

Hotel Procurement, Considerations, and Implication and Recommendation for Hoteliers and Spirits Suppliers.

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Abstract

This article aims to provide the essential recommendations for the both hoteliers and spirit suppliers. The article presents the practice of procurement process used by both chain and non-chain hotels in Thailand. The study has also confirmed that food and beverage plays an important role as a revenue generator in hotel following room revenue. Knowing the way supplier works can help hotel streamline their operations and ultimately reduce cost. On the other hand in order for suppliers to successfully build their business, they have to build a strong connection and should understand both centralized and decentralized procurement system. Moreover, the objective of this article is to suggest the efficient procurement process for both hoteliers and spirits supplier. There are suggesting ideas, tools and implementations that hoteliers and suppliers can consider to apply when planning their procurement and sales strategy.

Keywords: food and beverage, spirits suppliers, centralized procurement, decentralized procurement, chain and non-chain, hotel procurement, beverage cost



บทคัดย่อ

บทความนี้มีวัตถุประสงค์ เพื่อนำเสนอคำแนะนำสำหรับผู้บริหารโรงแรมและผู้ส่งสินค้าให้แก่โรงแรม ประเภทสุรา (Spirits supplier) โดยนำเสนอกระบวนการจัดซื้อจัดจ้างที่ปฏิบัติจริงในเครือโรงแรมและโรงแรมอิสระในประเทศไทย จากผลการศึกษาที่ผ่านมายืนยันว่า บริการอาหารและเครื่องดื่ม มีบทบาทสำคัญมากในการสร้างผลกำไรให้กับโรงแรม เป็นอันดับสองรองจากห้องพัก ดังนั้นความเข้าใจกระบวนการทำงานของผู้ส่งสินค้าให้แก่โรงแรม ก่อให้เกิดประสิทธิภาพในการทำงานและสามารถช่วยลดต้นทุนในการบริการให้กับโรงแรมได้ดี ในขณะเดียวกัน ผู้ส่งสินค้าก็จำเป็นต้องมีความรู้ความเข้าใจในการจัดซื้อจัดจ้างเป็นอย่างดี ทั้งระบบรวมอำนาจ (Centralized) และระบบกระจายอำนาจ (Decentralized) นอกจากนี้บทความยังได้นำเสนอแนวคิด วิธีการ เครื่องมือ รูปแบบการจัดซื้อจัดจ้าง ที่สามารถนำไปปฏิบัติได้จริงและจะก่อให้เกิดประสิทธิผลแก่ทั้งสองฝ่าย

Keywords: อาหารและเครื่องดื่ม, ผู้ส่งสินค้าให้แก่โรงแรม, โรงแรมและการจัดซื้อจัดจ้าง, การจัดซื้อจัดจ้างระบบรวมอำนาจ, การจัดซื้อจัดจ้างระบบกระจายอำนาจ, เครือโรงแรม, โรงแรมอิสระ, ต้นทุนเครื่องดื่ม

Introduction

Hotel business operating today in the 21st century is operating in a very competitive environment. Precisely in the past few years more and more of great international hotel chains are expanding their portfolio brands through merger and acquisition, Kimpton was merged with InterContinental Hotels Groups (IHG) in 2015 (Kimpton, 2015) and Marriott acquired Starwood in 2016.

Besides room revenue, food and beverage has been observed as a revenue generator. Hotel operates 24 hours a day, 7 days a week, 365 days a year. Food and beverage department of in a full-serviced hotel has 5 distinctive function areas: restaurants, room service, bar and beverage operations, banquets, and food production.

F & B revenue is the key driver of RevPAR and one of marketing tools to maintain profitable performance. (Kang and Rajagopal, 2014) It is important as that F & B department was noted as a major revenue generator for U.S. lodging industry even during the economic recession years, in 1999 and in 2001-2003. Sathyanarayanan (2016) also stated in the recent article that F&B soon to outperform

room revenue.

Not only hotel industry, global spirits companies worldwide are expanding their wings thru acquisition. Competition has never been this intensify. Many small or local independent spirits companies are looking to take some market share. While exploring the macro-environment, government policy has geared up to push back the legal drinking age, increased excise and tax, stricter control on advertising and promotional activity, public campaign against drink and drive, as well as the recent eat-clean and healthy lifestyle seems to be an unfriendly market environment for drink industry; either On-trade (entertainment venue, nightclub, bar), Off-trade (both Traditional and Modern) trade, and Horeca channel (hotel, restaurant, and catering).

