

Supply Chain optimisation for Accommodation Providers

Northern
Ireland
Embrace
a Giant
Spirit



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Tourism
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Introduction

With the Hospitality Industry feeling the economic effects of the Covid-19 pandemic more than virtually every other sector, Supply Chain Management is possibly more important than ever before to this industry.

The vast majority of the hospitality industry has sustained significant losses throughout this period and to have a chance of returning to a position of profitability by the end of 2021 it is arguably more important now than even after the global financial collapse of 2007/08 that companies maintain a sharp focus on their bottom line.

** This webinar is presented with the author at all times aware of the devastating impact of Covid-19 on the industry and the uncertainty of Brexit implications for the not too distant future.*

What is a Supply Chain?

A supply chain is a network between a company and its suppliers to produce and distribute a specific product to the final buyer.

It consists of six major stages:

- Demand planning,
- Strategic sourcing,
- Purchasing,
- Logistics,
- Receiving
- Inventory management and payment.

Supply Chain Optimisation

This is the process of probing all aspects of the supply chain to deliver products and services to the customer at the lowest cost and highest profit with enhanced customer satisfaction.

Demand Planning

Predicting customer demand for your staff, services and products.

- Accurately Forecasting Hotel Demand Is More Important Than Ever
- With current regulations some events might now simply be economically inviable however, for the areas of the industry still able to (or about to) trade with profit, you must devote time to accurately estimating daily/weekly/monthly stock & staffing requirements.
- As you begin to remobilise your business how do you expect your guest numbers to be affected on a weekly/monthly basis as opposed to 2018/2019?
- Do you expect your guests to change their behaviours?
- How many staff will you require for daily/weekly service & events, when possible?
- Are you taking deposits to mitigate against “No shows”? What is your policy?
- Engage constantly with suppliers. What are their experiences/predictions?
- Demand Planning can be undermined at any time by new Gov’t travel restrictions/guidelines.

Strategic Sourcing

Strategic sourcing is a procurement process that continuously improves and re-evaluates the procurement activities of a business in order to reduce costs, improve margin & stability and enhance customer satisfaction.

- SOURCING GUESTS
- Are you fully engaged with all the local tourism bodies as well as Tourism NI?
- Do you attend trade events designed to grow your business?
- What events are planned in your locality over the next 12/24 months? What are the local attractions?
- Have you formed alliances with any Destination Management Companies (DMCs)?

Strategic Sourcing (cont)

Strategic sourcing is a procurement process that continuously improves and re-evaluates the procurement activities of a business in order to reduce costs, improve margin & stability and enhance customer satisfaction.

- SOURCING OPERATIONAL SUPPLIES
- Meet with your suppliers regularly.
- Why do you use a particular supplier – personal friend/local supplier/best price/guaranteed delivery slot, reliability?
- Are your suppliers having difficulties sourcing particular items? Are there any increased delays?
- Will they guarantee supply and quality of stock?
- How will you/are you addressing possible future sourcing issues as a result of Covid-19 and Brexit?
- Do you have contingency supply options in the event of your supplier not being able to deliver your requirements?
- Speak with your industry colleagues. Who do they recommend and why?
- Don't expect your suppliers to get it right 100% of the time. They too are having difficulty with sourcing materials and produce!

Purchasing

The process of acquiring materials, components, and services from another firm

- What are your credit terms? Is this the optimum option for your business?
- Has your supplier previously offered fixed term agreements on pricing for 3/6/12 months? Will they renew an agreed fixed term pricing structure?
- Some local suppliers have experienced up to 95% decline in their businesses, prompting them to demand C.O.D. or reduced credit to ease their own cash flows. Do you have a policy on this?
- Ask your supplier how you can decrease cost or at least maintain current costs. Options might be increased delivery drop sizes or reduction in the frequency of deliveries. Is this practical for your business? How will this impact your cash flow?
- Purchasing Groups. Membership of a group can result in increased margin across all departments.
- Can you avail of Industry Association discounts?
- Speak with your industry colleagues. Are you buying as competitively as they are?
- Remember, suppliers need customers too. A good supplier will work with you to help you through this period.

Logistics

The part of the supply chain that deals with the planning and control of the movement and storage of goods and services from their point of origin to their final destination.

- Are you confident that your supplier stores and moves products and produce to you in a safe and hygienic manner?
- Are your storage facilities adequate and well maintained?
- Are your staff trained in safe storage?
- Is your storage area within easy reach for continuity of service?
- Do you prepare food in one area and serve in another area? Function room? How is the food transported?

Receiving

Taking Delivery Of Ordered Items

- What process have you for receiving goods?
- Are staff instructed in receivables processes?
- Match the delivery to the Purchase Order
- Check products for damage & return if necessary
- Weigh items which are purchased according to their weight
- Allocate suitable storage space for the delivery
- Input delivery into EPOS system (if applicable)
- Notify Accounts Payable Dept (or relevant person)
- This aspect of the chain is as important as any other as lack of vigilance undermines margin.

Inventory

Management & payment

The process of ordering, storing and using a company's inventory & efficiency of payment process.

Inventory Management

- Are you maximising the capabilities of your EPOS system?
- Stocktaking – Have you a system in place? Weekly/fortnightly/monthly? In-house or contracted out?
- Stock rotation – are you using produce according to shelf life? Use of Specials Board.
- Is perishable stock being stored correctly to avoid waste?
- Do you hold a certain amount of buffer stock? Will this last until the next delivery? How is this calculated?

$$\text{SAFETY STOCK} = \left(\frac{\text{MAXIMUM DAILY USAGE} \times \text{MAXIMUM LEAD TIME IN DAYS}}{\text{MAXIMUM LEAD TIME IN DAYS}} \right) - \left(\frac{\text{AVERAGE DAILY USAGE} \times \text{AVERAGE LEAD TIME IN DAYS}}{\text{AVERAGE LEAD TIME IN DAYS}} \right)$$

Inventory Management & payment

The process of ordering, storing and using a company's inventory & efficiency of payment process.

Payment

Have you a payment policy that includes;

- Clear instructions on payment of bills which can be made available to suppliers upon request
- Are you adhering to your agreed payment terms?

Prompt payment to suppliers will;

- help your relationship with suppliers
- make suppliers keen to work with you
- increase suppliers' confidence in you as a business partner
- enable you to negotiate better deals
- help you avoid late-payment interest charges
- signal sound financial wellbeing

Challenges in the Supply Chain Management

- Covid-19 travel restrictions/social distancing/vaccine availability planning/unpredictability of future trends
- Brexit - uncertainty
- Multi departmental ordering. Where possible, purchasing should be centralised
- Uniformity of quality in the future
- Human error
- Unforeseeable logistical problems

Conclusion

Global Supply Chains are in a turbulent state as a result of the pandemic and any sort of business planning is very difficult.

You will not always get it right, but do strive to get it right more times than not!

I congratulate each of you for maintaining your businesses through these difficult times and am confident there are much better times ahead.

Thank you

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