8 million from managing facilities in house.