The article aims to provide necessary recommendations for both hotelier and spirits suppliers. There are suggesting ideas, tools, considerations, and implementations supplier and vendor of hotel, particular spirits; shall consider to apply when planning the sales forces and strategy.

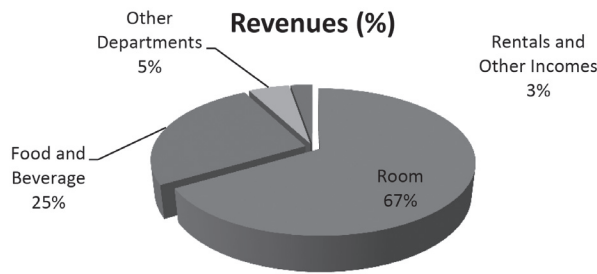


Illustration 1 Source and disposition of the industry dollars (Walker, J.R. and Walker, J.T., 2014)

Having known the way the supplier work helps the hotel streamline their operations and ultimately reduce the cost. Industry and operational practices such as beverage cost control, purchasing system, bar terminology, and important notes are described to provide some basic understanding to industry suppliers and executives.

Procurement and its importance

Pavia and Ivanovic (2007) stated that procurement encompassed, organizing acquisitions; surveying the supply market; planning the acquisition of materials, goods and equipment; determining the optimum quantities of goods required; placing orders; monitoring order execution; transporting and receiving materials, goods and equipment and conducting qualitative and quantitative controls; logging, supervising and analyzing acquisitions. The primary goal is to supply a hotel with the appropriate goods, materials, and food and beverage supplies, in the right quantity, in the timely manner, and in the most cost-effective way.

The characteristics of hotel material significantly impact on how to select the appropriate procurement channel. Perishability, standardization, usage, and prices are the important features that vary by each type of hotel material and supply. Hotel management company is likely to look for

market that has plenty and variety of services being offered from many providers and producers. (Pavia and Ivanovic, 2007)

Centralized – Decentralized Procurement

For international hotel chains today, we are seeing more and more of a combination of decentralized and centralized procurement operation. More often than not, procurement is centralized for product and service materials that require conformity and compliance to standard operation procedure. This compliance forces chain hotels to have their certain lists of products and services to be used and served at their group of hotels. The objective is to standardize hotel operations by promoting the commonality of products used and services offered across the board. Pavia and Ivanovic (2007) also explained that decentralized procurement means property-level procurement will in-charge of the planning and acquisition of hotel supplies as the department find appropriate and best suit to the designated operation and condition.

Hotel chains serve global travelers, are catering to guests from different countries and parts of the world. Considering the design of beverage drink-list, in general would set to offer standard and sometimes even wide range lists of alcoholic and non-alcoholic beverages; spirit or distilled beverage (gin, vodka, rum, tequila, whisky, brandy), liqueur, wine, beer, carbonated drink, juice, coffee and tea and etc. Whether a hotel to offer great numbers of selections or limited menu items (brand and product choice) depends on the extent to which classification of hotels (star rating) a particular establishment is operating under.

Understanding the background terms, operation and business practice at and behind the bar

The definition; ‘house pour’, ‘rail drink’, ‘well drink’, or ‘call brand’ will define the term of bar usage and reflect the projected sale volume of all beverage products. Practically speaking, at the bar orders are non-brand specific, or customers don’t specify particular liquor brand, such as ‘whisky on the rock’, ‘beer’, ‘dry martini’, ‘gin tonic’, ‘red wine’, and ‘rum coke’. Bartender will have the drink made of standard house pours. (Lai, 2005) House (pour) brand is literally referred as house pour, proprietary brand, or speed rail brand. Shock and Stefanelli (2008) explained that the term “rail drink” originates from the name for a bartender’s working station (bar rail), known as either the well or the rail. Stutts and Worthman (2006) further explained that well or rail brand are ,considered of adequate quality and valued priced. Below are some regular seen house brands by category (but no limited);

- o house pour whisky - Johnnie Walker, Ballantine’s, Dewar’s, Chivas Regal,
- o house pour rum - Havana Club, Captain Morgan, Bacardi Superior White Rum,
- o house pour gin - Gordon’s, Beefeater, Seagram’s, Tangueray
- o house pour voda – Smirnoff, Absolut

Nature of House Pour

For house pour product, as volume driven nature, hotel would demand discount and more often a guaranteed selling price for a certain period. Made no surprise that house pour products are typically international big brand names. Important to note that controlling is important element of F&B,

detailed costing per glass served will be recorded. Supplier selection and purchase bidding war is competing on rebate volume and pricing.

