

An overview of the sunny hotel company commerce essay



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In 1995 Mr. and Mrs Gunes, owners of the Sunny Hotel/Spa and wellness Resort established the Hotel as a family owned business in Izmir Turkey. The Hotel has grown at a very high rate of 200% during 2000 to 2006.

The owners of the Hotel, Mr. and Mrs Gunes said that secret of their success is:

“ We believe that we have a different point of view than that of our competitors. Our focus is on our core competency in providing hotel management services. Although it can be difficult to determine one’s core competencies and boundaries of a company in the tourism sector, success of the business enterprise depends on this point. Functions that are not in one’s core competencies should be examined for outsourcing to other firms. Recently the Sunny Hotel’s owners have thought about outsourcing critical services. The tourism sector has been rapidly expanding the flow of hotel management services; this flow has become more significant than the materials flow management for us.”

They also believes that, in Tourism sector flow of materials supports service management but focal point of this sector is managing the flow of services.

In 2005 Mr Murat Var hired as a purchase manager in the Hotel. Mr Murat has an undergraduate and Masters Degree in business with six years of working experience as a purchase manager in a multinational hotel chain. Very soon after joining of Mr. Var, Sunny Hotel has become as the market leader. Interestingly at that time competitors of Sunny hotel was facing problems in their services. The abilities of the Mr. Var can be guessed from his performance during that period.

Mr Murat Var did some organisational changes after joining the hotel as a purchase manager. He separated the purchase of goods and services. He states that “ The opportunity to increase profits in an organization through more effective purchasing and supply management is greater in the acquisition of services than in goods”.

Before Mr Var, the purchasing department of the Hotel was only focusing on the supply of goods and materials, some services were also outsourced by related department directly. Accounting and finance department were dealing the insurance and software support services and staff training service were arranged by Human Resources department.

Mr Murat Var consolidated the purchasing of services and materials under purchasing department. He is working with eight other purchasing experts. The centralized purchasing department has the responsibility of procurement of services, goods and materials.

New Centralized purchasing department is working for the Hotel, 30% of purchasing cost is reduced and also the customer satisfaction level is improved. Still some problems rose up in adoption of the consolidated system, like the department heads are not satisfied with their contribution in the purchasing of services and goods, and supplier selection and evaluation process has also some problems.

DIFFERENCE IN PROCUREMENT OF SERVICES AND PURCHASE OF GOODS AND MATERIALS

Purchasing

Term purchasing used in British, Chartered Institute of Purchasing and Supply and the American, National Association of Purchasing Agents may be defined as, the function responsible for obtaining by purchase, lease or other legal means, equipment, materials, components, suppliers and services required by an undertaking for use in production or resale. (Lysons, 2000)

Purchasing and supply chain management, 4th edi definition Pp. 1

Procurement

Procurement is a wider term than purchasing which implies the acquisition of goods or services in return for a monetary or equivalent payment.

Procurement is strictly, a more accurate term, it is unsurprising that the word procurement is often supplant purchasing in job titles, such as procurement managers, procurement agents and head of procurement. (Lysons, 2006)

Purchasing and supply chain management 6th edi definition Pp. 6

Procurement of services and goods

It is the process of identifying, evaluating, and acquiring different services and goods which are essential for the operations of a business. Procurement of services and goods can be done by using in house resources or by a procurement system or through consultants. The goal of procurement of services and goods is to gain the highest quality business services and materials at reasonable price. Procurement of services and goods is different

from each other because of the characteristics of services and goods/Materials.

(<http://www.wisegeek.com/what-is-services-procurement.htm>)

Characteristics of Services and goods which makes their procurement different:

Services have high customer and human interaction while goods have very low in comparison. Services can be customized but standardization of the services is not possible in two different places.

Services are intangible, can not be touched, looked and tested however goods and materials are physical in shape, which can be seen and touched. Services can not be returned or resold as compared to goods. Services procured are perishable, can not be stored for future uses. On the other hand goods can be stored in massive quantity for future demands and they can also be transported from one place to another.

Measurement of services is not possible in quantity, still services can be measured in quality. Where as goods can be measured in quantity.

Production and consumption of goods is not done at same time while services usually are provided for a short time and consumed at same time.

Physical inspection of goods is needed to ensure the quality before delivery but in case of services it is not possible to judge the quality of service during servicing.

Characteristics of Services and goods are almost opposite to each other. So these characteristics make both types of procurements different. In Sunny Hotel the stress is on procurement of services and from characteristics it is understood that the service procurement is more complicated.

