



# SECRETS TO MANAGING SUPPLY CHAIN

\$\$\$ COSTS \$\$\$

**WHILE STILL PROVIDING A MEMORABLE  
BOUTIQUE EXPERIENCE**

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In the boutique and lifestyle industry, balancing priorities such as guest satisfaction with costs is constantly top-of-mind. Whether you're responsible for the overall purchasing strategy of a luxury hotel or the day-to-day buying decisions of an intimate boutique property, you can continuously challenge yourself to do more to protect your bottom line while still providing a unique boutique experience and quality products your guests will love.



**HERE ARE SIX SECRETS TO MANAGING COSTS IN YOUR SUPPLY CHAIN. THESE METHODS ARE EFFECTIVE AND STRAIGHTFORWARD. THE KEY IS CHECKING IN ON EACH OF THEM, STAYING CURRENT ON MARKET PRICES AND FOLLOWING UP WITH YOUR TERMS TO ENSURE IMPLEMENTATION AND COORDINATION.**

### **Stay Up-to-Date on Pricing Changes and Market Dynamics**

To understand the factors influencing pricing, it's important to follow trends in the global economy. Tracking price fluctuations is one way to start lowering your costs. Understanding supply and demand, as well as seasonality, is another; it's essential for every product in your pipeline. It's also worth tracking some specific ingredients even more closely.

For example, the price of meat can vary widely depending on the type of protein and the specific month. So, while you may serve filet mignon year-round, knowing when those higher costs kick in should prompt you to place a large order, adjust your menu pricing or vary the portion size to maintain profitability.

### **Carefully Plan the Timing of Your Orders**

The timing of orders can make an enormous difference in your bottom line. Allowing plenty of lead time for your order can help ensure availability, along with reducing the stress of not having a product available. Talk to your suppliers—they may offer discounts during specific times of the year, due to seasonality or lower demand. Capitalize on that, even if it's far in advance. If you expect prices to jump on essential products, order them now.

### **Consider Alternate Brands and Suppliers**

While a strong relationship with your suppliers is critical, never be shy about making changes to the products you currently use—rotating in new items can quickly and dramatically reduce your costs. Of course, you may have relationships with some suppliers that you don't want to disrupt. You may also have products that you know your guests love—items too valuable to your operation to consider changing. Identifying other opportunities; alternate suppliers may offer more benefits, better products and lower costs.

Similarly, try to avoid letting the fiscal month/year drive when you order. The end of the fiscal year often brings an increase in spending to “use up” the budget, then spending again when money becomes available. Instead, be proactive in your planning. Suppliers are more likely to work with you to achieve cost savings if you are proactive. Remember: unexpected hurdles can impact your order—so the earlier you begin the process, the easier it is to jump those hurdles.

## Consider Total Cost of Ownership

The cost of a product is just one consideration in your purchasing plan, but it's an important one. Cutting corners up-front may cost you more in the long run; the upfront price is not the only number you should consider. In procurement, total cost of ownership (TCO) is a vital consideration. TCO is the purchase price of a good or an asset plus the total cost of operation over the lifetime of that purchase. When choosing between items, purchasing should consider the long-term costs as well as the original price.

The key to TCO is in understanding how all the pieces work together. Consider all factors related to the item you are looking to purchase to make an educated and informed decision for your property. In the end, the purchase with the lower TCO will make for a better value over time. Some key considerations include: preparation time, brand, durability, warranty, customer expectations and waste.

## Calculate Rent vs. Own and Outsource vs. In-house

Knowing if you should rent a piece of equipment or outsource a service can be difficult. Consider both options and undertake a detailed analysis of procurement, maintenance, repair, and replacement costs. Renting can save you the up-front capital outlay and reduce operational costs, but owning offers a lower long-term cost and constant availability. Outsourcing offers more flexible scheduling, while in-house labor gives you more control over your labor force. Consider the decision between ordering pre-cut steak vs. cutting in-house. If your staff is skilled and your chef can use trimmings in stews and soups, then you should consider cutting protein products in-house. But if there's no use for the trimmings, then pre-cut steaks may be the more cost-efficient option.

## Implement Receiving Guidelines and Follow Them

Confirming the accuracy of your orders is critical to lowering your costs. Check all receivables to ensure you're getting exactly what you asked for. Check the weight, temperature, count, shelf life, and condition of goods. If you see any visible signs of damage to a box or crate, open it and inspect. If there's any damage — or any spoilage — you must refuse the delivery.



**WITH THESE SIX TIPS, YOU'LL BE WELL POSITIONED TO START BETTER MANAGING YOUR SUPPLY CHAIN COSTS. HOWEVER, SUCCESSFUL SUPPLY CHAIN MANAGEMENT TAKES STAYING ON TOP OF TRENDS IN THE GLOBAL MARKETPLACE, CONTRACTING EXPERTISE AS WELL AS DAY-TO-DAY TRACKING OF ORDERS, SUPPLIERS AND ACTIVITIES.**

*Owners and operators driven by a desire to reduce costs and at the same time maintain or elevate their quality of service and brand reputation and ultimately the guest experience, often look to a procurement service provider as a strategic partner. Procurement service providers help augment your purchasing department while also bringing years of hospitality expertise, leveraged purchasing power and innovative supplier relationships to the table.*

*Working with an outsourced procurement service provider, such as Avendra, you can develop a customized procurement solution to help ensure your strategic business priorities are achieved while also optimizing your supply chain.*