Interesting figure to share, the world renown original ‘Singapore Sling’ at the famous Long Bar, the Raffle Singapore is served over 1,000 glasses on a daily basis. (Raffles, 2016) 30ml. gin is poured on each glass (standard recipes). When apply a rough calculation, the long bar would have depleted approximately 40 bottles of gin (750ml) a day, or 1,200 bottles a month, or 100 9Litre cases (the Spirits industry standard unit to measure consumption). In terms of revenue, the price of \$28 a glass (before tax), brings over \$28,000 a day purely from one single signature cocktail. Not only the key volume source for supplier, but the Sling is truly the revenue generator for hotel.

The above shows an example of large hour pour volume. For supplier, therefore once your product was selected in as house pour, you should ensure the stock pipeline is there at all times (no chance for out-of-stock, delay in delivery, and etc.) and pamper your relationship well with the barmen and department staff. If you are unable to supply products for short period of time, hotel will have to pour the secondary brand. Hotel would also require a formal letter from the supplier stating reason explanation and expected date certain house pour stock will be resumed. But if shortage were months and months without prior notice and sound explanation, a chance for secondary ones are replacing you (permanently) is very High! House pour products normally are contracted between hotel and suppliers, with guaranteed price, special conditions, and other supporting budgets. Some contracts request hotel to deliver certain agreed volume to justify the hour pour discount.

All in all, being a hour pour is mainly about the cost. Hotel has strictly control on cost and will have to re-record the new costing if any change on ingredient and so does price. Reliability, reputation, after-sale services are key important things hotel looks from its supplier.

To Define Premium and Super Premium

Some establishments that regularly cater to higher-end customers or wish to project a luxury image can go a little fancier and upgrade hour pours by using premium (pour) brands, in respond to clientele's desire. (Katsigris and Thomas, 2006) Stutts and Worthman (2006) has defined premium brands as ,recognized brands of good quality and are usually more expensive than well brands. In this case of offering premium selections, Bombay Sapphire or Tanqueray¹⁰ can be set as premium pouring gin. Other up-scale establishments would make availability of Hendrick's, Oxley, and/or Plymouth as their 'top-shelf' luxury gins or super premiums, as this category signify unique quality to the namebrand (Lai, 2005; Stutts and Worthman, 2006).

Premium product and superior on-trade educational program to build product acceptance

Bar educational program and other related supports are highly recommended for premium to high-end spirits supplier to offer to hotel. Support could be in the form of product knowledge training, provision of new and signature cocktail recipes, beverage training, bar education trip to production facility or oversea training center, bartender cocktail competition, etc. To market and build premium

brand products; priority should be given to provision of product knowledge to barmen and key industry influential persons as you require their peer reviews. Leveraging of industry review and word-of-mouth is important to publicize product knowledge; what the product are made of, how the production and distillation are made, and why it is superior to other economy-end brands, what the profound characteristics are, what the perfect serving is, to justify the premium pricing.

What is a 'Call brand' or 'Call liquor'?

Meyer and Van (2013) gave a clearer example, a customer order for a "Scotch and soda" would lead the bartender to use a rail Scotch whisky and would be priced as a rail drink, whereas ordering "Glenfiddich and soda" would be a call drink. Brown (2004) explained that 'Call liquors' are known as such because the customer "calls" by name or requests a particular brand of liquor. Brand call can be used a consistent indicator of high brand awareness, successful market penetration, brand loyalty. The aforementioned success, need to be built overtime with fully-integrated marketing and sales plan, together with substantial investment. A liquor brand with strong brand call in an international scale is normally the one that has an international presence or recalled as a global spirit brand. Their marketing campaign and execution could be rolled out throughout the region, including travel retail territory.

