

Spring 2006

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Strategic Sourcing for a Competitive Advantage in the Hotel Industry

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PART ONE

Introduction

In order to remain competitive in an intensely competitive business environment, many companies have resorted to cost-cutting, lay-offs, restructuring, and increased productivity measures to manage expenses and to increase profits. Senior executives in organizations have realized that on average, 50% or more of an organization's operating budget is spent on purchased goods and services. Therefore, the decisions made by purchasing professionals can help to determine the financial viability of the organization (Ball, 2005). Firms can increase the so-called "bottom line" by either increasing revenues or by decreasing costs. Under economic conditions of strong competition and uncertainty, it is often difficult to increase revenues. Conversely, the competitive environment can provide an advantage to the organization which has the ability to negotiate lower prices for purchased goods and services. The opportunity to increase income without relying on raising revenues is the essence of strategic sourcing initiatives.

A review of the literature encompassing strategic sourcing initiatives in hotels does not provide sufficient examples describing all of the benefits for adopting strategic sourcing initiatives. A more complete review of the literature available from non-hotel industries such as retail, computer, and manufacturing, for example, is offered in this discussion in order to explore opportunities for hotels that currently follow traditional purchasing methods. Borrowing "best practices" from other industries provides empirical research for hotels which seek to gain a competitive advantage. Additionally, this paper provides for the evaluation of current practices in hotel purchasing and suggests areas where strategic sourcing initiatives would reduce costs and provide

stronger vendor relationships, both of which are the benefits of strategic sourcing initiatives offered in this discussion.

Hotels experience intense competition between brands, and hotels which develop strategic relationships with suppliers for goods and services that are valuable and/or critical to the company will gain a competitive advantage over those who do not use strategic sourcing. Measuring the amount of the cost savings and the competitive advantage is not an easy task in the short-term. It requires an increase in human and monetary capital to develop strategic supplier relationships, and it takes time to see the results. One drawback to focusing on the sourcing of purchased goods and services is that there may not be an immediate cost savings. Strategic sourcing will benefit hotels in the long-term by providing strong supplier relationships that insure a consistent quality, availability, and price for the goods and services which are critical or at least relevant to the company's long-term objectives.

Purpose

The purpose of this research paper is to identify strategic sourcing measures found in non-hotel companies where competitive advantages in each organization's respective industry have been gained. Using this literature review, the research will be developed into strategic sourcing alternatives for hotels to adopt in order to become more competitive.

Justification

Hotel purchasing departments fulfill requests for commodity-type orders such as standard soaps, food supplies, linens, and many services from laundry to landscaping. The purchase of standard materials and services on an as-needed, day-to-day, basis is

called transactional buying. Strategic sourcing is the opposite of transactional buying as it involves a systematic process that directs purchasing and supply managers to plan, manage, and develop the supply base in line with the organization's objectives in a way that provides an optimal contribution to the organizational supply base (Ball, 2005).

The traditional view of the role of purchasing departments is to solicit competitive bids and award the contract to the lowest bidder. Unfortunately, this method does not take into account the role of long-term supplier relationships and the opportunity to create an integrated supply chain with strategic partnerships for future purchases of goods and services critical to the hotel's organizational goals to save money (Roberts, 2002).

Constraints

One of the biggest obstacles to changing from the way hotels currently issue purchase orders for goods and services is the need to change the traditional way of doing business. The organization itself may require an overhaul if its overall goals and objectives are not aligned in support of supplier alliances with the communication avenues needed to transform itself into a flow for information and strategic decisions. Even with these limitations, the discussion which is provided is beneficial to hotels due to the experience and successes borrowed from non-hotel industries. The former chief procurement officer for InterContinental Hotels Group reported that the hospitality industry is awakening to the benefits of using a supply chain in its sourcing decisions, and that hospitality is catching up to the manufacturing industry in its adoption of the value of thinking strategically in the procurement process (Atkinson, 2006).

One constraint upon this discussion is the inability of the researcher to perform and measure the actual implementation of the suggested methods for saving money, time,

and for measuring the improved strategic alliances which strategic sourcing initiatives offer. Since strategic initiatives are measured in the long-term, possibly over the course of a year, this discussion is limited in its ability to experiment with the application of before and after effects due to the inability to measure the quantitative and the qualitative changes over a long-term span of time. Additionally, as identified by Roberts (2002), the lack of senior management support is critical to achieving the optimal personnel and other resources required for converting the organization to the strategic sourcing process.

