

Common Problems in Hospitality Procurement



The role of procurement within a given organization can vary widely, from purchasing and supply chain management to strategic acquisitions, customer service, and relationship building. But for some markets, like the hospitality industry, procurement and purchasing managers are connected to the success of the business at nearly every level.

In the field of hospitality, procurement occupies a place of singular importance. It serves not only to supply the organization efficiently, but to produce value through optimal quality of goods and services as a function of customer service.

And in the digital age, traditional hotels find themselves caught in aggressive competition with new, boutique-style accommodations provided by AirBnB and similar services, fighting to cut costs without sacrificing quality or user experience.

Movie theatre, resort, cruise lines, entertainment and hotel procurement professionals face several challenges that are daunting, but not insurmountable.

By familiarizing yourself with these problems and their solutions, you can streamline your procurement processes, maximize cost savings, and build lasting

value while staying competitive.

4 Challenges Hospitality Procurement Organizations Regularly Face

Like all entities who buy goods and services in the modern marketplace, the hospitality industry faces, and needs reliable cost-effective solutions to, common procurement problems.

1. Inadequate (or No) eProcurement Software Integration

Procure-to-pay process management for hospitality supplies, furniture, fixtures, and equipment (FF&E) and hotel operations.

Supply chain management and vendor relationship development.
Reducing operating costs in support of hotel management.

Without a centralized eProcurement system to help support these procurement functions, even the most seasoned purchasing managers may find themselves fighting not just the tide, but a tidal wave of trouble.

Failing to find and integrate an e-purchasing software package that suits the particular needs of your organization can spell disaster in the form of lost or duplicated purchase orders, maverick spending on everything from office supplies to critical services, and missed opportunities to form strategic partnerships with vendors for greater cost savings.

Conversely, those in the hospitality business who integrate a real-time, centralized, eProcurement system will quickly discover they have:

- Total transparency for all transactions, reducing or eliminating maverick spend
- Access to analytics that inform planning and supply chain management in support of:
 - Evaluating and strengthening vendor relationships
 - Obtaining better delivery times, the highest quality products, and the best prices

- Efficient forecasting and planning
- More control over internal and externally sourced support for essential services, including Business Process Outsourcing (BPO)
- User-friendly self-service for common purchasing activity
- Greatly increased efficiency of document and order processing

Better still, they've created an environment that minimizes many of the other common problems, whether they're supplying a single hotel or hundreds.

To plan for demand while obtaining the best prices, you need to be able to identify how and when your company uses goods and services, and create an intelligent and adjustable strategy for real-time restocking and renewals.

2. **Poor Demand Planning**

In a seasonal business like hospitality, the challenges of balancing how much of a good or service to buy—and when to buy it—are greatly increased.

With customers demanding best quality goods and services, you don't want to risk running out, so you might end up spending more than you should to make sure customer service doesn't take a hit.

On the other hand, if you stock up on goods when they're more affordable but they aren't used, you've effectively wasted your money completely (if they're perishable or fall out of fashion) or wasted time and labor dealing with storage you didn't plan to use.

To plan for demand while obtaining the best prices, you need to be able to identify how and when your company uses goods and services, and create an intelligent and adjustable strategy for real-time restocking and renewals.

A software solution supports better spend management by providing key insights into quarterly and annual trends for customer demand, availability of products, and cash flow.

You can make relevant and cost-effective decisions that satisfy your business needs (and add maximum savings to your bottom line) in a timely fashion, without losing value.

3. **Ineffective Relationship Management**

Are your vendors familiar colleagues who know and understand your business needs?

Or are they mere ciphers—simply a voice on the phone or a screen on the Internet? Building strong relationships with your suppliers is critical to building a successful hospitality business, and without them, you might be missing out on special deals, volume pricing, or even exclusive contracts that can create not just savings, but powerful value in support of your company's short and long-term goals.

In an industry defined by healthy, productive relationships, an eProcurement system makes it easier to collect and leverage data for mutually beneficial relationships across your entire supply chain.

Strategic partnerships make it easy to keep customers happy while generating value through excellent goods, services, and customer support.

4. **Focusing on Savings Instead of Value**

In a perfect world, the best products and services would be plentiful, cheap, and delivered for free.

But here in the real world, high costs and tight budgets can make it tempting to focus on rock-bottom prices rather than providing the goods and services your customers expect and need.

But the key to long-term success lies in procurement services designed to track and exploit opportunities to generate true and lasting value, rather than short-term savings.

From FF&E to BPO, so-called “bargains” are rarely bargains, since they may prove to be of sub-par quality, fail (and require replacement) more

often, and generate dissatisfaction that translates to lost customers, costly PR problems, and rock-bottom profits.

With e-purchasing software at the core of your procurement process, it's easy to track and fulfill customer needs and expectations while still getting the best possible price on the highest quality goods available—especially if you've also focused on building vendor relationships that can generate new opportunities for savings and long-term value.

Make Success a Permanent Guest

The role of procurement may be larger in the hospitality than in some other industries, but it doesn't have to be more painful to manage.

Understanding and overcoming procurement challenges is easier with the right software, a tactical and strategic approach to procurement services, and a dedication to strong vendor and customer relationships that build value for your business.

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