

Procurement Guide for Hotels

Purchasing Best Practices for Hotels

Angela Tomlinson
Consultant
Control Purchasing



Introduction

Purchasing plays a vital role in every part of the hospitality industry. But it's a mistake to think that it works the same way throughout.

In restaurants it's usual for chefs to have a template or market list, which is simply sent to the supplier. Or they just ring with an order, often several times a day, with no formal role for a purchasing department. In hotels, on the other hand, not only does purchasing cover a wider variety of products and services, but there is usually a purchasing strategy in place. If they use purchasing software (such as Fourth), there will probably be multiple approval and control processes.

Unlike restaurants, which are fast-moving environments with little in the way of approval procedures, purchasing for hotels involves a range of departments and managers. The purchasing function will source and appoint suppliers based on quality and value. It will also put in place the right systems to manage the process.

In this guide we offer a perspective on how to manage purchasing in hotels to deliver results, opportunities and protection.

Contents



The Purchasing Process:

- > What Does Purchasing Really Do? 4
- > Best Practice Purchasing and the Value It Brings 5
- > The Tender Process (RFI/RFP) 6
- > The Importance of Specifications 7
- > Consolidation of Supply, Standardisation of Categories 8
- > Clusters 8

Supply Management:

- > Improved Communications 11
- > The Value of Partnerships 11
- > Contracts 12
- > Seasonal Products 13
- > Commodities 13

Purchasing Challenges:

- > Common Purchasing Challenges (And How to Handle Them) 14
- > Compliance and Maverick Purchasing 14
- > Rising Costs and Brexit 15

Adding Value:

- > Marketing Allowances 16
- > Rebates 16
- > Reciprocal Business 17

Brands:

- > Consistency 17
- > Business Alignment Across Brands 18
- > Brand Product Training for Hotels 18
- > Manufactured Brands 19

Purchasing Ethics:

- > Chartered Institute of Procurement & Supply (CIPS) Overview 19
- > Modern Slavery 20

Essential Document Processes:

- > Service Level Agreements (SLAs) 20
- > Key Performance Indicators (KPIs) 21
- > Risk Assessment Method Statements (RAMS) 22

Purchasing Systems:

- > Centralised Model for Data Management 23
- > The Importance of Systems With Real Time Pricing 23
- > Reporting, Spend Analysis and Analytics 24
- > Increased Efficiencies and Profitability 24
- > Using Technology to Alleviate Issues 25

Key Points: 25

Appendices: 26

The Purchasing Process

What Does Purchasing Really Do?

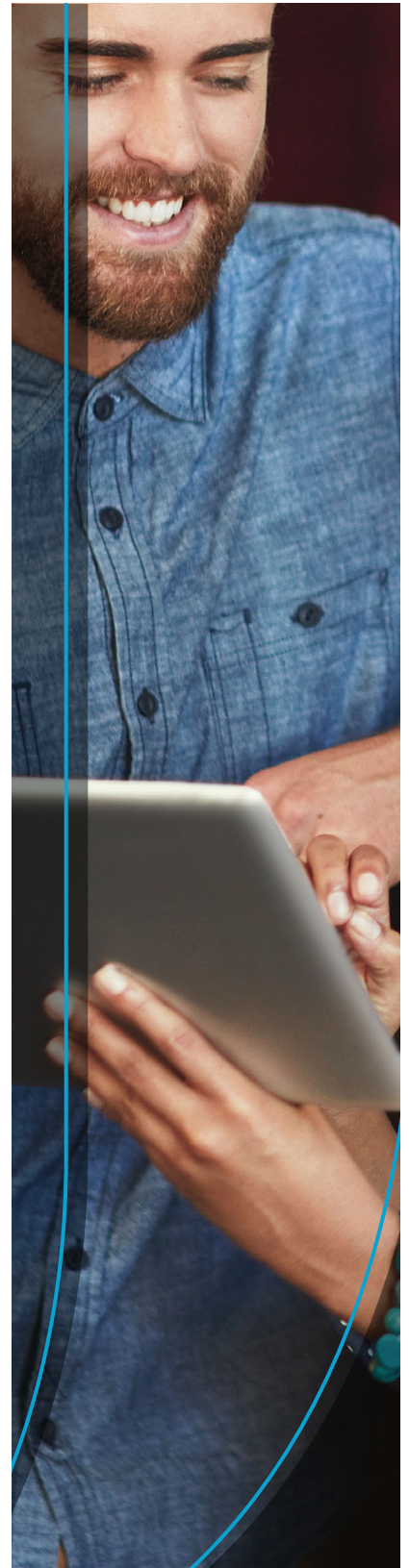
The purchasing process starts by identifying the business need, the stakeholders, their timeline and their budget. First, is it a one-off purchase or an ongoing requirement?

With this agreed, we can start the process by engaging with the appropriate subject matter expert (SME), who is usually the head of department (HOD).



A purchasing lead will then devise a suitable purchasing strategy and present this to senior managers to get their buy-in. Once this is done, they can communicate the strategy to HODs.

An effective purchasing department will do this for all products and services. They work closely with the HODs and SME to agree the right specifications. They will source product, provide samples, negotiate prices and agree overall terms and conditions. This frees up HODs' time so they can focus on their own role.



One of purchasing's key tasks is communication – ensuring that departmental teams understand exactly what purchasing does and how they can get the best out of the service they offer. This goes far beyond finding specialised products or getting the best price. It includes a wide range of elements, including:

- Presenting and agreeing a purchasing strategy.
- Creating a Profit & Loss Statement (P&L).
- Working closely with internal customers to understand their specification of product and services.
- Change management and managing cultural differences.
- Working with union representatives.
- Having HOD and SME expertise.
- Creating Risk Assessment Method Statements (RAMS).
- Protecting the company (e.g. modern slavery, food safety, health & safety).
- Understanding the different requirements of their hotel brands.

Best Practice Purchasing and the Value It Brings

A purchasing process based on best practice will provide:

- A clear understanding of overall hotel expenditure along with the percentage that purchasing can affect – normally around 70% per hotel.
- Trained purchasing specialist(s) in place.
- Purchasing strategy communicated across the hotel and supported by HODs.
- P&L account for the purchasing operation agreed with the Director of Finance (DOF) and reconciled monthly.
- Contract log (see example below).
- Process to capture supplier funding and support, rebates, etc.
- Purchasing software that links with POS and accounts system.
- Purchase order process (see example on the next page).

Determine need

Agree exact specification

Source product or service

Evaluate response

Vendor assessment

Negotiate

User acceptance

Contract (or not)

Install vendor & products to
Purchasing System

Place order

Receive

Use

Contract log summary

| Supplier name | Products/invoices provided | Address | Email | Contact name | Contact number | Contract end | Contract value | Public liability insurance | Food safety certification | Risk assessment | Method statement | Modern slavery |
|---------------|----------------------------|---------|-------|--------------|----------------|--------------|----------------|----------------------------|---------------------------|-----------------|------------------|----------------|
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

The Tender Process

RFI (Request for Information)

This is a standard business process that collects written information on the capability of suppliers.

RFP (Request for Proposal/Tender)

Here the buyer creates an exacting specification of the products or services they wish to buy, which is then sent to a minimum of three suppliers, so they can quote for your business. Issuing a clear specification ensures you have like-for-like submissions that are easily comparable. You may also need to show suppliers around your premises. You can do this in two ways:

- Each supplier visits individually, and you show them what is required.
- You invite all the suppliers to the hotel at the same time. You then provide them all with the same information and show them round as a group, ensuring any questions asked by one attendee, along with your responses, are shared among all of them. This is an efficient way of dealing with large tenders and is particularly suited to buying services, but be mindful not to discuss numbers or costs in the group.

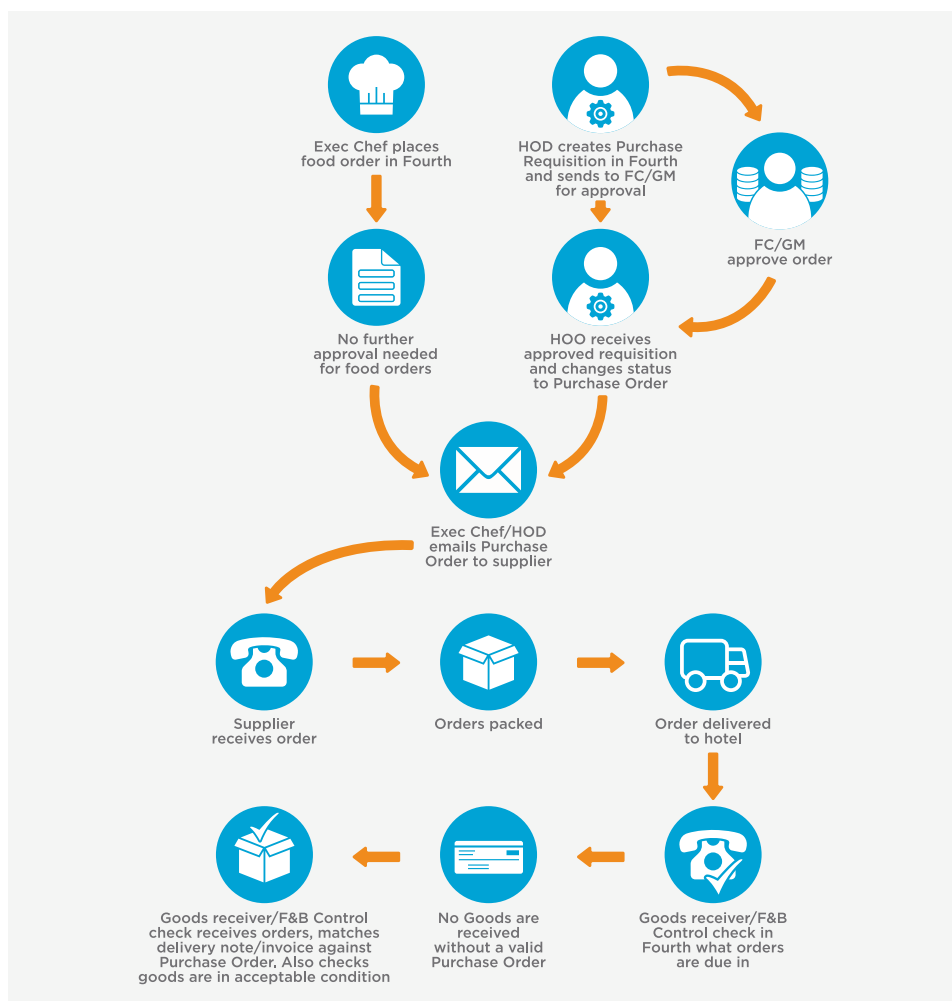


Diagram of the purchase order process



The Importance of Specifications

Products and services

It's vital to have a clear, precise specification that describes the business need. This is to ensure the buyer purchases exactly what is expected of them, with no ambiguity or misunderstanding.

The specification is also used as documentary evidence within a supplier agreement. Work closely with the stakeholder, usually the HOD, who will be the SME in their field.