Principals of supply chain management, wisner, pp 39-40

Purchasing and supply chain management 4th edi definition Pp. 10-11

Purchasing and supply chain management 6th edi definition Pp. 3-9

Alternative services which hotel can outsource

Currently the management of Sunny Hotel is outsourcing Security, Cleaning, Animation, Insurance, Software support, Staff training and Food storage & delivery services. In addition to these services Hotel management can add values to their services by outsourcing these services given below.

Medical service

Provision of medical service is very important for customers who visit the Hotel. It may build the image of Hotel and can help in getting customer satisfaction. In hotel industry, accidents and injuries can be happened unexpectedly, because it is the part of our life. It is good to outsource medical staff to ensure customers health in any emergency. The reason behind outsourcing of medical service is that, if management hire full time services of a medical team it will cause more cost in terms of medical equipments and machineries. So a high level medical service can be contracted from a medical service provider company.

Leisure time facilities

Hotel management can outsource the service of providing a high-quality leisure time facility, which can include the entertainment provision, sports and gym facilities. When guests have free time they can spend their time in playing games like Snooker, badminton, swimming, tennis and etc. an exercise hall and trainer can give mental relaxation by providing customers fruitful suggestions and instructions to improve their health and physical fitness. Outsourcing this service can result in good impact of hotel and ultimately help to get more business.

Laundry service

The outsourcing of this service can improve the quality of laundry service which is currently provided in the Hotel. A hotel should have a top class laundry service to ensure the customers satisfaction. It is one of the basic needs of customers, which should be handled properly.

Advertising and marketing

A third party can deal the marketing and promotions regarding the Hotel very effectively, because marketing and advertisement needs professional experts and new ideas to attract the customers. If hotel management employ marketing personnel, it will cause more cost, and the required level of expertise can not be fulfilled due to limited resources of the Hotel in marketing and promotions.

Translation Services:

Language can be a barrier for customers as well as for managers of the Hotel. Most of the foreigners can not understand the language used there

and may cause communication problem. A good translation service will definitely increase the confidence level of customers. Contracting this service is more appropriate than in house servicing.

Transport service

Procuring the transport services or shuttle service of a third party is essential for Sunny Hotel. Most of the guests do not have their personal vehicle when they travel to long distances. So provision of shuttle service from airport to Hotel and vice versa, will suddenly leave a great impact on guests. Contract out of this service and having a comfortable and dependable service will have a good change in the Hotel values.

Maintenance service

Maintenance of electrical, mechanical and other repairable stuff is an important part of any Hotel. Providing non-stop heating in winter and cooling in summer is not possible without a reliable maintenance service. It is good to have a outsourced service for maintenance of different appliances and equipment used in the hotel to have satisfied customers. For instance if there is an electrical problem occurred in the kitchen it results in disturbance in all other services. Therefore well maintained equipments are very important to have a great deal in other services.

Catering Service

Catering service should be provided in very decent way in Hotels like Sunny Hotel. Providing food and comfortable environment during events, seminars and parties can be outsourced to have a professional quality catering service, which will definitely lead to attract more customers.

Centralized purchasing and purchasing efficiency

Centralized purchasing is where a single purchasing department, usually located at the firm's corporate office, makes all the purchasing decisions, including order quantity, price policy, contracting, negotiations and supplier selection and evaluation. (wisner, tan, leong, 2009)

[Wisner, Tan, Leong, 2009, p62]

Centralized purchasing department is a good way to consolidate whole purchasing of an organization in a single department. It has massive advantages over decentralized purchasing.

In centralized purchasing the big advantage is of economies of scale.

Products can be purchased in a bulk quantity, which leads to low cost and builds strong relationships with suppliers.

Centralized purchasing is a cost effective purchasing technique, in which buyers have power to bargain on the price of the commodity they are purchasing. One of the benefits of centralized purchasing is, it helps to avoid the duplication of efforts and processes, which leads to reduce the cost of purchasing.

Due to specialization of work, expertise and skills of purchasing personnel a good quality of product and service can be procured on reasonable price. It reduces unwanted processes involved in the purchasing and lower the transportation cost. Another benefit of centralization is co-ordination of activity, which results in increase of skills of personnel and a better supplier relationship. Centralized purchasing department has capability to understand

difference in supplier abilities, so they can focus on Standard suppliers. Centralized department of purchasing helps to increase the purchasing efficiency, because purchasing department sets certain standards for purchase of goods and services and have professional personnel for purchasing.