Some brand calls could be for local spirits or local brands. Once in Korean and India, a call for ,soju or either ,Indian whisky would be great escape for a hotel clientele. As customers probably want to get a taste of local liquors, as some of



these are growing their appeals to larger numbers of consumers outside their domestic markets, namely Korean soju, Indian whisky, Chinese Baijiu, and Japanese sake. In terms of popularity scale Drink International (2016) recently released that South Korean's soju, Jinro has remained the top lister on million dollars spirits, no.1 selling liquor in the world. Jinro brand only has account for 73.8 9-litre cases, +4% from 2015. Indian's whisky Officer's Choice appeared the second on the chart 2 at 34.7 9-litre case, incredible 15% year-on-year growth rate. The double-digit growth and alluring popularity of these kinds of local spirits has led global spirits leaders like Diageo and Rernod-Ricard in acquiring some and even additional stakes in the business. Diageo currently owns some shares of Indian's McDowell's, Pernod-Ricard on the other hand has 2 Indian whiskies; Imperial Blue and Royal Stag

Top-shelf Product showcase

There are also chances which hotel guests who are wine, spirit, and brandy connoisseur or cocktail aficionado would go to the bar and request a head bartender for a certain brand or product on his regular drink repertoire. Fail to respond to the request would mean a customer dissatisfaction and reduced brand credibility and image in particular a full-service hotel. Carrying short-and selected lists of premium and super premium (or sometimes being called ultra premium) brands, is necessary for sophisticated and luxury establishment. The kind of super premium brand more often than not will likely be displayed at the prime and eye-catching spot behind the bar, the spot which is normally reserved for contracted products or on-promotion brand. An example, luxury hotels are required to

have Dom Perignon Champagne (or similar product) listed on the drink menu, to justify the luxury service and finest product served at five-star full service facilities. Whether this is or isn't any customer request at all, the stock inventory has to be there.

Thus, if you were promoting these top-shelf kind of beverages, the display on top shelf is somewhat your benchmark for achievement.

Signature drink

Another scenario is the corporate/chain signature food and drink list. The menu needs to be available in properties. Recipe requires the use of specific spirits and ingredient, Food and Beverage department then have to source the supplier on this product to serve this signature menu. Early 2016, 'Premiere Gold' - an award winning cocktail, has been launched and made available as a signature long drink of Premier Hotels and Resorts throughout the group properties. (Premier Hotels and Resorts, 2016) On the other hand, Starwood has provides some room of flexibility when it comes to local execution. A reliable anonymous source (2016) shared with writer that 'Sparkling' and 'Éclair' has been named the protagonists and the chain's signature drink and pastry. Starwood's Éclair has to be the original French éclair in an oblong shape. On a property-level, pastry chef may create his one of kind choux dough, filling up with variety of creams and toppings. Same to Sparking drink category, she is named the leading actress. Food and beverage department hence has to design drink list that made of sparkling-based cocktail and mocktail.

As the protagonists are announced, you can dress them up and localize those using local ingredients and food supplies, creating a unique differentiation and property-level preposition. The