What to include in the specification:

- Product description.
- Brand name (if any).
- Whether any hotel brand standards apply or not.
- Performance and/or function: what is required of the product?
- Whether it is a generic product or bespoke.
- Specific product method required (e.g. hand dive or net caught scallops).
- Whether ISO standards apply or not.
- Applied risks (RAMS). Is this a one off, purchase or ongoing (this has a bearing on the leverage for volume).

Example product specification

| | | | | |
|----------------------|--------|-------------------------|---------|--|
| Pillow case Queen | 55x90 | 80%combed- co/20%PES | Percale | Open bag, 10cm hem at opening, beige piping |
| Pillow case King | 55x100 | 80%combed- co/20%PES | Percale | Open bag, 10cm hem at opening, beige piping |

| | | | | |
|----------------------|--------|-------------------------|---------|---|
| Pillow case Queen | 55x90 | 80%combed- co/20%PES | Percale | Open bag, 10cm hem at opening beige piping |
| Pillow case King | 55x100 | 80%combed- co/20%PES | Percale | Open bag, 10cm hem at opening beige piping |



Consolidation of Supply and Standardisation of Categories

Consolidation of supply

Put simply, consolidation of supply means deliberately reducing the number of active suppliers in order to reduce spend and leverage better value from relationships. If you decide to consolidate your suppliers, you need to make sure that the project is properly planned.

- Define the number of business units/hotels that can be consolidated.
- Identify the products and services to consolidate.
- Create a project plan with timeline.
- Identify stakeholders and develop good working relationships with HODs.

Benefits of consolidation

- Clearly defines the specification of products and services along with the frequency and volume of purchase.
- Consolidates products and services to leverage cost using 80/20 rule.
- Removes duplication of process.
- Reduces the cost of purchasing, as it is shared across multiple business units/hotels.
- One process for contract management.
- Ensuring CSR is in place.
- Consistent quality.
- Adherence to brand standards.

Standardisation of categories and impact on reports and spend analysis

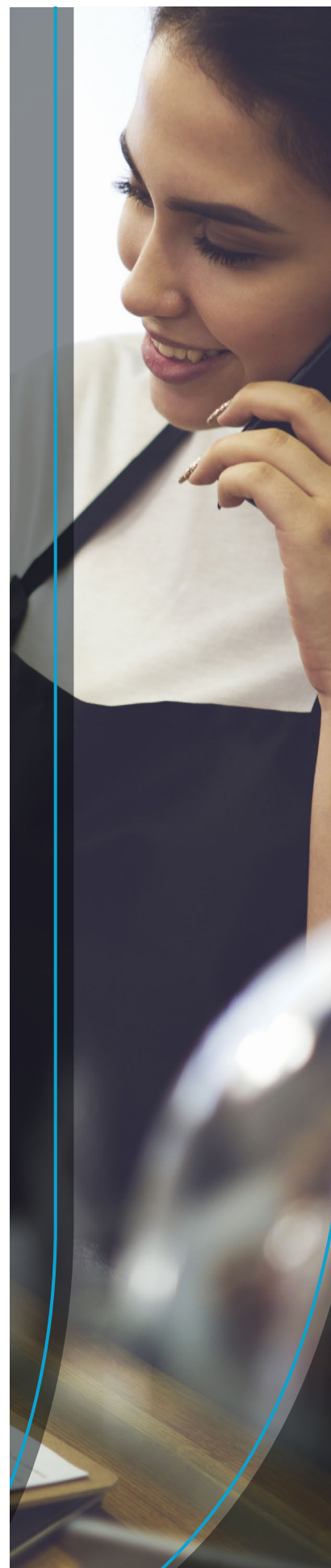
One important part of the purchasing process is to standardise the categories used to increase consistency. Without this, different people may use different categories for the same products, which will reduce the ability to properly report and analyse spending.

It is critical to agree a methodology for the standardisation process. See Appendix B for an example that has successfully been used in Fourth's Purchase-to-Pay and Inventory solution.

Clusters

Purchasing can often look at the potential to cluster. This is usually driven by growth or changes in the business structure, or because purchasing recognises that consolidating the operation into fewer clusters makes operational sense and reduces overheads.

- Several hotels in one town, country, region
- Peer groups, using team expertise
- Local businesses that would partner with you



One example, therefore, could be to organise the purchasing leads in northern and southern France into one cluster, to pull purchases and contract spend together which will reduce the volume of suppliers and products.



Example Cluster: “Mother” CMS with “Babies” hotels.

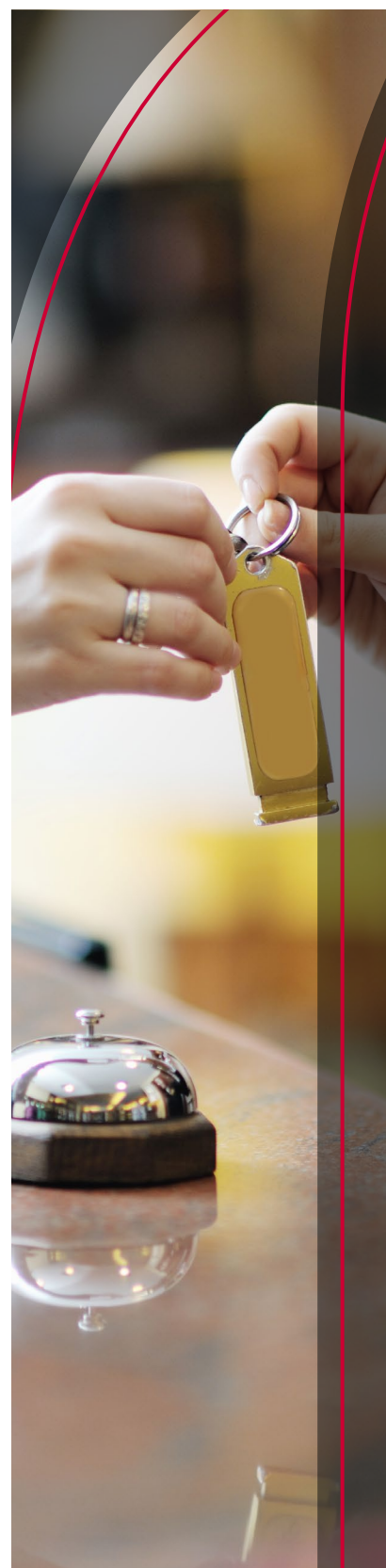
Clustering in a country with the same language and culture makes sense, but you also need to keep in mind whether union restrictions across the regions are different. It is also essential to retain local knowledge, as hotels are very much part of their immediate landscape and should be seen to support local businesses where at all possible.

The clusters approach is an excellent way to set up your purchasing system, using a Central Management System (CMS) or “Mother” database. The “Babies” will be each hotel that feeds from the Mother. This will save huge time in both setting up and future data management.

For more than one hotel, creating a CMS makes most sense as it is so easy to add hotels, restaurants or, in fact, any hotel outlet.

These can be Individual Business Units (IBU) set up in the system or as one location/hotel.

Adding a new IBU is simple and just a matter of pulling the data from the Mother CMS.



The benefits of clusters

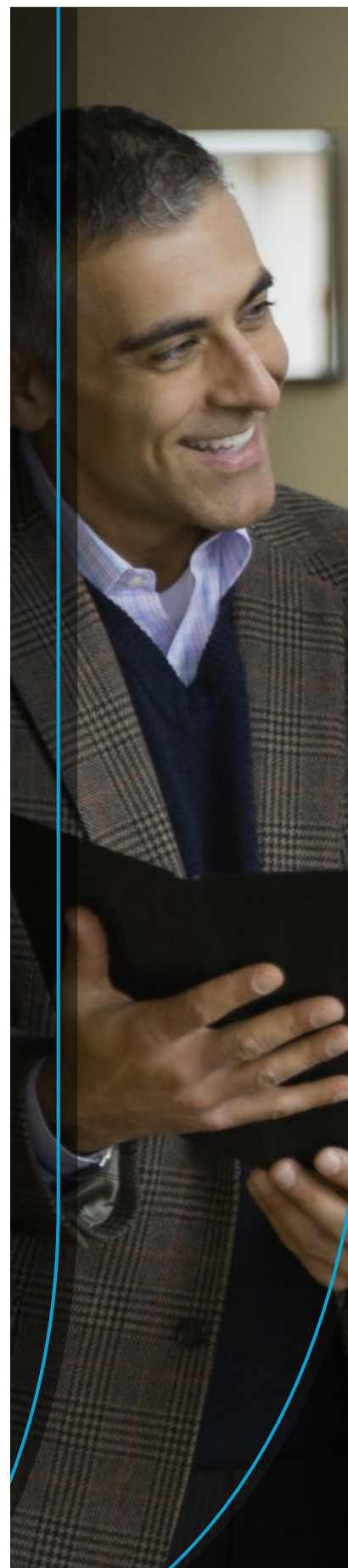
- One team, one vision.
- Saves money, drives compliance, enhances quality and consistency of products and services.
- Capitalises on consolidation/volume spends and 80/20 focus.
- Improved products, consistency, discounts and terms.
- Continuity of supply and quality assurance.
- One team, one vision.
- Saves money, drives compliance, enhances quality and consistency of products and services.
- Capitalises on consolidation/volume spends and 80/20 focus.
- Improved products, consistency, discounts and terms.
- Continuity of supply and quality assurance.
- Due diligence, food, health and safety, RAMS, etc.
- Eliminates duplication of staff efforts, reducing costs and standardising activity (SOPs).
- Reduces delivery volumes and costs, and costs of moving and storing goods, by avoiding duplication of work.
- Category set-up and ongoing management with centralised records of all purchases using the purchasing system (e.g. Fourth).
- Reduces overall environmental impact.
- Develops supplier/buyer partnerships for win/win relationships.

Supply Management

Supplier management

Gone are the days when purchasing was just about “cheap”. Supply management demands careful planning:

- Set clear objectives.
- Be prompt and courteous – remember this is hospitality.
- Ensure the person you are dealing with can make decisions, or get answers quickly and remove any obstacles in the process.
- Look for mutual areas of interest.
- Gain a reputation of being firm, but fair.
- Be impartial.
- Listen.
- Consider your alternatives.
- Don't accept the first offer.
- Don't apply unfair time pressures.
- Don't use the threat of not getting or keeping the business as a negotiation tool.
- Don't be stubborn or sarcastic.
- Don't just point the finger of blame, achieve a common purpose.
- Take time to deliberate, don't accept an offer too quickly.
- Bank concessions.



- Allow the supplier to make a profit, but not too much.
- Build trust.
- Manage all submissions ethically and do not share data inappropriately.
- Maintain a communication trail from calls and meetings, with attendees, actions and dates to achieve.
- Honour agreed payment terms.
- Work to the ethics of CIPS (more information below).

Good purchasing software can be an excellent tool to help you achieve all this.

Improved Communications

Communication is the key to success, so connect with hotel teams and clearly explain the purchasing strategy. What does it mean to them? How does it support their role? This is a great start.

People deal with people, so the key is to gain respect from the teams. They must see that your knowledge and strategy will drive value to the business while making their job easier. Be aware of culture, communication and demographics. Be open and honest. Don't try to be the expert in their discipline – that's their job – but complement their skills with your own to achieve good, sustainable results.