PART TWO

Literature Review

Introduction

Part One discussed the need for evaluating the traditional way of doing business versus the benefits which can be gained with the adoption of strategic sourcing initiatives and requires the comparison of both conditions – before implementation and after implementation of strategic sourcing methods. Part Two will provide a review of the literature from hotel and non-hotel journals which will add examples of the benefits of sourcing strategically.

Key Benefits

Measurable variables which help with the comparison of the traditional way of purchasing and the benefits gained from adopting strategic sourcing are the reduction in negotiation time for new contracts, cost savings from the implementation of strategic vendor relationships, and the improvement of the quality of vendor/hotel relationships. The Hilton Supply Management (HSM) effort summarized its key benefits as the combined reduction of total cost for products and services, the improved forecasting and productivity from achieving economies of scale, and the overall savings from consolidating supplier deliveries which included fewer deliveries, fewer invoices, and less paperwork (European Hotel Managers Association, 2004).

All of the above-mentioned variables stem from implementation of one or more strategic sourcing initiatives. Reducing the amount of time and paperwork for negotiating new vendor contracts is a benefit gained from identifying a few key vendors and spending the time and energy to make sure the vendor and the hotel procurement

professional have the same objectives. The cost savings from implementing the strategically aligned relationship with these vendors is a long-term goal. Time saved for future negotiations will reduce costs. Achieving synergies with regard to quality of goods and services supplied will also save money. The trust inherently associated with opening up the lines of communication between vendor and the hotel purchasing department leads to stronger relationships. These relationships produce a mutual desire to save money and to identify more efficient methods to supply contracted goods and services.

According to Fuller (2005), selection criteria with a long-term supplier relationship may be different from the current practice of accepting competitive bids in an “adversarial approach”. Supply chain management requires the formation of strategic relationships with suppliers, a broader focus than the traditional supplier-procurement department exchange. The identification of suppliers and the balanced relationship between the supplier’s objectives and the hotel’s objectives will lead to greater cost efficiencies throughout the purchasing process. Even with a renewed focus on negotiating strategic supplier relationships, the hotel is concerned with achieving the lowest cost for its goods and services. The hotel has its own supply chain which management should evaluate to determine which links in the chain offer opportunities for cost savings via strategic relationships with suppliers.

Examples from Hospitality

Boyd Gaming has made its goal for future purchasing decisions a reduction in the number of suppliers it will use in order to increase its product quality and to establish mutually beneficial vendor relationships (Stutz, 2005). Obtaining the best or lowest price used to be the goal, but with twelve Nevada Casinos, the focus on building relationships

with local vendors is viewed as a more strategic way to do business for the future. Piatti Restaurant Company (Buchthal, 2005) has also abandoned the traditional way of doing business for its twelve restaurants. The company now allows its individual restaurants to source locally for foods which are grown or purchased from area vendors, and the menu for each location reflects the freshness gained from using local produce and other items. Food costs might even be higher than those obtained through corporate contracts, but the customers are willing to pay more for fresher, better-tasting menu items. Both Boyd Gaming and Piatti Restaurant have adopted the strategic sourcing initiative of buying locally and of establishing local vendor relationships over the traditional method of using corporate contracts and procuring the lowest price at the expense of quality.

Examples from Manufacturing

The manufacturing industry has traditionally been the leader in researching solutions for saving time and money to remain competitive. Wisner, Leong, and Tan (2005), define the supply chain as the chain of companies involved in providing consumers with products and services, from the production, delivery, and recycling of materials, to the end products and services.

According to Kumar, Bragg, and Creinin (2003), manufacturing experts have perceived the benefits obtained from the effective management of suppliers and the development of strategic partnerships with suppliers for more than a decade. They identified competitive advantages in the integration of critical suppliers for “streamlining order management, replenishment and fulfillment, inventory management, and engineering change management”. The strategic sourcing initiative of identifying a few, key suppliers for critical business functions was highlighted for developing strong vendor

relationships. They concluded that working with a few suppliers was easier when it came to requesting quotations, negotiating contracts, and monitoring and reviewing vendor review programs. The traditional method of seeking multiple price quotes from a list of vendors resulted in awarding contracts to the lowest bidder only to be surprised by price increases or longer lead times later in the process.

Supplier Relationship Management (SRM) is dependent on both the vendor and the manufacturer sharing important information beginning with product design specifications, inventory levels, delivery and production schedules, and other information available on the internet. The non-performing vendors are taken off of the bid list and the remaining vendors are reviewed for potential synergies with the manufacturer. Close relationships are built even prior to the signing of a contract to supply parts or services.