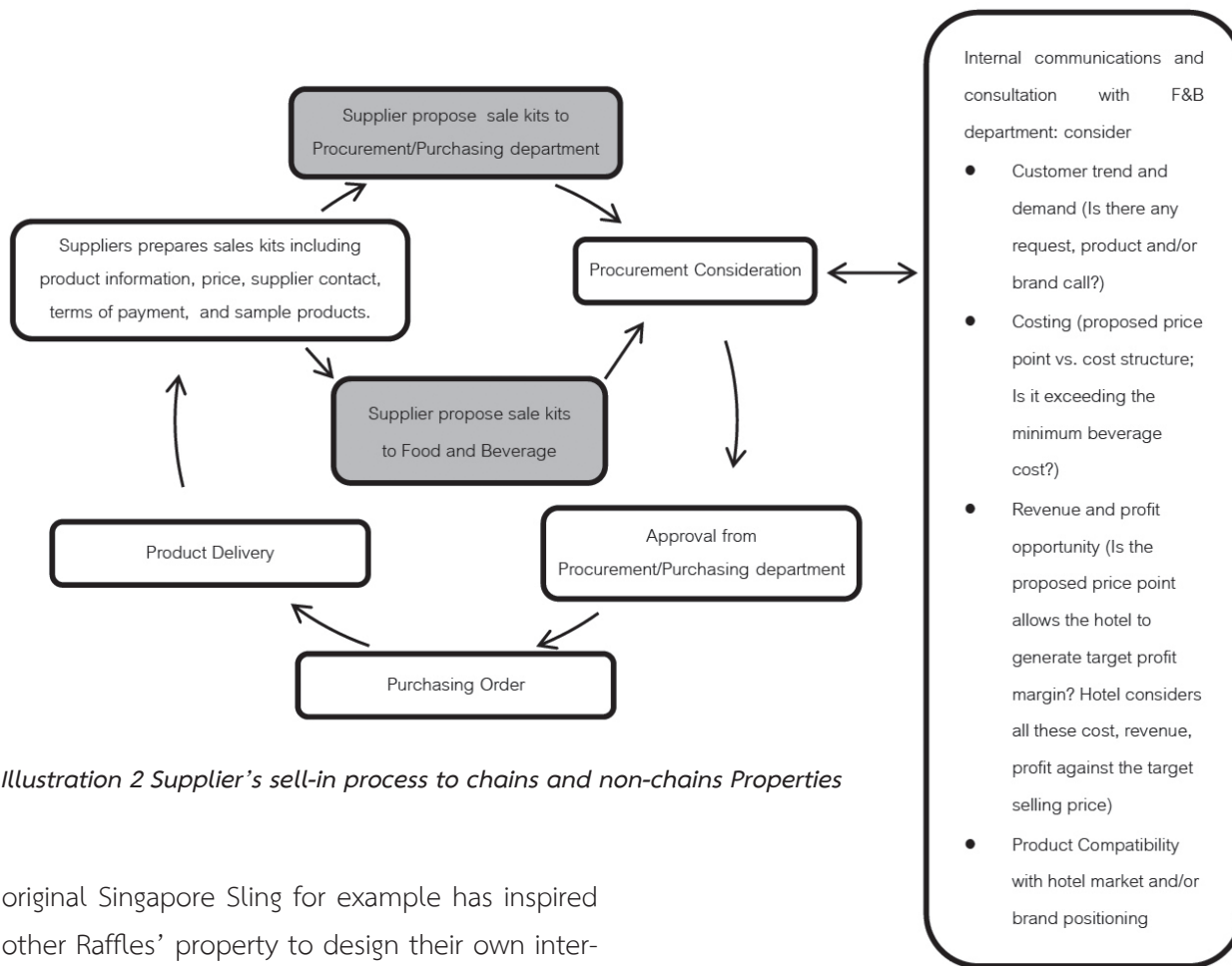


Illustration 2 Supplier's sell-in process to chains and non-chains Properties

original Singapore Sling for example has inspired other Raffles' property to design their own interpretation of the Sling with recipes adjustment and local ingredients.

How to Sell-in Your Products to Chains and Non-Chains properties - Practices in Thailand market

It is not complicated when you try to sell-in (new-entry) liquor to non-chain properties. You will perhaps discuss with food and beverage or either purchasing department, or many times both. Supplier will have to introduce a (very) formal presentation, information should include product knowledge, production and distillation process, unique characteristic and key differentiation from others similar products, press and media review, name and contact of wholesalers, signature menus, current distribution coverage (to build trade

confidence). accolade (if any), suggested selling pricing, On top of product presentation, provision of FOC (free-of-charge) bottles for sample or tasting purposes, with the intention that bartender can try them or either create new menus from that free stocks. With the given free stocks, beverage department can run an internal product tasting or test the market by introducing them as ,special of the month (promotional menu).

Introducing the Special of the Month?

Being featured as "special of the mont" means that wait- and bar staff will have to promote and recommend hotel guest to try the new concoction. Customer feedback and sales



performance will be assessed, if there is the demand, request, or potentially selling opportunity in the long run. If yes, very strong chance that hotel will want to list-in your product or brand.

The Listing-in and Drink List

When the product is of beverage department satisfaction (in terms of quality), then next step is the review of the cost. The set price should allow the hotel and beverage department to generate gross profit. However, supplier can suggest and provide pricing guideline of how much the produce should be sold in a particular market and product training to promote trade's understanding on product knowledge.