Centralized purchasing, <http://dictionary.bnet.com/definition/centralized+purchasing.html>, accessed on 7th of may

Service purchase by Purchasing Department

It is a benefit for an organization to have centralized purchase department for purchase of services. This is a good way to strengthen the purchasing through a consolidated department.

Centralized purchasing department reduces the staff management problems and wastage of human resource. Purchase of services is different from goods due to its characteristics, so centralized department for purchasing is a simple and more appropriate way of purchasing services. The properties of services make its procurement bit difficult from goods. Now a days most of the hotel management are following the centralized purchasing techniques for services. The staff cost definitely reduces because of combining of all purchasing at a single platform. The increase in efficiency of services and flexibility in services are also advantages of purchasing department.

Purchasing department compares the services with other competitors and buy best service according to the desires and needs of the department.

(<http://www.wisegeek.com/what-is-services-procurement.htm>)

Other ways to improve purchasing Efficiency:

By adopting E- Procurement organizations can improve purchasing efficiency. E- Procurement is the process of procuring the services and goods by using internet and making purchase using online systems. It is used to connect procuring company and supplier in an efficient way. E- Procurement includes question and answers, bids, pricing by sending email to many suppliers and getting sound offers from different suppliers.

It is an organized way to communicate with the suppliers, which builds better relationship between procuring organization and supplier. This system allows management to analyze and set pricing and

makes sure that new price offered is more reasonable than previous one. E procurement is a standardized way of procuring which is straightforward system to learn, so organization do not have to spend more price on employing a high skilled personnel.

E procurement, <http://www.epiqtech.com/e-procurement.htm>, accessed on 08 may 2010

Better communications between purchasing department and other departments of an organization can result in improvement of purchasing efficiency. In Sunny Hotel, this issue is raised after the centralized purchasing department. So a committee can be form which comprises of purchasing personnel and department heads to deal the lack in

communication during selection of supplier and purchasing a service
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When purchasing services, analysis of past performance of the supplier should be kept in mind which instantly increase the efficiency and reduce the cost of that service and finally a good quality service can be provided. Feed back of customers is also important in purchasing of services.

Supplier selection criteria for procurement of services

Current Supplier selection criteria of Sunny Hotel is based on same technique which is followed for supplier selection of goods. So management of the Hotel need to see more things while selecting a supplier. Which may result in having better suppliers for services.

Financial ability and capability

When selecting a supplier for provision of services, financial ability of that supplier should be considered. The Sunny Hotel management should take in to account the strength of supplier, which means that; financial resources, human resources, technological resources and degree of ability to cope with variation in demand of services. Flexibility in services is often found so the supplier should be able to deal with variety and variation in services.

Dependability

This is a very important measure for selecting a supplier, which is not followed in the Sunny Hotel so far. Dependability means provision of service in due time. So a service should be supplied when it is needed or at least when it is promised. If a promised service is not given at right time it is worthless for customers. For instance, if a shuttle service does not reach in time to airport, it will cause an irreparable damage to the reputation of the Hotel

Quality

A quality service is fundamental thing in Hotel like Sunny Hotel. A good quality service may encourage customers to visit again. While selecting supplier this factor should be a key point.

Health, safety and environmental issues

In selecting supplier Health and safety issues are also an important thing. If a supplier is not following the health and safety regulations then this results in sudden accident and hygienic issues. In current era, environmental regulations are necessary to follow, customers should know that how strictly hotel management is implementing the laws and rules related to environment.

Theories of supply chain management related to the Services

Supplier relationship

A commitment over an extended time to work together to the mutual benefit of both parties, sharing relevant information and the risks and rewards of relationship. These relationships require a clear understanding of expectations, open communication and information exchange, mutual trust and a common direction for the future. Such arrangements are a collaborative business activity that does not involve the formation of legal partnership.

E-Procurement

According to CIPS (Chartered Institute of Purchasing and Supply), E-Procurement is using the internet to operate transactional aspects of

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requisitioning, authorising ordering, receiving and payment processes for the required services or products. (Lysons, 2006)

Purchasing and supply chain management 6th edi definition Pp. 186-187

The CIPS statement indicates that, the local business managers focus on E-Procurement which and they cover subsequent areas of purchasing process.

Requisition against agreed contract, Authorisation, Order, Receipt and Payment.

Outsourcing