The Value of Partnerships

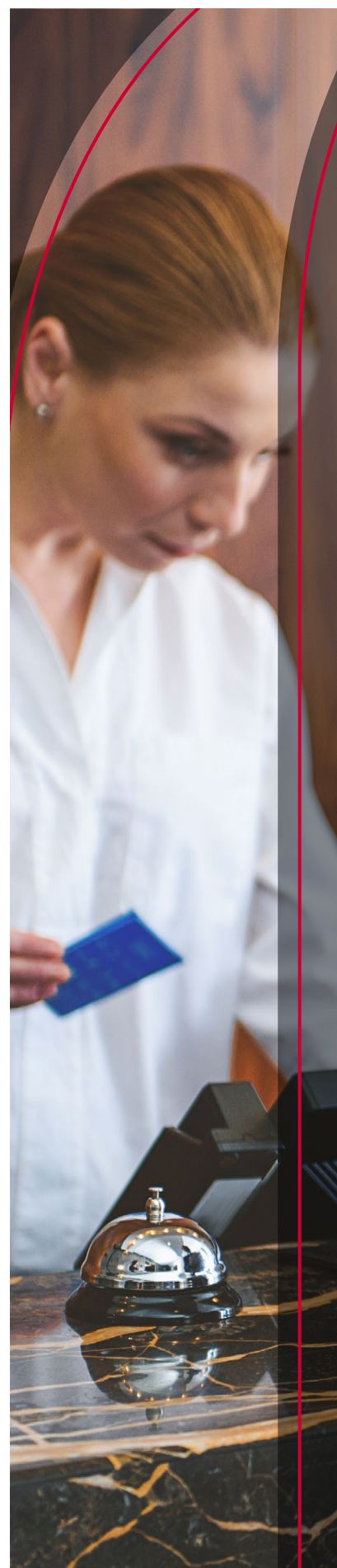
When do you need a supplier to become a partner?

The key is agreeing and planning towards what you jointly need to achieve. What are your objectives and timeline? Do they have sufficient resource? Do they have skilled SMEs that know their stuff? Can they drive value within the relationship?

A partner can be a supplier that you spend a few pounds with, or millions. So, what do you need to buy? You may have a critical piece of machinery and can only get parts from one supplier. The spend may be only £1,000 a year, but it is critical that you stay close to this provider and understand their business and the service they provide. How long can the machine last? Will parts become obsolete? What do they recommend then?

You need them to be proactive in supporting your business, and you need to take time to understand theirs. Ensure that both of you are in it for the long haul. Be consistent in your approach and gain mutual respect.

Then there is the supplier that you spend millions with, where you are a key customer. The same criteria apply to any partner, but when you are spending a lot, it's vital to continue to drive value over the contract term. Always strive to do better.



Consider the following over the life of the contract:

- Cost and value.
- Volume of deliveries.
- Administration process.
- Own label versus branded products.
- Working groups for knowledge-sharing and best practice.
- Training.
- Marketing support.
- Rebates.
- Ways to increase sales.
- Staying abreast of and applying changes in local laws and legislation.

Contracts**Contract management**

A contract clearly states the terms and conditions that the hotel and supplier have agreed to. It is essential to use it as a working document and to continually review the performance and terms, applying any changes as applicable throughout the life of the contract.

A key process at both the pre-contract stage and the start of the contract is for purchasing to ensure that the stakeholders are on board and working to the agreed terms, while building a proactive working relationship to the benefit of all parties. It is better to have a standard contract document that can be easily adapted to meet all your product and service needs. Applying your process is much easier and quicker when you don't have to continually review different supplier agreements.

Your contract should include the following, but it may need to be adapted based on your business needs:

- Scope of agreement.
- Term.
- Prices.
- Ordering process.
- Reporting.
- Rebates.
- Marketing.
- Insurance and indemnity.
- Termination.
- Relationship with purchasing.
- Confidentiality.
- Legal compliance.
- Audit.
- Assignment of contract.
- Section for signature by hotel and supplier.



Contract appendices:

1. Contract content:
 - a. Order process, delivery frequency, acceptance of goods.
 - b. Return of goods, special requests, sourcing times.
 - c. Price submission and frequency, delivery discounts if applicable.
 - d. Frequency of delivery, invoicing, payment terms, KPIs, SLAs.
 - e. Third party agreements, force majeure, title and risk.
 - f. Group contracts – list hotels and trading names as an appendix.
2. Ethical trading practices.
3. Health and safety.
4. Food safety (as applicable).
5. Modern slavery.

Seasonal Products

Understanding the seasonality of products will help your menu planning and costing, while improving the flavour and texture of your recipes. Another important consideration is product miles and the use of local produce. For example, do you really need to place a mixed fruit basket in guests' rooms when a seasonal selection would be nicer for them and more cost-effective for you?

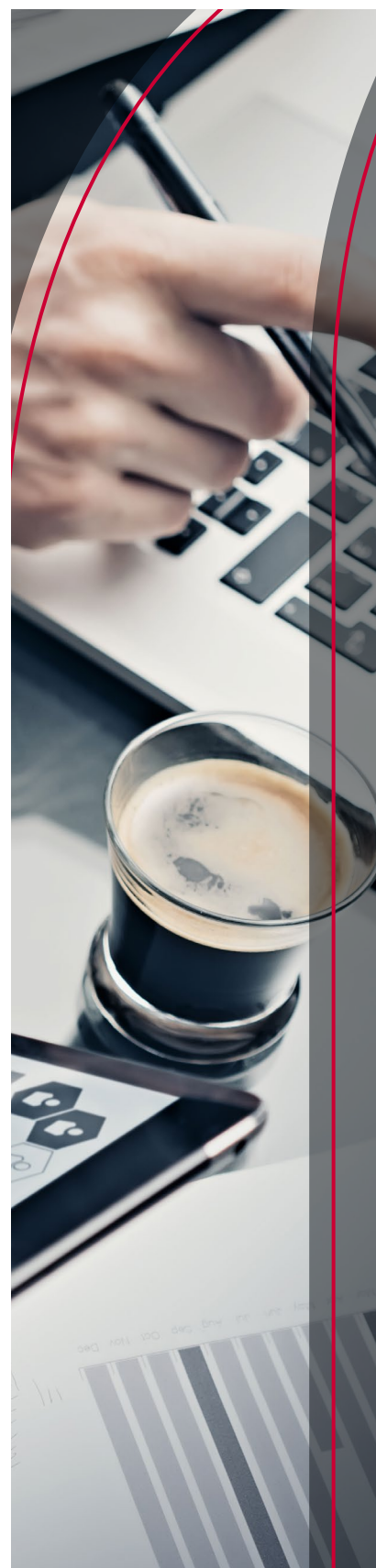
See Appendix A for a table of seasonal foods.

Commodities

Consider the multitude of products and services in a hotel. Of course food has its seasons and both purchasing and F&B teams should be aware of these and adapt menus accordingly.

Seasons for non-food products are not so obvious, but you will see price fluctuations in commodities such as cotton. Cotton trading affects everything from bed and bath linen to F&B linen and uniforms.

The challenge is when to buy. Remember that an increase in the cotton price doesn't automatically raise product prices by the same percentage. You also need to consider whether you will own your own linen or rent from a laundry company. Typically, the textile content makes up around 15% of the total product price. This will differ by market. For example, some countries will have higher social costs that will change the percentages below.



UK example cost breakdown of a laundered product:

| | |
|--|-----|
| > Labour excluding logistics | 35% |
| > Utilities including effluent | 10% |
| > Textiles | 15% |
| > Logistics including wages | 18% |
| > Miscellaneous costs (depreciation, insurance, legal, admin, overheads) | 12% |
| > Profit | 10% |

Appendix D includes a list of traded commodities.

Purchasing Challenges

Common purchasing challenges (and how to address them)

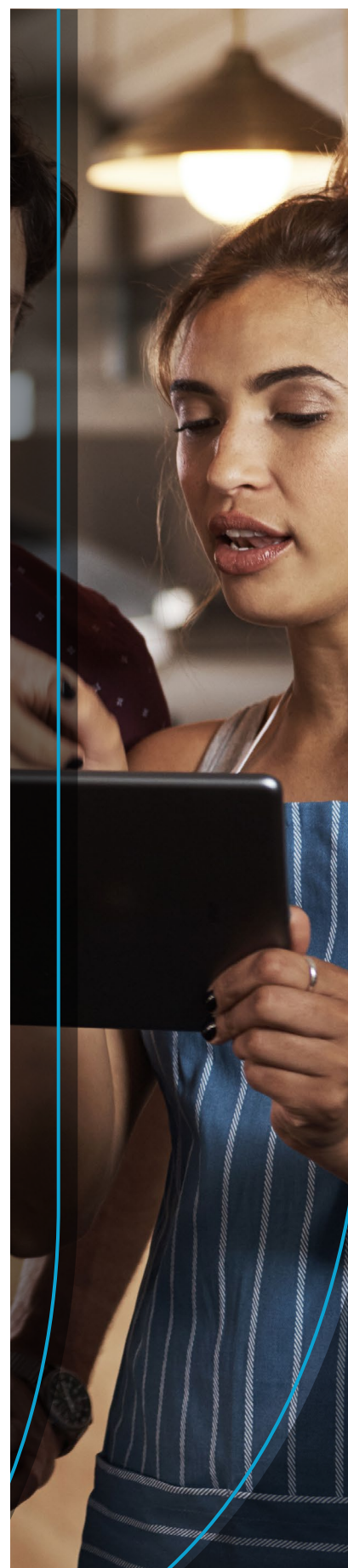
Sound familiar?

- “I need it right now”, so HOD buys from a shop or local supplier.
- “Purchasing just take too long.”
- “They don’t do my job, so how can they buy better than me?”
- “Purchasing just buy cheap and I need a very particular type of olive oil.”
- “There are too many controls that stop me doing my job and stifle my creativity.”
- “I have a local supplier who is loyal, just around the corner and will deliver as many times as I need. And they don’t charge for delivery.”
- “I have late requests and the suppliers purchasing use aren’t flexible enough.”
- “Why can’t I have three deliveries a day? The supplier’s passing the door anyway.”

The answer is good people management, mutual respect between purchasing and the SME – and communication. Specialists working together to get the right product or service at the right price. A purchasing team that has the ability and freedom to buy what’s needed.

Compliance and Maverick Purchasing

Every business experiences maverick purchasing. This is normally associated with unexpected or emergency purchases, or a HOD who believes they need something urgently. The usual excuse is “the customer didn’t give us the numbers,” or “the events department were late telling the kitchen about a change.” And so on.



So how do we eliminate the problem? By encouraging awareness and clear communication between HODs, so everyone is working towards one goal:

- Purchasing works with finance to make maverick purchasing unacceptable.
- Establish a clear purchasing strategy.
- Set and communicate the purchasing process and procedures.
- Educate staff in how purchasing operates and how it can support them.
- Use technology to streamline purchasing and control spending.

Challenges in the Industry

Rising costs

A good buyer will manage all your costs and keep abreast of markets to understand prices. They will communicate any changes needed to improve cost control.

Brexit

Brexit has already had economic and political effects and will continue to create challenges in procurement and the wider business community.

