



Purchasing

by Louis A. Quagliana

Making heads or tails out of the supplier selection process

*Another great article from The Rooms Chronicle, the #1 journal for hotel rooms management! ***Important notice: This article may not be reproduced without permission of the publisher or the author.*** College of Hospitality and Tourism Management, Niagara University, P.O. Box 2036, Niagara University, NY 14109-2036. Phone: 866-Read TRC. E-mail: editor@roomschronicle.com*

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In the last issue, the purchasing column described how hotel managers can professionally create a bid package to initiate the purchase function for hotel supplies. Once those bid packages have been created and sent out to suppliers for review and quotation, there are a few more steps necessary to complete the process of selecting the supplier that best meets a hotel's needs. These steps include receiving the bids, comparing prices and services, meeting with vendors, and selecting which supplier with whom to do business.

A critical omen

Depending on how many suppliers will be selected in the bid process, and how many different categories were sent out for quotation, will determine the amount of bids being returned. Remember that it is possible, for a number of reasons, that some suppliers will not return a bid. This is why including a date by which the quote is due back should be included on all bid requests. It gives all suppliers a fair amount of time to determine pricing and gives the hotel a set date that fits their purchasing needs.

In most cases, a quotation received after the deadline set forth by the hotel should not be included in the selection of suppliers. It is not fair to the other suppliers who completed the bid requests and returned their prices on time. Nor is it fair to delay the hotel or its individual departments that count on the purchasing department to maintain their requisition and purchasing schedule. Lastly, if a supplier sends in a bid late, this should send a signal about a lack of urgency on the part of a supplier. This omen could be a forewarning of future late product deliveries, which could in turn be a tremendous strain on the property and its guests. A hotel may consider a late bid if the supplier gives notice in advance. In the end, it is the purchasing agent's prerogative to accept or decline the late bid for consideration.

Comparison pricing

After all bids have been returned to the hotel the employee or team making the purchasing decisions should compare items based on pricing, substitutes and service. Using a computer spreadsheet program to do this may make the task easier, especially when evaluating large bid request packages or when the number of responding vendors is high. Be sure to compare prices for each item, line by line, to ascertain which supplier is quoting the lowest price. Make a notation for each.

It is also important to ensure that each supplier has bid on the same item and that the quoted item matches the specifications from the bid request list. If one supplier's price for an item is much lower or higher than another supplier, this may be an indication that the vendor has bid on the wrong item. Such irregularities warrant further analysis by the purchasing agent. Common explanations for pricing irregularities might include misquoted case size or packaging, quoting for a wrong brand or alternate grade of product, quoting for different piece weight or size, or the substitution of a competitor's product for the requested item. Double check the specifications and always calculate cost on a per piece/per weight basis to accurately determine true cost.

If a supplier offers an equal substitute or an alternate substitute, it may be worthwhile to inquire about these products as they could possibly save the hotel money or might offer higher quality benefits for the same price. However, realize that a supplier may suggest a substitute that has a higher profit margin for them and may not be a suitable substitute for the hotel's needs. Hence, *caveat emptor* – Let the buyer beware!

Service and maintenance

When evaluating service and maintenance associated with a bid product, make sure it is equal for each product. If purchasing fax machines, make sure the service support is equal in relation to the price submitted by each vendor. One vendor may offer a lower priced fax machine, but they may also limit the number of service calls to repair the fax machine, might not provide a temporary loaner if the original is down, and it may take days for a technician to arrive on site. Some other service aspects to consider would include order lead-time, historical frequency of repairs and maintenance for the bid item, and even available delivery days and times. Not all suppliers deliver to the same routes or locations every day of the week. Hotels must determine how critical these aspects are to their operation.

Meet with suppliers

The next step after making comparisons in pricing and service is to meet with suppliers and speak about different questions that typically come up during the comparison process. It is not necessary to meet with all suppliers; only the ones that are perceived to be the best match with the property based on pricing and service. Ask questions about substitutes, ask for samples if feasible, and inquire about faster delivery (if needed) or better prices on some items. Remember, everyone needs to turn a profit, but also remember who the customer is and which supplier will go to greater lengths to build relationships.

A productive meeting will be beneficial for both parties by ensuring that each side will be able to do effective business together and build a relationship. First impressions matter, and if the purchasing agent does not feel comfortable with the supplier, then be smart and recognize that maybe the fit is not right. If the supplier cannot meet delivery requirements or cannot provide service 24-hours per day/7-days a week for critical equipment that the hotel will rely upon, then maybe they are not the best choice.

However, negotiation is a two-way street. Pick and choose battles wisely and determine what is most important. Do not jeopardize relationships with suppliers over small quantities, insignificant issues, or minor expenditures. If a supplier is able to meet or exceed the property's requirements, both parties will be on the right path.

Now it is time to choose

Lastly, after comparing pricing and services, and meeting with suppliers, it is time to choose the supplier with whom to do business. If the prices are the lowest, the products are a high quality and the supplier shows potential for a long relationship, the choice should be easy. The hotel should select suppliers based on the criteria it currently values most, whether it is price, service, reputation, warranty, etc.

It is also possible to purchase some items from one supplier and other items from another. This choice will give the hotel the best prices or services on all items, and show the suppliers that they have opportunity for future business but should sharpen their pencil in the future to become more competitive. Vendors will quickly realize they were not the lowest price on all items bid, but will understand that for future bids, the business is theirs if they meet all the requirements of the hotel.

There are drawbacks to dealing with multiple suppliers. More suppliers equal more deliveries, more paperwork, and more invoices to be paid. If paperwork reduction, ease of ordering, and delivery minimization is the hotel's primary concern, it should consider using the supplier with the lowest total price of all items on the bid request package. While some bid items may be more expensive per piece and others will be less expensive, overall, the total bid will be the lowest.

Conclusion

Remember to always select a supplier who meets and exceeds the needs of the property and has a future where both parties can profit and benefit. A strong partnership that continues and grows is almost always the best option in the long-term. While purchasing agents have an obligation to source items for the lowest price and best quality, the process of purchasing is about building, maintaining, and cultivating relationships with suppliers. Hence, that long-term gain is usually better than short-term savings. ✧

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