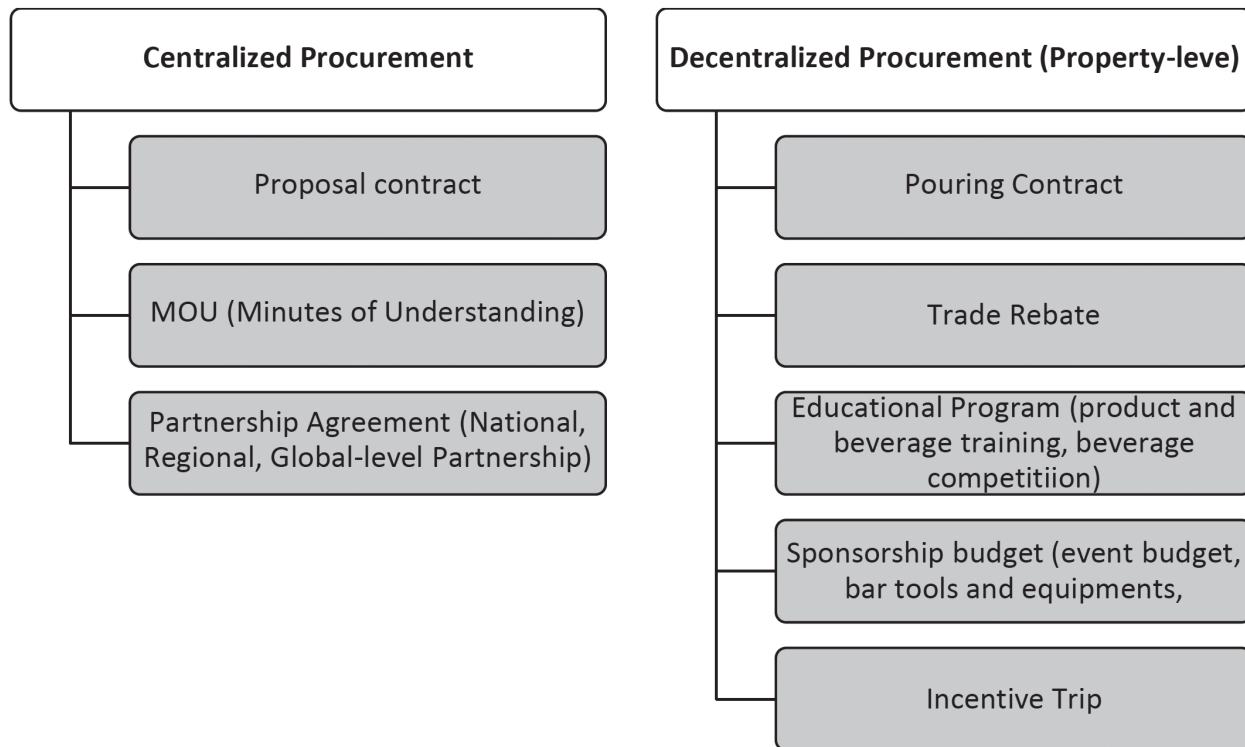
Hotel is normally very careful in listing-in new product and brand, as it means extra cost beverage department has to carry. All stocks need to be moving stocks and all beverages being carried will be listed-in on drink lists or beverage menu.

Beverage menu is said to be reviewed and updated in business cycle; every year or every 6 months. Once being listed-in on the menu, that particular product and brand tend to be there forever. To have the product being printed on menu, should supplier wait for the new menu cycle. Sometimes the wait lasts a year.

The above would be practices done to pursuit of product list-in as call brand in a typical hotel. What's about business possibility as house pour brand?

Quality, Quantity, and Price - A Qualified House Pour

In case of chain property, when approaching you might find out that door is closed for your product to be house poured. Management company takes control over property operations, over procurement and purchasing policy. Whether the policy is for centralized or decentralized procurement,



management company aim to emphasize operators of all sized to reduce costs, reinforce consistent product quality, and achieve higher customer satisfaction.

The process will be slightly different in the case of hotel under supervision of management company or franchise. As discussed earlier management company corporate office will be accountable for managing, planning, and purchasing supplies and entering contracts and making payments for services. (Detlefsen & Glodz, 2013)

The central procurement, hence will plan on hotel supplies including beverage acquisition; sourcing of appropriate supplier and products. Headquarter, instead of property-level purchasing, will periodically review, evaluate, update, and then circulate the product and supplier lists to all properties. Product quality, brand awareness, any changing trend in consumer behavior, cost price, services and incentive offered, and potential corporate synergy are taken into detailed consideration of the top purchasing management when choosing hotel goods and services supplier. The supplier contract could also be signed up on a national as well as regional level; Asia-Pacific, Middle-East, North America. The possibility depends on the worth scale of the regional units.