In late 2016 global supply chain risk grew for the third consecutive quarter. The UK economy had contracted in the last three months at the fastest rate since 2009, and for the first time since Q4 2012 new orders and output both fell.

There have subsequently been signs of economic recovery, but the uncertainty for purchasing continues, including potential delays at docks, increased transport costs and so on. We need to plan for all eventualities.

Hard Brexit needs a plan like everything else, and there are ways to mitigate the potential challenges. For example, make sure your purchasing teams engage with all their key suppliers, visiting depots and discussing ways to work together.

Why not appoint a Brexit “owner” in your organisation? Take the lead and, as always, communicate. Ensure hotel teams understand what hard or soft Brexit means to them and their role, for example higher border costs, increased lead-time for products and so on.

You will find detailed reports on all these issues at www.CIPS.org



Added Value

Marketing Allowance

These tend to be more readily available from large corporate companies, but it is possible to apply marketing funds to any purchasing process. One thing it does require, however, is trust between the two parties and a win/win outcome. The overall aim is to motivate both the hotel and the supplier business.

An example of this could be that you have a busy hotel with high turnover and a brand owner wants to be associated with you – or, more specifically, a well-known hotel brand. They may want to provide one-off marketing funds for an event such as a fashion week, but it's best to commit to a brand for a specific period. One year works well to allow flexibility.

This allows you to leverage your contract spend to gain the most for your marketing fund. Brands want a presence, and to sell more product. They will produce an event calendar for your input, so you can meet your business needs, while driving their own sales. Usually, the marketing is paid in product, unless it is promotional material, such as patio umbrellas or champagne buckets.

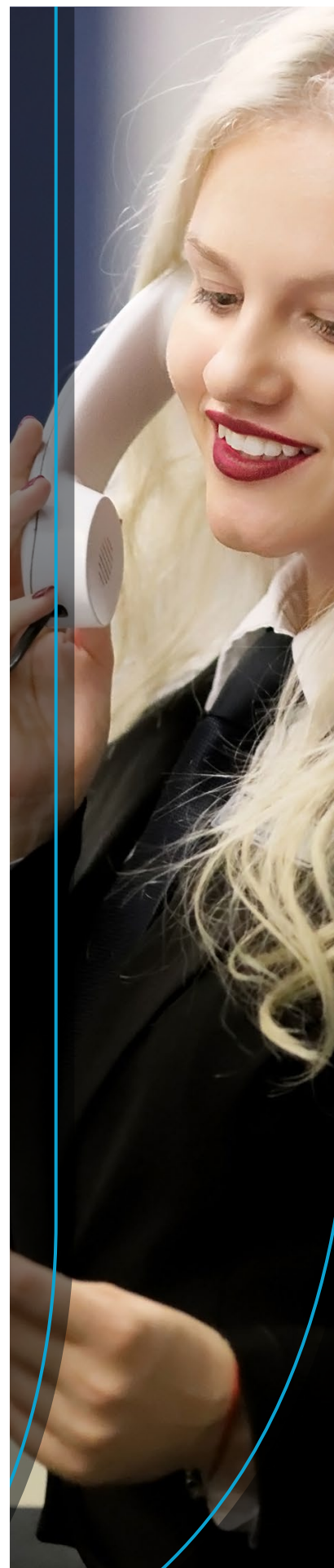
There are two other ways to gain marketing support:

1. Pouring brand status, where you agree to pour a particular gin as your standard if a client asks for a gin and tonic. There is also the upsell, where you agree that when a client requests the gin and tonic you serve them your standard gin, or upsell to a premium brand. You could even think about upsell on tonic in this instance. It is worth noting that brand status can apply to a whole myriad of products.
2. Listing product, where brands pay you marketing funds for stocking a product. This may be a new product that the brand owner wants out in hotels to gain customer awareness and take-up.

Rebates

Rebates can be applied to any purchase using various methods:

1. These can be negotiated pre-purchase or contract. They can be a set percentage of spend and include a tiered approach – the more you spend, the higher the rebate.
2. When a contract has been running for a while, it's possible to leverage the deal with a request for rebate. This again could be based on a set percentage of spend or variable – the higher the spend, the more the rebate.
3. Rebates are generally paid annually, biannually or quarterly. The easiest



method of payment is to have the percentage taken off their invoice to you, but suppliers are often not keen on this and will ask you to submit an invoice for the amount on the agreed payment terms. Deciding which payment terms to accept depends on the level of spend you have with the supplier. If it's a large amount it's best to receive payment quarterly.

4. Large hotel groups may choose to utilise rebate payments for central office operations to reduce the overall costs to hotels. This of course is welcome, but it is essential to set up the appropriate paper trail for this process to ensure one hotel is not subsidising another.

Reciprocal Business

It is good to really understand the companies that you will work with and whether they travel, hold conferences, celebrations, etc. These are all opportunities to sell your hotel services, offering them preferential terms, of course, so they feel special.

Brands

Consistency

Brands are the image of hotels, particularly the large corporates that have multiple brands covering a complete range of hotels – from budget to luxury 5-star, to boutique and long-stay. The one thing that is consistent across them all is they are special. Often International groups market themselves as “lifestyle companies”.

Products and services are created to match each of these brands to ensure standards are met. Our customers know what to expect from their chosen brand every time they stay.

Purchasing source all the products to meet these standards, including the weird and wonderful products that deliver the brand promises that have been so painstakingly created. Differentiation and consistency are critical.



Business Alignment Across Brands

Having multiple brands within one company can be challenging for purchasing, as it can dilute spend. For example, each hotel brand has a different coffee, which means you have a much reduced spend split.

An alternative way to look at this could be that a high-quality coffee company could create blends to match the look, feel and mood of each hotel brand, without diluting spend and still achieving the desired effect for the hotel brand owners.

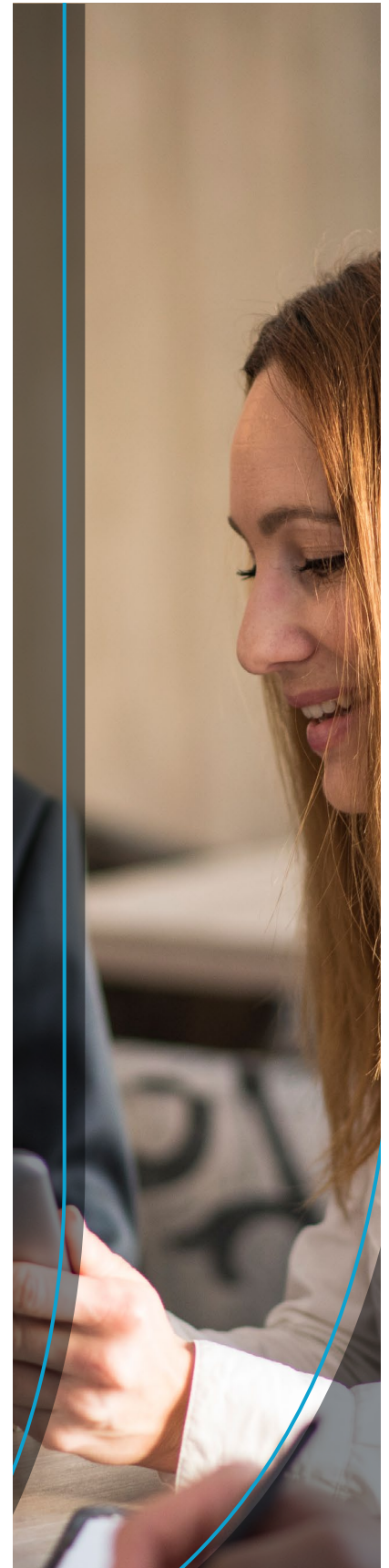


Having several brand differentiators can be a challenge operationally too. If you have different bed linen by brand, it becomes more challenging for laundry, which needs separate tunnels for washing to ensure the wrong product is not sent to the wrong brand hotel.

The examples are endless and purchasing will always need to find a way to make it work.

Brand Product Training

It is essential that purchasing understands each of the hotel brands, and works closely with each brand owner to source the products and services they need and come to expect. Immersion into each brand is critical to understand the required touch, smell, look and feel. Attending brand training helps you understand the culture and align with the teams.



Manufactured Brands

Many supplier brands will provide training in the best approach to their brands, usually at their own expense. They may also suggest a competition to upsell and award the best seller. Training may also include educational visits to breweries, champagne houses and vineyards.

Brand owner examples:



Purchasing Ethics

Chartered Institute of Purchasing (CIPS) Overview

Ethical practices are the responsibility of us all. These are the facts:

- In 2014, more victims of exploitation, including human trafficking and sexual exploitation, were found in purchasing than in any other form of business activity.
- Modern slavery generates \$150 billion a year.
- 38.5 million people live in slavery, and 19 million victims are exploited by private individuals or enterprises.
- 40% of companies are vulnerable to corruption and fraud.
- Scandal means long-term damage to brands and finances:
 - > The horse meat scandal at Tesco wiped £300m off their market value.
 - > News spreads fast and customers will generally know within 24 hours.
- 29% of companies have experienced procurement fraud.
- Sustainable procurement is about people and the planet as well as profit.

| Service level agreement (SLA) Check list example | | | |
|---|--|-----|----|
| | CRITERIA | YES | NO |
| 1 | The purpose of the SLA and the benefits to be gained from them | | |
| 2 | The goals of the SLA | | |
| 3 | The objectives of the SLA | | |
| 4 | Outline the service scope, note any limitations or exclusions | | |
| 5 | List any services provided by a third-party contractor if applicable | | |
| 6 | Specification of services for the hotel/s | | |
| 7 | Clearly defined measurements/SLAs | | |
| 8 | If your SLA has a time scale then include: | | |
| 9 | Start and end dates | | |
| 10 | Length of contract and associated SLA which will remain valid for the duration | | |
| 11 | Include a provision for premature termination | | |

| Supplier Ethical Trading Risk Assessment | | | | | | | |
|--|-------------------|----------------------|-------------------------|-----------------------------------|-------------------|---------------------------|------------------------|
| SUPPLIER NAME | PRODUCTS SUPPLIED | HEAD OFFICE LOCATION | QUESTIONNAIRE COMPLETED | ETHICAL TRADING SCHEME MEMBERSHIP | HISTORICAL ISSUES | WRITTEN WARRANTY PROVIDED | ETHICAL TRADING POLICY |
| Barnes | | | | | | | |
| Parkins | | | | | | | |
| Kenyan Coffee | | | | | | | |

CIPS provides training courses on ethical and procurement supply.

You can find more information at:

<https://www.cips.org/en-GB/training-courses/Ethical-Procurement-and-Supply>.

Modern Slavery

Any company supplying goods and services in the UK with an annual turnover of more than £36m must publish the steps taken to tackle slavery in their direct operations and supply chains. The Modern Slavery Act asks you to issue a statement on your website describing all the things you have done and must be signed off at board level.

Hotel staff should be trained to spot signs of slavery, such as:

- Forced labour.
- Bonded labour.
- Human trafficking.
- Prostitution.
- Child slavery.
- Forced and early marriage.

Things you can do as a company?

- Assess suppliers thoroughly.
- Understand purchasing rules.
- Investigate the provenance of supplies.
- Examine specifications and contracts.

