



REPORT

From the office of the...

Finance Committee

TO: Members of the Student Representative Assembly
FROM: Matt Eichorn, Selene Florean, Arjay Villasis, Talha Irfan, and Alexandria Johnston
SUBJECT: Compass Review and Recommendations
DATE: March 15, 2019

Dear Members of the Student Representative Assembly,

Over the past two and a half months, we have been working to evaluate Compass' effectiveness as a business unit of the MSU. The following report outlines our work over the term, including our recommendations for improvement.

Executive Summary:

Compass is currently running in a deficit and has been presented with the opportunity to re-evaluate its operations in light of a changing University demographic. As such, the Finance Committee undertook a project this semester to review Compass and make recommendations to help reduce the current deficit. We believe that remodeling Compass, such that it becomes a "MSU Hub" will increase its effectiveness and provide a more assessable and present face of the MSU.

Relevant Background:

This year, Compass lost its long-term contract with Go and currently a tentative partnership for Go through HSR in its place, this has resulted in Compass has losing a large portion of their commission revenue (upwards of 70%). The tentative agreement that is in place contributes to a very thin margin, which makes operating a business very delicate. Compass has fixed monthly costs related to the rented Moneris (sale terminal units) among other equipment and only collects a small commission on the services provided above. Therefore, if there are **any** errors by an employee, or if sales continue to decline then Compass will continue to operate at a loss. It should be noted that Compass is not designed to be a profit-generating business unit, but rather works towards operating at break-even in addition to providing the most value to students. This is where the focus of our summation lies, as we try to find ways to further produce value from such a valuable space. Additionally, Compass is currently supporting the wages of 15-16 Customer Service Representatives (CSR's) and 4 Part Time Managers (PTM's), without making substantial enough revenue to cover these costs. There is frequent overlap of 2-3 employees at a time, and it is seldom that they are all fully utilized or all busy with customers. Another financial constraint that Compass currently faces is the cost of their bank fee's. The Compass bank fees

are increasingly high, and presently, they are not passed on to students within their sales. However, if we are unable to improve the partnership agreement with Go and the HSR, passing on the bank fee's to students will be considered. Given the observed qualitative and quantitative issues present within the service, the Finance Committee has come up with a list of recommendations that may aid closing the deficit and further improve the value of the space to students. As will be seen, this may be done through monetary cuts or better utilization of the service space through partnership or improved branding strategy.

Recommendation:

1. Reduced hours of operations and CSR's on staff

Through our consultations with Debbie, we discovered that Compass is busiest between the hours of 1:45-5:00pm, and that Thursdays and Fridays are the busier days of the week, with Tuesdays and Wednesdays being the most noticeably quiet days, and Monday's being relatively steady days. Currently, Compass operates from 8am-8pm, however, we believe Compass should restructure their hours of operations to reflect its current demand. As such, we believe Compass should operate between the hours of 10-5pm, reducing its daily hours by 5 hours/day and thus, 25 hours/week. In a conservative estimate, if we assume only one CSR is present between the hours of 8-10am and 5-8pm, this would result in a savings of approximately \$70/day, \$350/week, and \$1,400 /month. We do believe however that there would be increased savings as there is typically around 2-3 CSR's staffed at a time. Additionally, we recommend reducing the scheduled CSR's down from 2-3 at a time, to 1-2. These proposed hours are based off analysis of the RMS data provided by Maggie and further anecdotes/observations provided by Debbie.

2. Increase collaboration with current MSU Services

In terms of better utilization of the space, we recommend exploring a potential partnership with another MSU entity; the two that we identified as the most suitable are SWHAT and/or Farmstand. This partnership would take the form of MSU services operating alongside each other for one or two days. With this approach, Compass can address its issue of space underutilization and perhaps facilitate an influx of student interaction given its shared space with another service. By maximizing utilization of the front-facing space in MUSC, it gives the MSU an increased presence provides up to three services in a very convenient and accessible location. Our preliminary forecast for merged services in the space would look something like SWHAT operating after Compass' closing hours, and Farmstand filling in lower-traffic hours on Tuesdays and Wednesday with offerings of fresh produce year-round. In conversations with Farmstand, we have confirmed that Farmstand could operate yearly, rather than its current operations which cease in the beginning of October. Although logistic challenges would be present, with this design, we think this solution presents a way to add a "Face to the MSU".

Note: It should be noted, however, that obstacles to overcome would be ensuring safe internal controls concerning prevention of theft- specifically concerning the transfers of cash.

3. Rebranding

As it stands, Compass currently stands alone as an MSU business unit and there is very little branding that ties Compass to the MSU. We believe, opportunity presents itself to rebrand Compass so that it is immediately apparent Compass is related to the MSU. Similar, to Union

Market, we think the MSU logo should be present, and Compass should be branded with similar colours to the MSU so that Compass can act as the face of the “MSU” as there is high traffic within the student centre.

Conclusion:

As it stands, Compass is currently in a unique situation where opportunity presents itself to reimagine its operations as a service. We believe that through a reduction of current hours of operation, increased collaboration with MSU services and a rebrand of front facing signage, Compass can reduce its deficit and continue to offer valuable services to McMaster students.

Sincerely,

Matt Eichorn, Selene Florean, Arjay Villasis, Talha Irfan, and Alexandra Johnston