The property level needs to be aware of what must-haves and what recommended items are when purchasing beverage supplies. If not, a unit level has to justify; product or supplier's service is not available in that market or local price is uncompromised, for instance.

Into the Contract

A contract for F&B supply of liquors and white spirits, for instance, a house-pour contract

between a full-service hotel and resort operated under international chain (corporate office) and a global spirits company would mean all company's products that could range from vodka, gin, rum, tequila, whisky, vermouth, liqueur, cognac, aperitif will enjoy large volume base generated from being house pouring brands at all bar and restaurant outlets in that hundreds properties worldwide.

In the case of, local or regional products with limited resources and a very niche product, or case of existing product distributions are not there yet at all geographical coverage to enjoy the benefit of economy of scale, chances for the products and services you represented will be automated by pass (list-in) or being contracted, will be low. Then, what would you do?

Some of the options and business practices are available as per appropriated situations. At a property-level, you can pursue;

- Volume contract (supplier and hotel agree on a certain amount of product to be depleted in a specific period),
- Premium product contract (hotel agrees to select and consume supplier products as premium category of supplies i.e. cheese, wine, whisky. Hotel will be offered a special cost discount and asked to guarantee minimum order per month),
- You may as well send invitations to hotels to nominate a hotel staff to join a specific trip or a sponsorship budget for event and promotion supports. Wine and spirits suppliers do invite a hotel sommelier or a bar manager to the visit wine yards or production plants in hope to foster relationship with hotel staff and simultaneously build future product endorsers,
- A skilled training and workshop (i.e. product training, cocktail training, new product brief, brand



ambassador training) being seen as benefit as a hotel manager is no need to schedule and arrange internal training, Set-up a professional competition i.e. a cocktail or bartender competition, where hotels can send bartenders to compete in the trophy. Hotel reputation will be promoted, and many times entering a competition being recognized as part of staff career developments. However, some hotels do hesitate to have their staff involved in a competition game. The concern is if you lose, the brand reputation will be questioned, particular for rival leading brands.

The practices above are typical sale forces you may push to drive sale and secure volume. Ultimately, they are areas where suppliers and vendors can quickly develop a good rapport with hotel clients, starting topic conversation, apart from regular sale calls and visits.

When entering into a full contract, there are some samples of general areas that will be discussed beforehand between both parties; a hotel and a supplier.

Benefits supplier normally offers;

- Rebate product (by volume or value) i.e. every certain amount of purchase, will receive a certain amount of rebate,
- Guaranteed fixed cost price during the contract period,
- Education program or Training for hotel staff and other skilled workshops i.e. product knowledge (specify number of training per year, number of staff to participate),
- Event sponsorship support (specify cash amount or product amount). Hotel can organize promotion/themed event where supplier's product logo will be shown either as a sole or co-sponsor),
- Product support for staff party or internal

hotel program. (specify an amount of product/value),

- Equipment supply support i.e. bar mat, bar equipment,
- Incentive trip for hotel staff and management when target is achieved,
- Cash support for menu production and design.

Hotels in return usually consider in delivering the following benefits;

- Volume delivery (hotel to consider appropriate purchase quantity, it can guarantee to buy products or services per specific period i.e. quarterly or monthly then stated on the written agreement contract),
- Product or brand visibility support at the hotel (display at restaurant, bar, lobby, or spa areas). Hotels tend to have special concern on specific brand-related display at the premise, and avoid practice of into-your-face type of display. Supplier needs to come up with artistic and creative yet subtle display idea that well fit with hotel interior,
- Menu listing of supplier products,
- PR/communication. Logo of supplier product to be printed on the menu or outlet communication material (if any),
- Periodical volume consumption report (monthly, quarterly, yearly basis).

Drafting a Contract

Drafting a contract required time and energy, after discussions and meetings to review, adjust, finalize and agree. It may take several months to a year depends of commitment and legal binding. Hotel department head, Legal director, general manager, or regional director, or even further

top management will be involved and endorsed, depends of level of legal corporate obligation.

To successfully list-in products and being a hotel supplier is not easy; you need strong sale force, great motivation and teamwork, and connection at all levels; from operational to management. But once your products are in, mostly they will be there permanently.

Harvest period doesn't last centuries.