LEVERAGE SUPPLIERS

Many competitors
Commodity products/services
Low switching costs

Competitive Bidding

STRATEGIC SUPPLIERS

Critical for product's cost price
Dependent upon supplier

Partnership

ROUTINE SUPPLIERS

Large product variety
Low value per product
High labor transaction costs

Blanket PO

BOTTLENECK SUPPLIERS

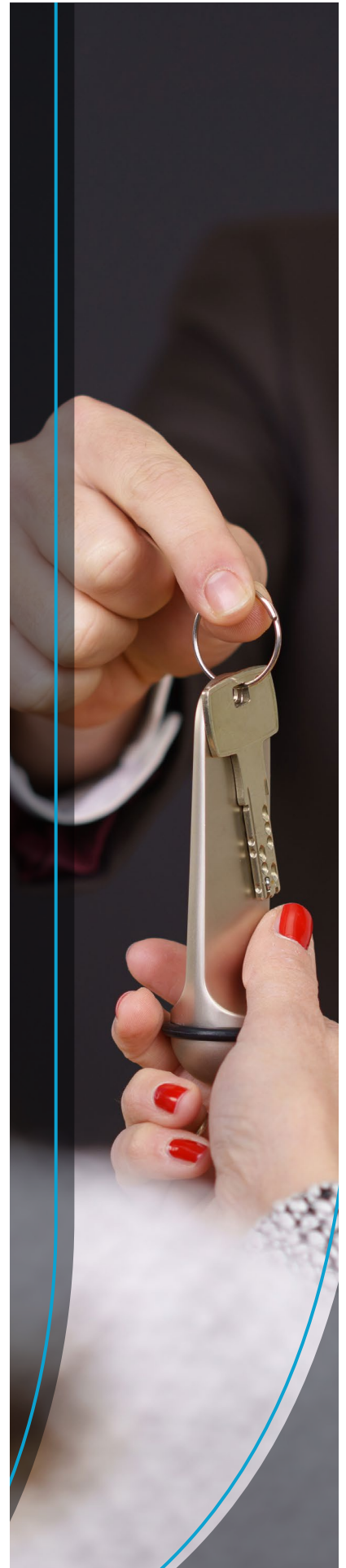
Relatively low value
Few alternatives
Monopolistic markets

Secure Supply + Find Alternatives

Essential Documents

Service Level Agreements (SLAs)

An SLA is a commitment by a supplier who provides a service. The measurement could be quality, availability of parts, responsibilities and so on. These are set out in the supply contract. Telecom or IT providers and similar also provide technical definitions, such as recovery times, outage, failure to repair and so on.



It is essential to ensure that the SLA is set and agreed by hotels and suppliers before the final purchase agreement.

It is important to ensure that hotel, supplier and purchasing are all aligned to ensure the KPIs are fair and achievable, along with a method and timeline in case any improvements are required.

Vendor Ratings: Key Performance Indicators (KPIs)

KPIs are a measurable value that demonstrates how effective a company is. As part of the contract process you agree set targets with the supplier, such as number of deliveries, timing, effectiveness, speed and so on.

A KPI measurement can also be used to trigger a penalty if a supplier's performance falls below a certain pre-agreed level. However, if you are working with a supply partner, achieving KPIs should be the responsibility of both parties.

If you have a purchasing system, such as Fourth, you can set up measurements to be included in the supplier contract and form part of the KPI process. Extending this, a full business analytics platform enables you to generate supplier scorecards. You can quickly see your top suppliers and those that consistently deliver late or have pricing issues.

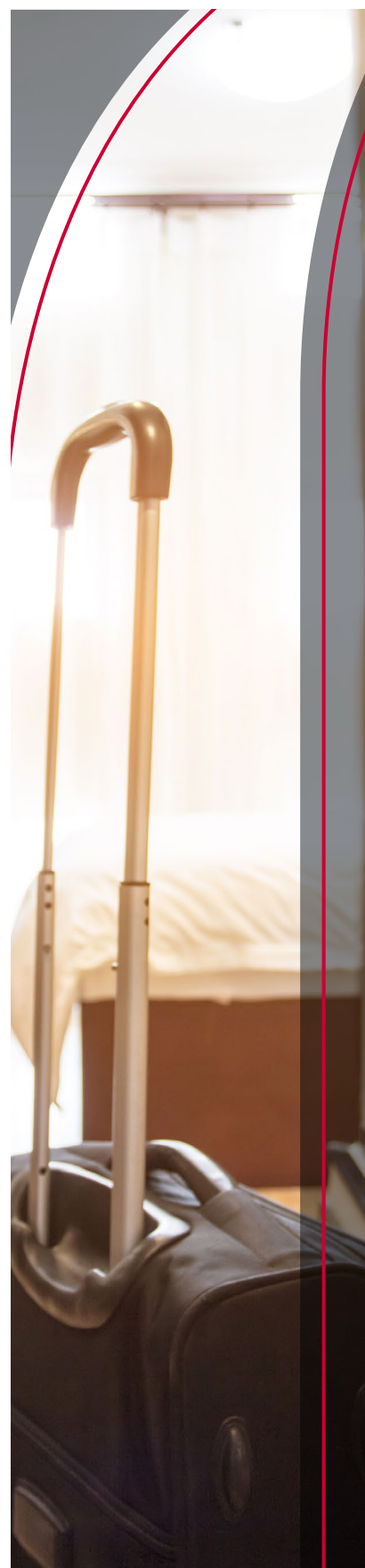
How do I decide which suppliers require KPIs in the contract?

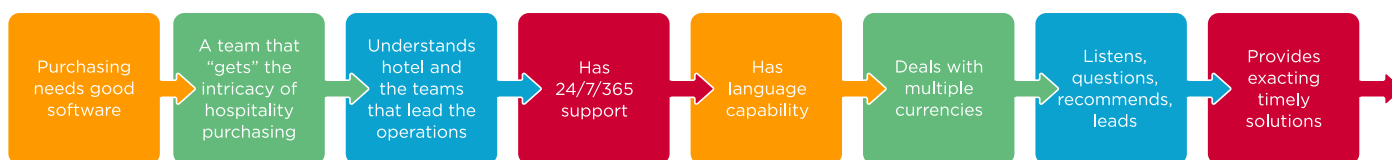
By using the Kraljic matrix you can plot your suppliers according to the value of KPI to your contract process.

METHOD STATEMENT

| | | |
|------------------|---------------------|--------------|
| Contract: | Sheet No. | Date: |
| Client: | Prepared by: | |

| OPERATION NUMBER | OPERATION | METHOD/SEQUENCE | PLANT/EQUIP | LABOUR | TIME | REMARKS |
|------------------|-----------|-----------------|-------------|--------|------|---------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |





In the diagram on the above the vertical line is supply risk - the risk the supplier and market imposes on the supply chain in terms of:

- Short- and long-term availability.
- Number of suppliers in the market.
- Competitive demand.
- Make or buy opportunities.
- Storage risks.
- Substitution possibilities.

Risk Assessment Method Statements (RAMS)

With a service contract, it is essential that the supplier or contractor carries out a risk assessment covering the process of the works. This should be approved by the SME at the hotel (usually engineering), as no one knows a hotel or any other building as well as the incumbent team. It should outline any hazards involved, with a guide to how to complete the work safely.

Natural disasters

You need to consider the risk and the implication of supplier failure from natural disasters such as hurricanes, earthquakes and so on. We operate in a much more globalised environment and the level of risk will be dependent on your scale of purchasing.

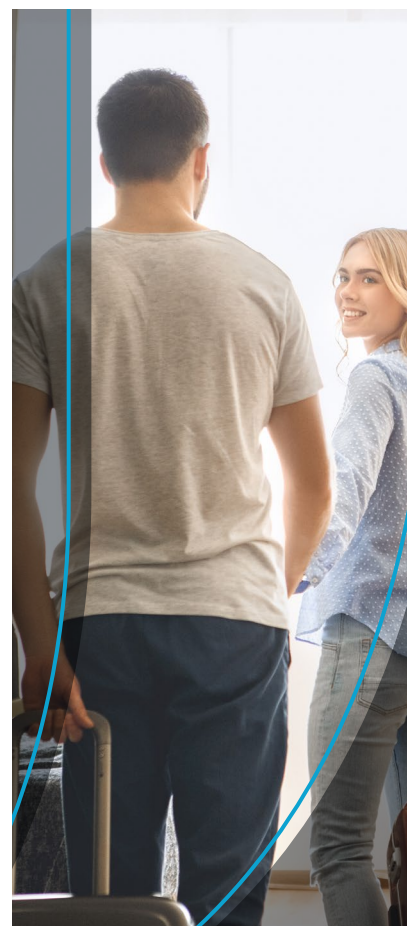
Other risks:

- The volatility of commodity markets.
- Managing reputational risk from potential scandal (eg horse meat).

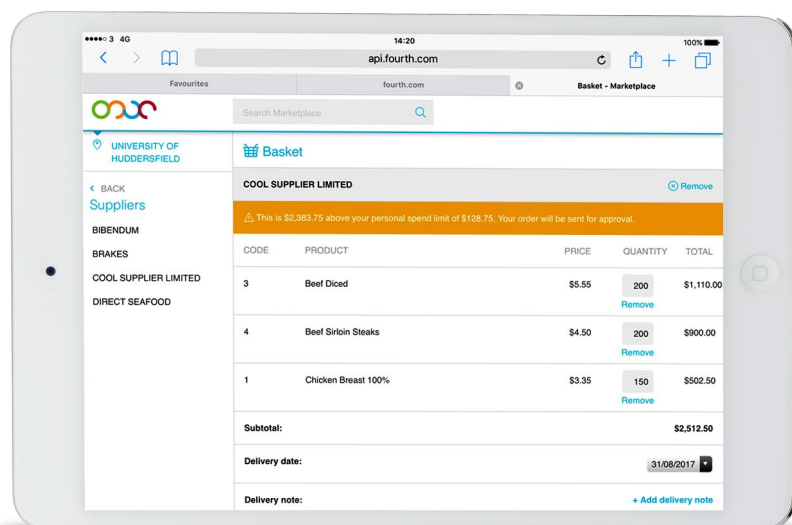
Method statement

A method statement is a sequence of steps taken to complete an overall task in a safe manner. The process must be written by a competent person employed by the contractor and is sometimes called a "safe system of work". It is a document that details the way a work task or process is to be completed.

45%
of procurement
functions have an
established level
of maturity in use
of technology and
systems



Purchasing Systems



Centralised Model for Data Management

With the right purchasing system, you can centralise data management across multiple locations and brands. This ensures that all data is accessible in a simple and straightforward way and ensures that all data is entered in a consistent manner. With disparate systems, you run the risk of users entering data in different ways, which reduces your ability to effectively report on what's happening in the business.

A centralised system also helps ensure compliance across the estate, with the relevant rules and guidelines formulated at head office and immediately enforced in each hotel. However, you also need to ensure that the system in place provides some flexibility to enable essential, urgent purchases to be made when required.