Examples from the Computer Industry

In the past, companies saved money by outsourcing production of goods and services whether to local subcontractors or to foreign countries. With the increasing need to gain a competitive edge, outsourcing is no longer considered to be the only option for saving money, maintaining consistent quality, or for controlling supplier relationships. NEC Electronics Corporation, for example, has increased its in-house manufacturing which previously was sourced to other companies (Who's Got, 2005, ¶ 1). Dell Computers considers its logistics to be one of its core competencies and has developed strong relationships with its freight carriers to guarantee delivery when promised. International Business Machines (IBM) partners with other computer manufacturers highlighting its consulting business capabilities to create strategic partnerships.

Examples from the Retail Industry

Retail apparel companies have outsourced large portions of their supply chains to overseas manufacturing sources in the attempt to lower costs. Unfortunately, the objective reached in lowered costs for assembly of clothing has come at the cost of lengthening the cycle time for providing the finished product to consumers. The strategic sourcing method of working with fewer suppliers and opening up the technology which allows rapid design changes and greater communication from both suppliers and retailers would offer the apparel industry alternatives to the traditional method of outsourcing manufacturing in order to achieve cost benefits at the expense of controlling the time it takes to produce finished goods that are seasonal in nature.

Methodology

This paper discusses the opportunity for hotels to save money, time, and to improve the quality of its supplier relationships in order to gain a competitive advantage through the research available from hotel and non-hotel examples. The decision to change the traditional purchasing department from a cost center into a profit center which affects the entire hotel in its savings and efficiency is a big decision for the hotel manager to make. Studying examples from successful hotels and other companies, who have adopted strategic sourcing methods for managing the purchasing decisions, should provide a sound basis for making this important decision.

Part Three presents two separate case studies. The MGM/Mirage Resorts Group made the decision to develop an in-house strategic sourcing team and has hired personnel to staff the new organization. The second hotel, the Ritz-Carlton Lake Las Vegas,

developed a relationship with a third party procurement services company through its parent company, Marriott International.

Summary

The first strategic sourcing initiative discussed in Part Two, the focus on building relationships with local vendors, has been successful for both Boyd Gaming and Piatti Restaurant Company. Both product quality and the establishment of mutually beneficial vendor relationships resulted from narrowing down the vendor bid list to a few local suppliers for future contracts. For hotel companies, local vendors might offer fresher choices for food and beverage requirements, and by sustaining the local economy, the vendor relationships could provide a ready source of supply in times of scarcity.

In manufacturing, Supplier Relationship Management provided competitive advantages in the integration of critical suppliers for streamlining order management, replenishment and fulfillment, inventory management, and engineering change management. Hotels which focus on building strong supplier relationships would gain a competitive advantage over those hotels that don't form these relationships. Hotel procurement professionals should spend the time and energy in identifying the few vendors that have similar objectives, and they will save time and money for future negotiations in the long-term when they don't have to create new relationships for each purchase. They will not be surprised by price increases and long lead times if they focus on establishing strong vendor relationships in the beginning of the process.

The third strategic initiative identified the need to determine whether in-house sourcing or outsourcing of key business processes would benefit the hotel. In the past, computer and other manufacturing companies outsourced key manufacturing processes to

take advantage of lower labor costs. Unfortunately, a loss of control over cycle times for providing finished goods and services to consumers resulted in the need to reconsider moving some processes back in-house. In the case of Dell Computers, outsourcing the logistics process to United Parcel Service (UPS) made sense, as Dell's core competency for providing customized consumer electronics quickly was well aligned with UPS's core competency for delivering the products as promised. Hotel procurement departments should likewise evaluate which goods and services can be produced or offered in-house, and which should be sent outside keeping in mind the need to maintain quality and control over delivery times.

Part Three will present another initiative with a discussion on the globalization effort at the MGM/Mirage Resorts Group. Achieving economies of scale by issuing large contracts for multiple properties would save money when compared to the traditional way where individual properties purchased goods and services on a smaller scale. The vendor relationships would also be improved by guaranteeing the successful vendor of a large amount of business, and possibly repeat business in exchange for reduced costs. In the example of the Beau Rivage, the problem of scarcity for building materials in the Gulf Coast Region might be solved if the MGM/Mirage were to gain reliable sources for material and labor supplies by guaranteeing contracts in other locations where the vendor or contractor desires to offer its services.