For vendors' harvest period apparently doesn't last centuries, that purchasing department normally tend to review and renegotiate contracts as often as possible as one ways to curb and restrain expense. (Turner, 2010) To maintain cost-efficient operations, hotels do encourage competition between vendors on a yearly basis, when contracts are put out to bid. The more attractive the contract, the more intense the bidding war will become; Re-contract or totally new deals with new vendors?

Once again keeping expenses low is key essential for hotel operation. Procurement department run purchase consolidation which allows hotels to be a volume buyer and get the best price as well as other financially and non-financially benefits. Some put forward multiple bids, practices which are normally found in insurance company.

Cost Is the Boss - The Cost Efficient Operations

The more important Food and beverage to the hotel business, the stricter control over the department is necessary. Costing and cost control hence played a critical role in hotel operations.

Standard procedure for beverage control is

similar to that of food, very detailing and strictly ruled from purchasing, receiving storage, issuing, production, and sales.

The application of standard recipe, standard quantity (serving size, glassware), bar measurement tools such as jigger and pourer, and automated dispenser are some of the tools beverage department and barmen use to control the cost per serving. Still, there are spillage and vaporization in beverage production and storage. Dittmer and Keefe (2009) stated that excess beverage cost is somehow a result of some forms of theft (pilferage) and that theft is perhaps greater with beverage than that with food. There are several answers to this, including expensive value of the beverage product, alcohol addiction, and reckless behavior. With a tight control, minimal leakage is observable.

Besides cost cutting, cost control, the standardization of department supplies; whether they are food ingredients, liquors and spirits, table wares or even engineering spare parts, are not only resulting in valuable saving for maintenance and staff training but also allows hotel to enjoy the operational cost-efficiency. Davis et al. (2012)

The control of beverage required time and effort, huge paperwork and endless calculation necessary for effective control measurement. Technology today made it possible for hotel to have computer software specially programmed to put effective control measurement in operation.

Davis et al. (2012) emphasized that Beverage manager should focus more on F&B profits, instead of sales. When the cost goes down, profit margin goes up. Therefore, the cost is actually the boss and that keeping the cost low is the key to success. When your goal is to double the current sales, you should be able to answer some of the following ques-



tions: ‘What strategy will I use?’; ‘What promotion should I run?’; ‘Shall I create new menus?’; How much should I budget for this?; How could I promote more traffic?; Do I need any more part-timer?; What is the ROI? And the list goes on and on.

Once driving sales, you need to take into account of the external environment. Apparently external environments are less predictable and controllable. Any political incident, natural disaster, economic downturn, and public concern on health and wellness can negatively affect your operating performance.

Keeping the cost low, on the other hand, is far less complex and less difficult to achieve, comparing to winning more sales either through increased average bill value and customer footfall. To have the cost reduced, beverage purchasing can streamline operations, dictate the goal price point, or either request for contract negotiation or discount solicits as volume buyer. If not getting the wish price point, hotel can find a new replacement product, an acceptable quality at acceptable price point.

Davis et al. (2012) suggested hotel have gained lower cost and vice versa a higher gross profit on house pouring brand beverages than other brand beverages from the result of special discount rate offered by suppliers.

Conclusion

Cost control especially in food and beverage section is an important part of hotel procurement system. Using proper procurement system is about understanding business partner’s background and building great relationship from the front-line staff to the managerial level. The relationship between beverage staff and supplier is a win-win relationship.

As both are being satisfied in one or the other terms, one of the main things that really matters is the connection or relationship with the procurement department. As mentioned earlier chain hotels, franchised hotels or hotels with management contract usually have centralized procurement system so having a strong relationship would mean long term business to the supplier. There might be some chain hotels, franchised hotels or hotels under management contract that allow for decentralized procurement of food and beverage drinks, again here developing a strong relationship/ connection with the purchasing department is a must. Being able to get the contract from chain & franchised hotels means the supplier would definitely get a big volume sale as there are so many hotels around the region/world. As for the non-chains (independent) hotels as discussed earlier supplier might have to approach the purchasing department, here the process would be easier and there are more chances of developing a strong connection with them in order to ensure long term business.

Recommendation

For hotelier, having the efficient procurement process is one of the most important tools that help streamline the operation cost. Establishing and reinforcing a good relationship would enhance mutual benefit to both ends. For suppliers, to successfully build your business with the hotel one needs to fully understand procurement system, build connection with all relevant staff from bartenders, wait staff, procurement officers, to even the key person the general manager.

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