The Importance of Systems With Real Time Pricing

With supplier integration, you also benefit from real-time pricing, which means orders are always placed with the most up-to-date prices. Aside from allowing purchasers to make more informed decisions on what they're buying from where, it also reduces the need to correct errors in pricing when matching the purchase order, goods received note and invoice.



Reporting and Spend Analysis

As mentioned above, having a central system means all data is held in common formats and in one central place. This makes available a huge amount of potential reporting – from standard system reports on specific areas to graphical dashboards to quickly track progress against core KPIs, or benchmarking against the latest Food Price Index (FPI) to see where improvements could be made.

Much of this technology is already being used by hospitality organisations, so you can take advantage of work that's already been done to generate these dashboards and reports. Implementing an analytics solution needn't take months and cost thousands of pounds. You can be up and running with industry standard analytics in a matter of weeks, and then add any bespoke reporting that you require.

Implementing technology across your entire purchase-to-pay and inventory process means you can get practically any report that you require to make sure that spend is completely under control. It also means you can give the right information to the right people at the right time, with high-level summaries and the ability to drill down into the detail.

Increased Efficiencies and Profitability

Technology also helps increase efficiency and profitability. With the right tools in place, purchasing processes can be automated and teams need only manage by exception. By reducing the administration burden, you can free up time for your purchasing team to spend on developing supplier relationships or researching new vendors.

Technology also helps simplify the purchasing process. For example, managers can complete orders using barcode technology, so they simply scan what they need to complete the order. Alternatively, orders can be completed on mobile devices, meaning managers can quickly complete orders wherever and whenever they are, without needing to be in the back-office.

With the right system, you get complete purchasing compliance, which helps you control your costs and take advantage of rebates or rewards. Through automation and simplification of purchasing processes, you also save resource and time, which helps increase your profitability. And because the manager spends less time in the back-office, they spend more time with their teams and customers, which enhances the customer experience.



Using Technology to Alleviate Issues

As mentioned above, using technology to automate and simplify processes provides greater purchasing compliance, which prevents many common purchasing issues. By giving users access to only the functionality they require, you can ensure processes are followed correctly and that all relevant approvals are in place to ensure costs are controlled.

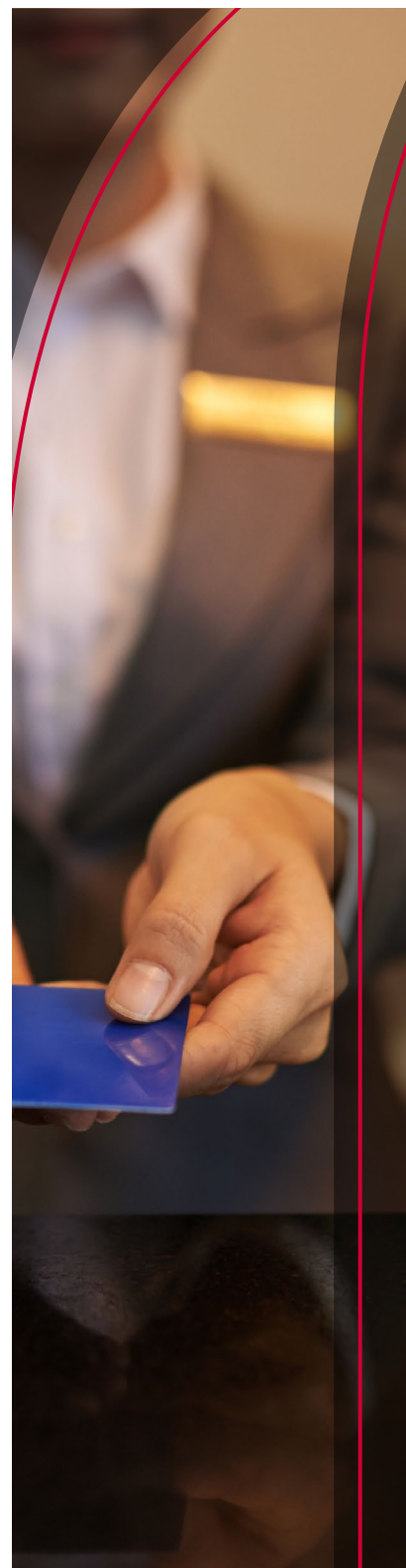
With all information held digitally in a central place, it also helps to resolve any problems, as all the data is at hand. With manual systems, you might need to trawl through paperwork to resolve the issue, which takes time and costs money. Being able to work by exception, and resolve any issues quickly and easily helps improve supplier relationships, and makes sure you only pay for what you ordered.

Key Points

Good purchasing practice in hotels is all about working together as a team of skilled individuals and departments, where each party understands the others' strengths, constraints and needs. Sound purchasing plays such a vital role in the success of a hospitality business – and is likely to be complex and fast-moving – so it's important to understand your own processes and make sure you're applying the most productive techniques and technology.

Start by reviewing your overall systems. If you don't have a purchasing strategy, put one in place. If you don't have a buyer, ask yourself why. Can you really afford to put responsibility for expenditure in the hands of a wide range of individuals whose priorities and incentives may conflict with the commercial goals of the business?

Once you've worked out how your costs are allocated, you can begin to manage them better and extract more value from your spend. Close, respectful collaboration between purchasing specialists and subject matter experts (such as chefs, F&B managers, housekeeping and facilities managers) can deliver positive results for all concerned. You can make sure HODs always have the products and services they need, while reducing the time they spend on getting them. You can develop strong and evolving relationships with suppliers, achieving the best quality and price, while safeguarding against future disruption.



Appendix A - Seasonal Products

| PRODUCTS: | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-----------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| VEGETABLES: | | | | | | | | | | | | |
| Artichoke | | | | | | | | | | | | |
| Asparagus | | | | | | | | | | | | |
| Aubergine | | | | | | | | | | | | |
| Beetroot | | | | | | | | | | | | |
| Broad Beans | | | | | | | | | | | | |
| Broccoli | | | | | | | | | | | | |
| Brussel Sprouts | | | | | | | | | | | | |
| Carrots | | | | | | | | | | | | |
| Cabbage | | | | | | | | | | | | |
| Cauliflower | | | | | | | | | | | | |
| Celery | | | | | | | | | | | | |
| Chicory | | | | | | | | | | | | |
| Courgettes | | | | | | | | | | | | |
| Cucumber | | | | | | | | | | | | |
| Fennel | | | | | | | | | | | | |
| French Beans | | | | | | | | | | | | |
| Garlic | | | | | | | | | | | | |
| Jersey Royal Potatoes | | | | | | | | | | | | |
| Jerusalem Artichoke | | | | | | | | | | | | |
| Kale | | | | | | | | | | | | |
| Leeks | | | | | | | | | | | | |
| Lettuce | | | | | | | | | | | | |
| Mange tout | | | | | | | | | | | | |
| Marrow | | | | | | | | | | | | |
| New Potatoes | | | | | | | | | | | | |
| Onions | | | | | | | | | | | | |
| Parsnips | | | | | | | | | | | | |
| Peas | | | | | | | | | | | | |
| Peppers | | | | | | | | | | | | |
| Potatoes | | | | | | | | | | | | |
| Pumpkin | | | | | | | | | | | | |
| Purple Broccoli | | | | | | | | | | | | |
| Radish | | | | | | | | | | | | |
| Red Cabbage | | | | | | | | | | | | |
| Rocket | | | | | | | | | | | | |
| Runner Beans | | | | | | | | | | | | |
| Spinach | | | | | | | | | | | | |
| Spring Onions | | | | | | | | | | | | |
| Swede | | | | | | | | | | | | |
| Sweetcorn | | | | | | | | | | | | |
| Turnips | | | | | | | | | | | | |
| Watercress | | | | | | | | | | | | |
| Wild Mushroom | | | | | | | | | | | | |

| PRODUCTS: | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Fruit: | | | | | | | | | | | | |
| Apples | | | | | | | | | | | | |
| Apricots | | | | | | | | | | | | |
| Bananas | | | | | | | | | | | | |
| Blackberries | | | | | | | | | | | | |
| Blueberries | | | | | | | | | | | | |
| Cherries | | | | | | | | | | | | |
| Chestnuts | | | | | | | | | | | | |
| Clementines | | | | | | | | | | | | |
| Cranberries | | | | | | | | | | | | |
| Damsons | | | | | | | | | | | | |
| Oranges | | | | | | | | | | | | |
| Passion Fruit | | | | | | | | | | | | |
| Peaches | | | | | | | | | | | | |
| Pears | | | | | | | | | | | | |
| Pineapple | | | | | | | | | | | | |
| Plums | | | | | | | | | | | | |
| Pomegranate | | | | | | | | | | | | |
| Raspberries | | | | | | | | | | | | |
| Redcurrants | | | | | | | | | | | | |
| Rhubarb | | | | | | | | | | | | |
| Satsumas | | | | | | | | | | | | |
| Seville Oranges | | | | | | | | | | | | |
| Strawberries | | | | | | | | | | | | |
| Tangerines | | | | | | | | | | | | |
| Tomatoes | | | | | | | | | | | | |
| Walnuts | | | | | | | | | | | | |

| PRODUCTS: | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Meat & Poultry, Game | | | | | | | | | | | | |
| Duck | | | | | | | | | | | | |
| Goose | | | | | | | | | | | | |
| Grouse | | | | | | | | | | | | |
| Guinea Fowl | | | | | | | | | | | | |
| Hare | | | | | | | | | | | | |
| Lamb | | | | | | | | | | | | |
| Partridge | | | | | | | | | | | | |
| Pheasant | | | | | | | | | | | | |
| Pigeons | | | | | | | | | | | | |
| Quail | | | | | | | | | | | | |
| Rabbit | | | | | | | | | | | | |
| Venison | | | | | | | | | | | | |
| Wood Pigeon | | | | | | | | | | | | |

| PRODUCTS: | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Fish: | | | | | | | | | | | | |
| Brill | | | | | | | | | | | | |
| Clams | | | | | | | | | | | | |
| Cockles | | | | | | | | | | | | |
| Cod | | | | | | | | | | | | |
| Crab | | | | | | | | | | | | |
| Dover Sole | | | | | | | | | | | | |
| Grey Mullet | | | | | | | | | | | | |
| Haddock | | | | | | | | | | | | |
| Halibut | | | | | | | | | | | | |
| Hake | | | | | | | | | | | | |
| Herring | | | | | | | | | | | | |
| John Dory | | | | | | | | | | | | |
| Lemon Sole | | | | | | | | | | | | |
| Lobster | | | | | | | | | | | | |
| Mackerel | | | | | | | | | | | | |
| Monkfish | | | | | | | | | | | | |
| Mussels | | | | | | | | | | | | |
| Oysters | | | | | | | | | | | | |
| Salmon | | | | | | | | | | | | |
| Sardines | | | | | | | | | | | | |
| Scallops | | | | | | | | | | | | |
| Sea Bass | | | | | | | | | | | | |
| Sea Trout | | | | | | | | | | | | |
| Squid | | | | | | | | | | | | |
| Turbot | | | | | | | | | | | | |