A similar goal at the Ritz-Carlton will provide an alternative for hotel companies which choose to establish relationships with third party procurement service companies as opposed to taking on this massive effort internally.

PART THREE

Introduction

Hotels would benefit from the availability of literature where traditional practices for supplying the hotel with purchased goods and services are improved by the implementation of strategic sourcing initiatives from hotel and non-hotel examples. The application of methods used in other industries to hotels would offer the hotel manager possible solutions for obtaining a competitive advantage. Using a case study would specifically allow the reader to identify with a real-life scenario for understanding the opportunities available with the adoption of strategic sourcing initiatives.

Case Study: In-house Strategic Sourcing at the MGM/Mirage

One of the largest hotel conglomerates in Las Vegas, Nevada is the MGM/Mirage Resorts Group. The MGM/Mirage properties include the MGM Grand, Bellagio, Treasure Island, Mandalay Bay, and twenty other local properties. Although the MGM/Mirage Corporate procurement department made purchasing decisions on behalf of all of the properties, many vendor contracts were issued by the individual property's purchasing department. In 2006, a global procurement effort was introduced where five separate departments will work on behalf of all of the MGM/Mirage properties to achieve economies of scale and reduce costs (M. Stolarczyk, personal communication, December, 2005).

In March 2006, the MGM/Mirage created the role of Chief Procurement Officer over the newly established strategic sourcing team. Previously, each MGM/Mirage Resorts property had its own purchasing department. The MGM/Mirage evaluated the benefits of implementing "creative strategic sourcing practices" to reach a potential of

\$200 million in annual savings for purchases company-wide (H. Sealy, personal communication, March 23, 2006).

Global sourcing initiatives which would identify suppliers for construction materials for all of MGM/Mirage's future and on-going expansion plans would be one example of an improvement which could save money for MGM/Mirage. The devastation of Hurricane Katrina has made construction materials short in supply. With the rebuilding of its Beau Rivage Resort in Biloxi, Mississippi underway, and expansions taking place at the Bellagio, Mandalay Bay, and with the construction of Project CityCenter, a seven billion dollar urban development project on the Las Vegas Strip, the MGM/Mirage global purchasing effort should have the opportunity to offer significant cost savings with the benefit of achieving economies of scale. Additionally, achieving targeted completion dates and having reliable sources for lumber and other building materials as well as a ready source of labor, would be objectives for negotiating strong vendor relationships.

Case Study: Outsourcing Procurement Services at the Ritz-Carlton Lake Las Vegas

Background

The Ritz-Carlton Hotel Company was established in 1983 with the purchase of The Ritz-Carlton, Boston and the rights to the name Ritz-Carlton. The management company has grown from one hotel to 59 hotels worldwide (18,475 guest rooms) with plans for further expansion in Europe, Africa, Asia, the Middle East and the United States. Twenty-eight thousand employees world-wide create the most luxurious service experienced by guests in countries including the United States, Australia, Spain, and

Hong Kong. Ritz-Carlton headquarters is in Chevy Chase, Maryland (Ritz-Carlton.com, 2006).

In 1995, Marriott International purchased a 49% interest in Ritz-Carlton. Three years later, that interest was increased to 99% (Ritz-Carlton.com, history, 2006). In 2001, the Avendra LLC procurement services company was created by ClubCorp USA, Fairmont Hotels & Resorts, Hyatt Hotels Corporation, Intercontinental Hotels Group and Marriott International, Incorporated (Avendra.com, 2006). Although its headquarters is in Rockville, Maryland, there are regional offices throughout the United States and Canada.

Avendra's mission was to improve the supply chain for these hotels. Dennis Baker, President and CEO of Avendra characterized his company as being about "aggregating spending and leveraging and reducing cost in supplier contracts" (Hayward & Downey, 2004). Similar to the MGM/Mirage Resorts Group, Marriott Hotels found a way to exercise its huge buying power to drive down prices and achieve other strategic sourcing benefits.

Strategic sourcing in Las Vegas

The AAA Five Diamond Ritz-Carlton, Lake Las Vegas provides the ultimate "other Las Vegas" experience in a relaxed, Tuscan-inspired luxury resort setting 17 miles from the Las Vegas Strip (Ritz-Carlton Lake Las Vegas, 2006). Procuring food and beverage supplies as well as other hotel and restaurant products used at the Ritz-Carlton Lake Las Vegas is performed by a five-member staff currently supervised by Julio Diaz. Eighty percent of Julio's orders are placed on-line via Avendra's website. All of the Ritz-Carlton and Marriott approved vendors are certified and monitored by Avendra. In order to stay within the local budget for purchased goods, Mr. Diaz places 80% of his

orders through Avendra's approved vendors. The system is shared by Hyatt Lake Las Vegas, the Ritz-Carlton's neighbor. Mr. Diaz knows the orders will be delivered when needed, and the pricing will be the best he can get. He won't have to put orders out to bid in the traditional way of doing business because Avendra has already done this for him.

