

No. 3 Off-Campus Dining Network

Food purveyor enjoys a recipe for success

PETER VAN ALLEN
STAFF WRITER

KING OF PRUSSIA — Off-Campus Dining Network is in the business of giving college students choices.

Students have the option of buying a food plan, where they can basically eat every meal at an approved provider, like Subway or Pizza Hut. At the restaurant, a student pays with a kind of debit card.

"Kids nowadays are grazers. They're not going to sit down for a traditional meal. They want something that suits their lifestyle," said Kenneth W. Schwenke, CEO and founder of Off-Campus Dining.

The formula has helped fuel the Montgomery County company's growth, which amounted to 1,500 percent over two years, resulting in a ranking of No. 3 on the Philadelphia 100 roster.

Off-Campus Dining competes with university meal plans but also ones provided by outside service companies like Philadelphia-based Aramark, Gaithersburg, Md.-based Sodexo USA and the British company Compass Group PLC. It also competes with so-called campus one cards, debit cards that can be used for a variety of university dining options and services, as well as for off-campus establishments.

A year-and-a-half ago, Schwenke bought out a competing program run by

two students at the University of Virginia. Now the students, Cade Lemcke and Brandon Lloyd, work with Schwenke.

Schwenke's background was in food service.

He spent six-plus years in the food-service division of Aramark. He left in 2001 and, after a year-long noncompete delay, he started Off-Campus Dining with \$2 million in startup capital. Most of the startup was funded with money made while at Aramark, which had a \$650 million initial public offering while Schwenke was on board.

In starting his own business, Schwenke's basic premise was that students don't eat the way their parents did — in dining halls. Dining hall food evolved, he said, from a post-World War II boom in student populations, using a military mess-hall model.

By contrast, today's students grab quick bites. They eat out. They eat at friends' apartments. When confined to a dining hall menu, they'll skip two out of every five meals, Schwenke said.

"Basically, with a traditional meal plan, a food-service provider makes its money by what's called the 'missed meal factor.' For every dollar spent, 42 cents is basically wasted. They don't want to be too good, because if they're too good too many kids will eat there," said Schwenke.

When you factor in missed meals, the cost of dining-hall meals can exceed \$8.50 a meal.

"At that point, you might as well go to a Subway or another restaurant," said Schwenke.

Food-service providers sell to clients — the universities. But Off-Campus Dining sells to what Schwenke calls the end user, the student.

Schwenke's company was designed only to take advantage of a trend already evolving.

The company started with three campuses the first year of operations, the academic year of 2002-03.



CEO Kenneth W. Schwenke.

Now, 42 colleges and universities participate in the program, including the universities of North Carolina, Iowa, Tennessee, Georgia, Wisconsin, Florida, among others.

About 850 off-campus restaurants are associated with the program. They include Smoothie King, Jersey Mike's, Papa John's, Fazoli's, Quizno's, Ben & Jerry's, Mellow Mushroom, Panera Bread and Domino's Pizza.

"Universities saw what we were doing, and started wanting to work with us," Schwenke said.

On campus, the company hires students to sign-up students, handle front-line questions and spread the word through "guerrilla" marketing.

"Students don't trust the standard media message. They get their ideas from other students," Schwenke said. "One third of sign-ups come from students signing up friends."

At one campus, University of California-Davis, Off-Campus Dining has a joint venture with the contracted meal provider, competitor Sodexo USA. There could be the potential for more such arrangements, Schwenke said.

But, mostly, the company expects big growth from the system it created.

In the current fiscal year (which corresponds to the academic year), Off-Campus Dining expects to have sales of \$6 million, up from \$2.8 million in the previous fiscal year. The company has 11 employees.

Off-Campus Dining has a big appetite for growth.

The company hopes to add 50 to 100 new universities a year in the next five years. It expects it will have arrangements with up to 2,500 restaurants. There are 3,500 four-year colleges and universities nationwide.

"The nice thing is, we don't have to build anything, there are no capital expenses," Schwenke said. "The universities don't have to build a dining hall for us."

UP CLOSE

COMPANY: Off-Campus Dining Network LLC
CEO: Kenneth W. Schwenke
YEAR FOUNDED: 2002
START-UP CAPITAL: \$2 million
2004 SALES: \$124,400
TWO-YEAR GROWTH RATE: 1,507 percent
2004 EMPLOYEES: 11