Appendix B - Category coding for Fourth

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|-----------------------|-----------------------|
| Advertising | Advertising | Advertising |
| | | Human Resources |
| | | Sales & Marketing |
| Agency | Agency Staff | Agency Staff |
| Beds | Beds | Brand Specific Bed |
| | | Beauty Rest Black Bed |
| | | Mobile Beds |
| | | Baby Cribs |
| Beverage | Beers | Bottles |
| | | Cans |
| | | Draught |
| | | Ciders |
| | | Stout |
| | | Low/No Alcohol |
| | Mineral & Soft Drinks | Baby Mixers |
| | | Bottle |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|------------|----------------------------|
| | | Cans |
| | | PET/Litre |
| | | Cordial |
| | | Syrups Non-Alcoholic |
| | | Water - Still |
| | | Water - Sparkling |
| | Spirits | Alcopops |
| | | Aperitif |
| | | Brandy/Cognac/Armagnac |
| | | Cocktails |
| | | Gin |
| | | Kosher |
| | | Kitchen Cooking Products |
| | | Large Bottles (1 - 1.5Ltr) |
| | | Liqueurs |
| | | Miniatures |
| | | Port |
| | | Rum |
| | | Sake |
| | | Sherry |
| | | Sirops Alcoholic |
| | | Tequila |
| | | Vodka |
| | | Whisky |
| | Store Room | Bev Storeroom |
| | | Main Storeroom |
| | Wines | Argentina |
| | | Australia |
| | | Austria |
| | | Broker Wines |
| | | California |
| | | Canada |
| | | Champagne |
| | | Chile |
| | | Dessert Wine |
| | | England |
| | | France |
| | | Germany |
| | | Greece |
| | | Hungary |
| | | Italy |
| | | Cooking Wine |
| | | Lebanon |
| | | Low/No Alcohol |
| | | Moroccan |
| | | Mexican |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|----------------------|-------------------------------|
| | | New Zealand |
| | | Other |
| | | Portugal |
| | | Regional/House Wines |
| | | Rose |
| | | Sake |
| | | South Africa |
| | | Spain |
| | | Sparkling Wines |
| | | Switzerland |
| | | USA |
| | | Wine Programmes |
| | | Wines by the glass |
| | | Greece |
| | | Canada |
| | | Sake |
| | | Do not order - Discontinued |
| Beverage Credit | Elimination Beverage | Elim Bvg |
| Beverage General | Beverage | Gas CO2 |
| Business Services | Business Services | Business Services |
| Chemicals | Chemicals | Accessories |
| | | Kitchen Cleaning |
| | | General Cleaning |
| | | Skincare |
| | | Warewashing |
| | | Bar and Cellar |
| | | Odour Control |
| | | Other Chemicals |
| | | Washroom Supplies |
| | | Laundry |
| Cleaning Products | Cleaning Tools | F&B |
| | | Kitchen |
| | | Housekeeping |
| | | Maintenance |
| | | General |
| Engineering | Batteries | Batteries |
| | Engineering | Building Supplies |
| | | Elec & Mech Supplies |
| | | Materials & Tools |
| | | Filters |
| | | Fire Safety |
| | | Marble & Granite |
| | | Metal Fabrication & Welding |
| | | Plastering |
| | | Contract Engineering Services |
| | | Maintenance Contract |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|------------------------|---------------------------|
| | | Labour Services |
| | | Paints & Coatings |
| | | Paint Sundries |
| | | Lighting & Shades |
| | | Plumbing |
| | | Sanitaryware |
| | | Parts & Misc. |
| | | Lamps & Tubes |
| | Telephone Misc. | Conference Calling |
| | | Telephone Supplies |
| | Vending | Drink Machines |
| | | Snack Machine |
| | Wallcoverings | Adhesive |
| | | Wallpaper |
| | Water Fountains | Associated Equipment |
| | | Water |
| | Water Treatment | Water Chemicals/Softeners |
| | | Water Treatment Service |
| | | Water Treatment Service |
| Equipment | Equipment Audio Visual | Equipment A/V Hire |
| | Equipment F&B | Heavy Duty Equipment |
| | | Kitchen Equipment |
| | | Light Equipment |
| | | Spare Parts |
| | Equipment General | Office |
| | | Others |
| F&F | F&F | Tables & Chairs |
| | | Office Furniture |
| | | Others |
| Flags | Flags | Brand |
| | | Country |
| Flooring | Flooring | Carpet |
| | | Rugs |
| | | Vinyl |
| | | Fitting & Installation |
| | | Wooden Floor |
| Food | Bakers' Sundries Etc. | Bakers' Sundries Etc. |
| | Bar Gratis | Nuts & Crisps |
| | Beef | Fresh |
| | | Frozen |
| | | Processed |
| | Biscuits | Biscuits |
| | Bread | Fresh |
| | | Frozen |
| | | Part Baked |
| | Breakfast Cereals | Bulk Pack |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|-------------------------|-------------------------|
| | | Portion Size |
| | | Muesli |
| | | Granola |
| | Butter & Fats | Butter |
| | | Margarine |
| | | Fat |
| | Cakes & Pastries | Fresh |
| | | Part Baked |
| | Hot Beverage | Coffee |
| | | Tea |
| | | Chocolate |
| | Confectionary | Confectionary |
| | | Cooking Chocolate |
| | Dry Pulses Pasta & Rice | Dry Pulses Pasta & Rice |
| | Dry Salt & Spices | Salt |
| | | Pepper |
| | | Spices Fresh |
| | | Spices Dried |
| | Fish | Fresh |
| | | Frozen |
| | | Canned |
| | | Pre-Cooked |
| | | Fish Conserves |
| | | Salted/Smoked |
| | | Live |
| | | Shellfish |
| | Flour Products & Crumbs | Flour Products & Crumbs |
| | Front Office Sweets | Candy/Sweets |
| | | Miscellaneous |
| | Ice Creams | Frozen Ice Creams |
| | | Sorbets |
| | Fruit | Fresh |
| | | Frozen |
| | | Organic |
| | | Canned |
| | | Puree |
| | | Prepared |
| | Game | Venison |
| | | Quail |
| | | Partridge |
| | | Guinea Fowl |
| | | Duck |
| | | Rabbit |
| | | Pheasant |
| | | Frozen |
| | | Processed |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|---------------------------|--------------------------|
| | Herbs | Fresh |
| | | Frozen |
| | | Organic |
| | | Dried |
| | | Prepared |
| | Ice Carvings | Cubes |
| | | Ice Carvings |
| | Juice Fresh & Concentrate | Concentrate |
| | | Freshly Squeezed |
| | | Frozen |
| | | Juice Others |
| | | Smoothies |
| | Lamb | Fresh |
| | | Frozen |
| | | Processed |
| | | Mutton |
| | Mayonnaise & Salad Cream | Mayonnaise & Salad Cream |
| | Meat & Deli Items | Meat & Deli Items |
| | | Frozen |
| | Dairy | Milk |
| | | Butter |
| | | Cream |
| | | Cheese |
| | | Eggs |
| | | Margarine |
| | | Yoghurt |
| | Oils & Vinegars | Oil |
| | | Lard |
| | | Vinegar |
| | Pasta Products | Fresh |
| | | Dried |
| | Pickles & Relishes | Pickles & Relishes |
| | Pork | Fresh |
| | | Frozen |
| | | Processed |
| | Poultry | Chicken |
| | | Turkey |
| | | Pouissin |
| | | Goose |
| | | Processed |
| | | Frozen |
| | Prep Meals | Canapes |
| | | Starter |
| | | Finger Food |
| | | Intermediate Course |
| | | Main Course |
| | | Salad |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|------------------------|-------------------------|---------------------------------------|
| | | Vegetable Dish |
| | | Set Menu |
| | | Miscellaneous |
| | | Staff Food |
| | Preserves & Spreads | Preserves & Spreads |
| | Sandwich Fillings | Fillings |
| | Sauces Mustards & Mixes | Sauces Mustards & Mixes |
| | Snacks Crisps & Nuts | Snacks Crisps & Nuts |
| | Soups and Bouillions | Soups and Bouillions |
| | Sugar & Sweeteners | Sugar & Sweeteners |
| | Veal | Fresh |
| | | Frozen |
| | | Processed |
| | Vegetables | Fresh |
| | | Frozen |
| | | Organic |
| | | Canned |
| | | Prepared |
| General Products | General Generic Items | Engineering |
| | | Executive Office |
| | | Food & Beverage |
| | | Front Office |
| | | Housekeeping |
| | | Sales & Marketing |
| Golf | Golf | Equipment |
| | | Operating Supplies |
| | | Services |
| Guest Amenities | Guest Amenities | Brand 1 |
| | | Brand 2 |
| | | Brand 3 |
| | | Etc. |
| | | (Any Specific Brand eg. Molton Brown) |
| Gym | Fitness | Gym Equipment |
| | | Gym Accessories |
| | | Replacement Parts |
| | | Service Contract |
| | | Operating Supplies |
| Health & Safety | Health & Safety | Health & Safety |
| | | First Aid |
| | | General Health Care |
| Hire | Hire | F&B Hire |
| | | Housekeeping Hire |
| | | IT Hire |
| | | General Hire |
| Housekeeping Services | Housekeeping Services | Contract Cleaning |
| | | Kitchen Cleaning |
| | | Other |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|-----------------------------|------------------------|---------------------------|
| | | Plants & Flowers |
| | | Upholstery |
| | | Window Cleaning |
| | | Xmas Decorations |
| | | Washroom Services |
| | Soft Furnishings | Accessories |
| | | Blinds |
| | | Curtains |
| | | Fabrics |
| | | Sheers/Voiles |
| | | Fitting |
| | | IT Systems |
| | | Equipment |
| Journals | Newspapers & Magazines | Admin. |
| | | Guest |
| Laundry | Laundry & Valet | Laundry Equipment |
| | | Valet Equipment |
| | | Laundry/Valet Supplies |
| Lifts | Lifts | Maintenance Contracts |
| | | Refurbishments/New |
| | | Repairs (Out of contract) |
| | | Parts |
| Linen | Linen & Bedding | Bath Linen |
| | | Bed Linen |
| | | General |
| | | Linen Hire |
| | | Table Linen |
| | | Spa Linen |
| | | Pool Linen |
| | | Bedding |
| Menu Engineering Categories | Outlet Breakfast | A La Carte |
| | | Sides |
| | | Buffet |
| | In Room Dining | Starters Hot |
| | | Starters Cold |
| | | Pizza |
| | | Sandwich |
| | | Cold Cuts/Meats |
| | | Main Meat |
| | | Main Fish |
| | | Main Vegetable |
| | | Sides |
| | | Kids Menu |
| | | Desserts |
| | All Wine Glass Recipes | Red Wine |
| | | White Wine |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|---------------------------|---------------------------|---------------------------|
| | | Rose Wine |
| | | Champagne |
| | | Sparkling Wine |
| | | Dessert Wine |
| Minibar | Mini Bar Equipment | Maintenance & Supplies |
| | | Supplies |
| | | General |
| | Minibar Miscellaneous | Candy/Sweets |
| | (Inventory General) | Chocolates |
| | | Nuts & Crisps |
| | | General |
| Miscellaneous | Containers | Bottles |
| | | Crates |
| | | Free |
| | Human Resource | Staff Benefits |
| | | Agency Staff |
| | Training & Courses | Computer & IT |
| | | Management Courses |
| | | Operational Innovation |
| | | Brand |
| | | Other |
| Operating Supplies | F&B Operating Supplies | Cutlery |
| | (New Category Suggested) | Chinaware |
| | | Silverware |
| | | Glassware |
| | | Hollow-ware |
| Pool | Pool | Pool |
| Pool Supplies | Pool Supplies | Pool Supplies |
| Retail Items | Retail Items | Retail Items |
| Brand 1 | Brand 1 | Brand 1 |
| Brand 2 | Brand 2 | Brand 2 |
| Brand 3 | Brand 3 | Brand 3 |
| Etc. | Etc. | Etc. |
| Design & Artwork | Design & Artwork | Design & Artwork |
| SPG | SPG | SPG |
| Generic | Generic | Generic |
| Sales & Marketing Generic | Sales & Marketing Generic | Sales & Marketing Generic |
| Equipment | Equipment | Equipment |
| Music | Music | Music |
| Generic | Generic | Generic |
| Refurbishment | Refurbishment | Refurbishment |
| Beverage Products | Beverage Products | Beverage Products |
| Food Products | Food Products | Food Products |
| Other Products | Other Products | Other Products |
| Bathroom | Bathroom | Bathroom |
| Bedroom | Bedroom | Bedroom |
| Other | Other | Other |