Avendra will also perform cost controls and relationship management services for the Ritz-Carlton. Each individually owned Ritz-Carlton hotel has the ability to outsource orders to Avendra or to source locally for purchased goods. A restaurant chef may require a specialty item to be procured fresh from a local company. Mr. Diaz also has "credit cards" to shop at the grocery store if it is needed. He feels the advantages of having Avendra run the corporate purchasing services are many.

First, he spends little time on the phone or in the office placing orders. Hotel staff will usually find him around the hotel where they can request purchases or talk about the quality of delivered goods. He is able to inspect personally the delivered goods upon arrival. He still maintains the ability to develop strategic relationships with non-Avendra approved vendors for goods he needs as well.

Since both the Marriott Corporation Purchasing and the Avendra headquarters are located in Maryland, relationships between the companies are managed at a corporate level. Marriott watches over the budgets, volume pricing, and vendor certification process. The Ritz-Carlton Lake Las Vegas places orders and keeps the local guests satisfied. Unlike the MGM/Mirage global purchasing effort, Ritz-Carlton is able to house its purchasing department in a small office next to the loading dock. Both hotel groups strive to achieve the same benefits – lower pricing and more efficient supply management.

Recommendations for Implementing Strategic Sourcing in Hotels

Leaving the traditional

Hotels which seek to gain a competitive advantage in the hospitality industry, should evaluate the benefits to be realized with the implementation of the strategic sourcing initiatives described in this discussion. Beyond lowering costs, hotels have the opportunity to increase sourcing options as in outsourcing, third party sourcing, and local sourcing. The key element needed to proceed in changing from the traditional to a new approach is the identification of a sourcing strategy. The business objectives should be aligned with the strategic benefits to be gained in order to move forward with finding the optimal sourcing initiatives which are most appropriate.

Some sourcing strategies would include achieving better (lower) cost for purchased goods, gaining a competitive advantage in the delivery and quality of services, forming critical vendor relationships for scarce or critical products, and reducing the lead time for delivery of products or services. Although there are other possible strategies a hotel might identify, it is important to make sure the strategy identified is supported by management.

The desired benefits sought by adopting specific strategic sourcing initiatives need to be determined after evaluating the opportunities within the hotel for saving money, etc. Once identified the goals need to be communicated to management for its support (Slaight, 2004). The lack of senior management support is critical to achieving the optimal personnel and other resources required for converting the organization to the strategic sourcing process according to Roberts (2002). Without management support, the

sourcing initiatives will be viewed as unsuccessful in the short-term, and the risk of abandoning the conversion from the traditional way of doing business is increased.

The benefits for converting to a strategic sourcing hotel should also be measured against the cost for making the transition. For the MGM/Mirage Resorts Group, costs included the hiring of personnel ranging from a Chief Procurement Officer to various department managers, a building with all of the needed resources, and the technology to network the various individual property purchasing departments to one central system. In the case of the Ritz-Carlton, Avendra has already invested resources in the personnel and technology resources needed by the Ritz-Carlton. Costs may include a management fee or usage fee, training, and overhead.

Transactional buying may suffice for non-critical purchases, and more strategic methods may be chosen for the important or critical purchases. The supplier base would be evaluated based on the capabilities of each vendor to meet the determined requirements for quality, cost, and delivery. Kauffman and Crimi (2000) suggest creating a high-level cross-functional team with representatives from all of the affected organizational departments. This team would prioritize the goods and services to be procured and rank them as important for strategic sourcing opportunities or as non-critical for commodities which can be procured via traditional sourcing methods.

The purchasing department can proceed with identifying suppliers which meet the strategic sourcing team's requirements and add them to the supplier base. Strategic suppliers would need to be certified as approved vendors, and they can be included on the cross-functional team if desired.

Measurement

Prior to implementation of a strategic sourcing plan, a way to measure or quantify the outcomes needs to be established. It is not enough to present a number to management touting the costs saved as proof of the effectiveness of the new measures. Saying, "We save a hundred thousand dollars last year by converting to strategic sourcing," is not credible. Instead, a comparison of the cost of supplying three hundred plus rooms at the Ritz-Carlton Lake Las Vegas for 2005 with the cost of supplying the same rooms after implementing strategic sourcing initiatives for the year ending in 2006 would be a valuable measurement of the effectiveness of the transition.

