

# How-to Improve Your Purchasing Processes and Cut Costs in Your Supply Chain

Let's face it: Improving profitability can be a tricky part of this business. Staying on top of all the news and trends that can affect the price of each product can take an inordinate amount of time. Prices rise and fall based on supply and demand, of course, as well as seasonality. Similarly, knowing when to rent vs own or outsource vs. in-house certain items can also be some of the biggest decisions hoteliers have to make.

Efficient procurement requires commitment. Many organizations can administer facets of the procurement process, but it takes the constant focus, deep expertise and buying power to achieve comprehensive world-class procurement results. At Avendra, we pride ourselves on staying ahead of industry trends so we can pass the savings and market insight on to our customers. Since we live and breathe this stuff...we've put together a quick list of items that we've found are most effective when it comes to cutting purchasing costs and maximizing profits.

## Talk to suppliers

It may seem obvious, but the first step is to work closely with suppliers to better understand the product's supply and demand. They should be able to tell you whether prices typically rise seasonally, and if they offer discounts during certain times of the month or year when demand is typically low. They can also give you a heads up if they expect an event (say, something weather-related) to affect the price.

## Understand when prices will rise and fall

Knowledge is power and the insights you gain from your suppliers will help you proactively plan your purchasing and help cut costs. And always be aware of seasonality. Meat purchasing is a great example of how different times of the year can offer big savings. Due to the production cycles of various protein products, there are general "seasons," where pricing for these protein products is more advantageous than other times of the year. The best pricing for beef tenderloin, for example, comes in June and July, while optimal pricing for beef striploin occurs in November and December. Understanding this pricing will allow you to adjust your menus more often with respect to price, portion size, and offerings or specials.

## The Avendra Advantage:

### Supplier Purchasing Power

Nearly \$11 billion in purchasing power allows Avendra to negotiate on your behalf double-digit savings on the items you need most, from luxury goods to everyday necessities. Our influence and expertise extend to every level of the supply chain, from raw materials to manufacturing and distribution.

### Information and Analysis

Our powerful reporting and analytical tools allow customers to monitor their spending patterns and identify savings opportunities. Avendra's customer care team provides customized reporting and expert analysis to ensure your purchasing specifications support your overall business goals.

## Plan ahead

Anticipating any large purchases? Don't wait until the last minute to order them; requesting them early helps ensure availability and timeliness of delivery. Also, allowing for plenty of lead time saves money as well as the stress of last-minute orders. After all, lots of things—i.e. bad weather or improperly filled orders—can disrupt timely deliveries. And between deliveries, freight, installation, removal of the old equipment, troubleshooting, and training your associates, trying to rush through any part of the purchasing process can cost you.

## Order early

Never underestimate the benefits of ordering products early, especially those you know you'll need either on an ongoing basis, or for a specific season the following year. Agronomy programs are a good example. Many suppliers offer discounts in the 5–10% range for Early Order Programs, where you place your order in the fall for spring delivery. They do this to lock up the business and increase their forecast accuracy; it's beneficial enough to them that they even hold the products at no charge until they're delivered. And it's beneficial enough to some customers that they'll order 20–50% more of their demand in the fall.

## Order during off-peak times

Don't let your fiscal year drive your procurement pricing up. If you order items during off-peak times, it gives you more room to make the best decision—not to mention big discounts.

## Rent Vs. Own

Now let's take a look at the benefits of renting. First, there's no up-front capital outlay. Second, it reduces operational costs. It also requires less storage space. And while owning involves the opposite of all these points, it comes with its own unique set of benefits, like lower long-term cost, and the fact that availability is never an issue.

One example we've seen at Avendra is the choice of renting or buying a forklift. Making this decision really comes down to asking some important questions, like are your needs seasonal or more frequent? Is it more cost-effective to have a forklift on hand? What are maintenance and repairs likely going to cost each year? And is there adequate storage for it?

Answering these questions requires a total cost-benefit analysis, but once done, it should be clear what the right answer is for you.

## The Avendra Advantage:

### Supplier Management

At Avendra, we keep track of how well suppliers perform against contracted specifications, fill rate, delivery requirements and other performance criteria. We conduct systematic price audits to ensure customers are billed the correct Avendra-contracted price for goods and services. And, if an error occurs, we locate the problem and help our customers receive proper credit.

### Comprehensive Customer Service

Our experienced specialists are available by phone, email or on site to offer you the highest level of service and support. Customers are assigned dedicated customer care representatives in order to best meet the changing needs of their locations and personnel.

## Outsourcing vs. In-house Labor

This is a similar decision, though with more implications. After all, you're talking about your labor force—so, in addition to the financial assessment, you'll have to deal with questions like integrating an outsourced position into your team or, possibly, the complications of letting someone go once you've brought them in-house.

But if we just focus on the financial implications, what should you be looking at? Let's start with the benefits of outsourcing, which include more flexible labor scheduling. This is an ideal scenario for your specialized, seasonal, or temporary needs—the help is there when you need it. Examples of roles that might best be filled by outsourced positions include plant maintenance, night cleaning, window washing, linen and uniform rentals, or security.

Of course, in some instances you may be giving up some degree of control by outsourcing. And one of the benefits of bringing someone in-house is that you control the labor rates.

## About AVENDRA

Avendra is North America's leading hospitality procurement services provider. Our supply chain management solutions are tailored to our clients' business strategies and deliver benefits beyond great savings. We combine years of hospitality expertise, purchasing power, services and software to help customers impact the bottom line, improve operational performance, and better serve guests. More than 8,000 customers rely on Avendra as a trusted partner. Avendra is headquartered in Rockville, Maryland and has regional offices throughout North America.

**Contact us and find out why more than 8,000 hospitality businesses rely on Avendra's procurement solutions to help meet their strategic business initiatives.**

## The Avendra Advantage:

### Contracting Expertise

At Avendra, our 90+ contracting managers have negotiated over 1,200 agreements with growers, manufacturers and distributors. These relationships allow us to leverage specialized expertise and develop unique approaches to controlling costs within each purchasing category. Plus, as an Avendra customer, you sign one contract and we take care of the rest.

### Professional Services

Avendra's Administrative purchasing program allows you to outsource your newspaper delivery, cleaning, plant care needs, overnight/express shipping and even hiring services to our extensive network of national and regional suppliers.