| GENERAL CLASSIFICATION | CATEGORY | SUB-CATEGORY |
|----------------------------|----------------------------|---|
| Membership/Subscriptions | Membership/Subscriptions | Membership/Subscriptions |
| Photography | Photography | Photography |
| Sales & Marketing Goods | Sales & Marketing Goods | Sales & Marketing Goods |
| Sales & Marketing Services | Sales & Marketing Services | Sales & Marketing Services |
| Equipment | Equipment | Equipment |
| Key Cards | Key Cards | Key Cards |
| Vingcard System | Vingcard System | Vingcard System |
| Safes | Safes | Safes |
| Security Cameras | Security Cameras | Security Cameras |
| General | General | General |
| Services | Consulting | Consulting |
| | | Management Fees |
| | Services | Environment Services |
| | | General Services |
| Signage | Signage | General Signs |
| | | Health & Safety Signs |
| Spa | Spa Products | Retail |
| | | Professional |
| | | (Sub-Categories should be brand-specific) |
| Speciality Cuisine | Speciality Cuisine | Asian |
| | | Mexican |
| | | Oriental |
| | | Others |
| Starbucks/Other Brands | Starbucks Kiosk Non-Food | Non-Food |
| | Starbucks Kiosk Beverage | Beverage |
| | Starbucks Kiosk Food | Food |
| Stationary | Stationary | Consumables |
| | | Stationary |
| Subscriptions | Subscriptions | Subscriptions |
| Tobacco | Tobacco | Cigarettes |
| | | Cigars |
| Uniforms | Uniforms | By Brand |
| | | Badges |
| | | Shoes |
| | | Etc. |
| Waste | Waste | Waste Equipment |
| | | Waste Services/Recycling |

Appendix C - Acronyms

| | | | |
|--------------|---|----------|--|
| 80/20 | Frequent reference in Hotel Purchasing. 80% of what you purchase is usually 20% of products | BOOT | Contract Builds, Owns, Operates and Transfers Contract |
| 1PL | First Party Logistics | BPO | Business Process Outsourcing |
| 2PL | Second Party Logistics | Boutique | Unique in style or design |
| 3PL | Third Party Logistics | C | |
| 4PL | Fourth Party Logistics | CAPEX | Capital Expenditure |
| 5PL | Fifth Party Logistics | CBA | Cost Benefit Analysis |
| A | | CCA | Competition and Consumer Act 2010 |
| ACH | Automatic Clearing House | CFR | Cost and Freight |
| ADR | Alternative Dispute Resolution | CIF | Cost, Insurance and Freight |
| ADR | Average Daily Rate | CIP | Carriage and Insurance Paid |
| APR | Average Published Rate | CIPS | Chartered Institute of Procurement and Supply |
| ARR | Average Rate of Return or Accounting Rate of Return | CLAN | Centre Led Action Network |
| Attic Stock | Purchase additional product, (e.g. carpet, fabric to store for future use/repair) | CO | Certificate of Origin |
| Amortization | Timeframe during which a loan amount down to zero balance, as in amortize | COGS | Cost of Goods Sold |
| | | CPO | Chief Procurement Officer |
| | | CFO | Chief Financial Officer |
| | | CEO | Chief Executive Officer |
| Auction | Competitive bid purchasing | CPT | Carriage Paid To |
| B | | CSR | Corporate Social Responsibility |
| BAFO | Best and Final Offer | CT | Carbon Trust |
| BATNA | Best Alternative to a Negotiated Agreement | CRC | Carbon Reduction Commitment |
| BAU | Business as Usual | COSHH | Care of Substances Hazardous to Health |
| BOOM | Contract Builds, Owns, Operates and Maintains Contract | | |

Appendix C - Acronyms

| | | | |
|----------|---|--------------------|--|
| D | | FCA | Free Carrier |
| DAP | Delivered at Place | FCL | Full Container Load |
| DAT | Delivered at Terminal | FIFO | First In First Out costing |
| DDP | Delivered Duty Paid | FMEA | Failure Mode and Effects Analysis |
| DIFOT | Delivery in Full and On Time | FOB | Free on Board |
| DMAIC | Define Measure Analyse Improve Control | Franchisor | A company that sells franchises |
| DOF | Director of Finance | Franchisee | A company buying or leasing a franchise |
| E | | Full Service Hotel | Full service, mid-price, luxury or upscale offering all services |
| EAN | European Article Number or International Article Number | FF&E | Furniture, Fixtures and Fittings |
| EBITDA | Earnings Before Interest and Tax, Depreciation and Amortization | G | |
| ECR | Efficient Consumer Response | GHG | Greenhouse Gases |
| EDI | Electronic Data Interchange | GOPPAR | Gross Operating Profit Per Available Room |
| EOI | Expression of Interest | H | |
| EOQ | Economic Order Quantity | HAZCHEM | Hazardous Chemical Alert |
| EPC | Engineer Procure and Construct | HACCP | Hazard Analysis, Critical Control Point |
| EPCM | Engineering Procurement and Construction Management | I/J | |
| EPIC | Engineer Procure Install and Commission | IMF | Intermodal Freight Containers |
| EPICOM | Engineer Procure Install Commission Operate and Maintain | INCOTERMS | International Commercial Terms |
| ERP | Enterprise Resource Planning | IP | Intellectual Property |
| EXW | Ex Works | IRD | In-Room Dining |
| F | | ITO | Invitation to Offer |
| FAS | Free Alongside Ship | JIT | Just in Time |
| F&B | Food and Beverage | Joint Venture | Two or more companies or individuals working together and sharing control, profit/loss |

Appendix C - Acronyms

K

KPI Key Performance Indicator

L

LC Letter of Credit

LCCS Low Cost Country Sourcing

LCL Less than Container Load

LIFO Last In First Out

LOI Letter of Intent

Lifestyle Brands Several hotels normally within one parent company control

Limited Service Hotel Usually just offers guest rooms

Location Segment Hotel classification driven by location/geography

M

Marchese Managed and franchised by the same Company

Market Class Hotels in the same market and classified in the same market segment

MICE Meetings, Incentives, Conference and Events

MRO Maintenance Routine Operating Categories or Maintenance, Repair and Overhaul

MRP Materials Requirements Planning

MRP II Manufacturing Resource Planning

MSDS Materials Safety Data Sheet

MTBF Mean Time Before Failure

MTBUR

Mean Time Before
Unscheduled Removal

MTO

Make to Order

MTS

Make to Stock

N / O

Occupancy

Percentage number of rooms
sold in a specific period

OSE

Operating Supplies and
Equipment

OTA

Online Travel Agent

NPV

Net Present Value

NOI

Net Operating Income

P / Q

PCard

Procurement Card

PEST Analysis

Political, Economic, Social
and Technological
Environments Analysis

PO

Purchase Order

POS

Point of Sale

PR

Purchase Requisition

PPCA

Profit, Price and Cost Analysis

PPP

Public Private Partnership

Pipeline

Projected growth of hotels

PIP

Property Improvement Plan

R

Rack Rate

Set price

RAMS

Risk and Method Statement

RevPAR

Revenue Per Available Room

RevPAR Yield Index

Measures a hotels fair market
share of their segment

ROCE

Return on Capital Employed

Appendix C - Acronyms

| | | | |
|---------------------|---|--------------------|--|
| RFI | Request for Information | SLA | Service Level Agreement |
| RFID | Radio-Frequency Identification | SME | Small and Medium Sized Enterprises or Subject Matter Expert |
| RFP | Request for Proposal | SRM | Supplier Relationship Management |
| RFQ | Request for Quotation | SOPs | Standard Operating Process |
| RFT | Request for Tender | T | |
| ROCE | Return on Capital Employed | Transient Rooms | Rooms occupied at rack or booked by a third party |
| ROI | Return on Investment | U / V | |
| RONA | Return on Net Assets | W | |
| S | | WACC | Weighted Average Cost of Capital |
| Sample Room | A room created from a design pre- a hotel refurbishment that would seek Hotel/Owner approval before going ahead to whole Hotel/Area | XYZ | |
| Serviced Apartments | Extended stay accommodation room/ apartment | Zero Hour Contract | An Employee has no guaranteed hours of work but must make themselves available |
| SBR | Supply Base Reduction | | |


Appendix D - Traded Commodities

| COMMODITY | CURRENCY TRADED | COMMODITY | CURRENCY TRADED |
|-------------------|-----------------|---------------------|-----------------|
| Aluminium | USD | London Cocoa | GBP |
| Brent Crude | USD | London Sugar | USD |
| Carbon Emissions | EUR | London Wheat | GBP |
| Coffee Arabica | USD | Natural Gas | USD |
| Coffee Robusta | USD | New York Cocoa | USD |
| Copper | USD | Nickel | USD |
| Corn | USD | Oats | USD |
| Cotton | USD | Orange Juice | USD |
| Feeder Cattle | USD | Palladium | USD |
| Gas Oil | USD | Paris Milling Wheat | EUR |
| Gold | USD | Platinum | USD |
| Heating Oil | USD | Rapeseed | USD |
| High Grade Copper | USD | Rough Rice | USD |
| Iron Ore | CNH | Silver | USD |
| Lean | USD | Soya Beans, Oil | USD |
| Leans Hogs | USD | Timber | USD |
| Live Cattle | USD | Zinc | USD |

About Fourth



Fourth provides end-to-end, best-in-class technology and services for the restaurant and hospitality industries. Their procurement, inventory and workforce management solutions, coupled with the industry's most complete data and analytics suite, give operators the actionable insights they need to control costs, scale profitability, improve employee engagement, and maintain compliance. Since its merger with US-based HotSchedules, Fourth serves more than 7,000 customers across 120,000 locations globally.

A close-up photograph of a chef's hand, wearing a white and black striped apron, holding a knife over a wooden cutting board. The background is slightly blurred, showing a kitchen setting.

Call us on +44 (0) 8450 571 234
www.fourth.com