Management should also be provided with a way to measure the qualitative benefits of forming strategic alliances with suppliers. For example, a strategic relationship with a supplier for a scarce food product might result in a ready supply of the product when other hotels have a hard time finding it. At the Ritz-Carlton, providing guests with anything they want quickly is part of its high level of service. For Julio Diaz, being able to call a local supplier to obtain an unusual guest request and have it delivered immediately would qualify as a high level of service from a strategic supplier.

According to Julio Diaz, the Passover week celebration brings with it a huge opportunity for his hotel. For two weeks the kitchen and restaurant will be taken over by a Kosher service provider contracted by the Jewish guests who have booked a high percentage of the guest rooms. The Kosher service provider will require specialty foods and preparation, and they will need the services of the Ritz-Carlton banquet services in order to comply with the special requirements of the guests. Mr. Diaz, the Medici Café chef, and other staff have a strategic alliance with this Kosher service provider. Other

vendors which will become critical during this time will include the supplier for the plates, meats, flowers, and other products used by the Kosher provider. There is even a religious service element that the Kosher provider will require while staying at the Ritz-Carlton. According to Mr. Diaz, (personal communication, March 29, 2006) the profit for the hotel outweighs the inconveniences the staff will experience. The benefit to the hotel profitability is measurable when reporting to management. As bookings for rooms are accepted a year in advance of the stay, the success of the strategic relationship with the Kosher service provider should result in an advance booking of the hotel's services for next year's Passover week.

Ongoing evaluation and compliance

Kumar, Bragg and Creinin (2003) defined strategic sourcing as the activities that happen before the contract is signed including expense analysis, the identification of which vendors will encompass the supplier base, requests for quotations (RFQ's), contract negotiations, and the monitoring and improving of suppliers. The emphasis with a long-term strategic supplier relationship is on continuous improvement and ongoing learning. The relationship is different in the level of commitment between the supplier and the hotel since with a strategic relationship the vendor is not instantly replaced when it fails to comply with the hotel's criteria. Instead, the hotel finds out why the vendor is out of compliance and seeks to improve the situation for the future. The goal is to help the vendor meet and exceed the level of service required by the hotel.

Once a vendor is placed on the bid list for approved suppliers, the hotel has the goal of working with the vendor to gain a competitive advantage. The vendor has already become qualified in the matching of its goals with the hotel organization's goals, so the

need to replace the vendor by submitting new RFQ's and going out to bid again is not ideal. The cross-sectional strategic sourcing team might meet with the supplier to evaluate why the criteria were not met. Working with the supplier might bring renewed commitment to both sides to find a way to comply with the goals of the hotel.

If the vendor is unable to reach compliance with the hotel's strategic goals after exhausting any sources of improvement whether in business practice or technology, the hotel may decide to remove the supplier from the approved list and replace it with another approved vendor. The opportunity for continuous evaluation is important if the long-term goals of reducing costs, improving service, and maintaining strong strategic vendor relationships are to be met.

According to Julio Diaz (personal communication, March 29, 2006), a supplier who delivers low quality produce or other products to the Ritz-Carlton after having had the delivery rejected, would be reported to Avendra for evaluation of compliance standards. He would select another vendor from the approved list and place his RFQ's with them. A non-Avendra vendor might supply a product to the Ritz-Carlton and perform so well that he might refer them to Avendra to begin the certification process for becoming an approved Avendra vendor with preferential treatment by multiple hotel companies and other non-hotel companies as well.

Conclusion

Successful business practices that lead to competitive advantages in the respective industries are worthy of adoption for hotels. Without having to "reinvent the wheel" and find ways to save money, time, or better sources for purchases, hotel professionals can learn from the manufacturing, computer, retail, and hospitality industries with regard to

strategic sourcing initiatives which might provide opportunities for a competitive advantage.

Two large hotel chains, Marriott International and the MGM/Mirage Resorts Group, have made the decision to transform their hotel purchasing departments from the traditional into strategically focused sourcing departments. Both of these companies have invested time and resources into the transformation process with the intention of doing business better and achieving benefits which bring value to their hotels. Hotels which seek to gain advantages over their competitors would do well to evaluate the opportunities available to them by pursuing similar initiatives.

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