



NINTH EDITION

# PURCHASING

Selection and Procurement for the Hospitality Industry

ANDREW H. FEINSTEIN | JEAN L. HERTZMAN | JOHN M. STEFANELLI



WILEY



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# Preface

Nicholas, the general manager of a large independent food-service operation had recently decided to employ a variety of social media marketing tools to build a regular customer base and keep it up to date with restaurant specials and events. Dinner business had been steadily declining over the past several months. His marketing campaign included a new Facebook page, offering half off meals through Groupon and a certificate for \$10 on Restaurant.com.

Business had been particularly slow on Monday nights. One Monday morning, he decided to tweet his 600 followers that the restaurant would be offering 50 percent off on all entrees that evening. He also posted this on his Facebook page. Around 5:30 P.M., Nicholas was pleasantly surprised to notice a steady increase of walk-in customers. Shortly thereafter, the restaurant filled up and the wait for a table exceeded 45 minutes. While he smiled, Rachel, the restaurant's purchasing manager, approached him and said, "It sure would have been nice if you let me know about your half-off idea. I estimate that in about one hour, we will run out of food." Nicholas learned a very valuable lesson that evening—one that stuck with him for years—the importance of the purchasing function in the hospitality industry.

This text is not written necessarily for those who wish to become managers or directors of purchasing in the hospitality industry. It is written for those who will be involved with some phase of purchasing throughout their careers, and as the preceding scenario illustrates, most individuals involved in the management of a hospitality operation will interact with the purchasing function. In essence, this book is a purchasing book for nonpurchasing agents. It provides a comprehensive and understandable view of the activity, as well as its relationship to the management of a successful operation.

Although the text is primarily written as the foundation of a hospitality purchasing course, it is structured in a way that also acts as a comprehensive reference guide to the selection and procurement functions within the hospitality industry. This structure is particularly evident in the later chapters, which provide specific details on numerous categories of items and services commonly procured in this industry. Another reference attribute is the comprehensive glossary of key terms used throughout the text and the detailed index that provides context to many hospitality purchasing terms and concepts.

The text has a storied history, spanning numerous editions. In that time, we have maintained the original objectives of the text, while keeping up to date with this evolving field. Along with our staff, we spend thousands of hours on each new edition, ensuring that you are provided with current information and insights into the purchasing field from both academics and industry professionals.

*Purchasing: Selection and Procurement for the Hospitality Industry, Ninth Edition* is the most comprehensive and up-to-date hospitality purchasing text on the market today.

## ORGANIZATION OF THE TEXT

This ninth edition of *Purchasing: Selection and Procurement for the Hospitality Industry* continues its successful recipe of balancing purchasing activities with product and information from a management perspective. Moreover, each chapter is revised so that it includes the most current concepts available, while providing even more in-depth coverage of hospitality purchasing. In essence, great care has been taken to maintain the integrity and readability of the original text while modernizing the discussions of purchasing techniques and practices currently being employed in the hospitality industry.

The text is divided into two parts. The first 14 chapters focus on the theory and application of selection and procurement concepts. The chapters are structured in a way that allows the reader to first gain insight into the typical organizational structure of a hospitality operation and the integration of the purchasing function. A discussion of concepts then progresses to provide the reader an expanding understanding of many of the facets of this complex, intertwined, and integral part of the industry. Along the way, the reader is provided numerous examples, questions, and exercises to reinforce these concepts. Although the organizational structure of the first 14 chapters provides an effective instructional path through hospitality purchasing theory, each chapter is written with the insight that some may wish to reorganize their order and/or select only a few to read. Because of this structure, the hospitality professional can also find significant value in this text by using the detailed table of contents or index to identify a particular concept to refresh or learn.

The remaining 11 chapters focus on items and services commonly procured in the hospitality industry. They are written in a modular and self-contained manner, and their sequence can be easily restructured by the instructor. Further, the hospitality professional can use these chapters as a reference guide when procuring these items and services.

Although many of the theoretical underpinnings of the purchasing function have not changed in the years since the text was created—product distribution channels and forces that affect the price of goods remain relatively unchanged, and specifications and purchase orders are still required to order these goods—the use of technology when implementing and maintaining effective purchasing policies and procedures has changed drastically. To inform readers about these changes, technology applications in the purchasing function are discussed throughout the majority of the first 14 chapters that encompass purchasing principles. Chapter 2, “Technology Applications in Purchasing,” also covers this topic in depth.

We have also significantly expanded the number of discussions and interviews with industry executives who are purchasing experts. More than 25 experts discuss topics as diverse as the role

of the broker, handling waste, green purchasing opportunities and responsibilities, and energy cost considerations, to name a few. We hope that these short stories provide even more insight into this complex and rapidly evolving field.

## WHAT'S NEW FOR THE EDITION

Many important changes and additions have been made to *Purchasing: Selection and Procurement for the Hospitality Industry* to make the text even more useful. Among the most significant changes are the following:

- The former Chapter 6—The Organization and Administration of Purchasing—is combined with former Chapter 7—The Buyer's Relations with Other Company Personnel. This revision builds on the importance of staffing, training, directing, and overall administration of the purchasing function.
- The former Chapter 10—The Optimal Price—is combined with Chapter 11—The Optimal Payment Policy. This new chapter, “Determining Optimal Purchasing Prices and Payment Policies,” more accurately reflects the interrelationship between price and payment policies.
- Industry Insights throughout the text have been updated. More than 27 discussions and interviews with industry executives are interwoven throughout. These stories include insights that provide insider information about current and future trends related to purchasing. All are written by experts in the purchasing field, providing perspectives of the future of purchasing, novel approaches to procurement, and new techniques for calculating the amount of products to purchase.
- Chapter 1 now includes definitions of the concepts of supply chain management and logistics. Chapter 2 has been updated to include more information on purchasing technology. Technology applications in purchasing—such as online ordering and group purchasing organizations—are addressed in chapters throughout the text.
- There is much more discussion of sustainability, green practices, and corporate social responsibility throughout the text. We also added substantial new information about organic and natural products in product chapters where appropriate.
- Chapter 4 contains new information on ethical concerns and procurement laws, such as the Food Safety Modernization Act.
- The updated glossary contains hundreds of purchasing-specific terms and detailed definitions. This glossary is a vital reference for students and those already working as purchasing professionals.
- New, revised, and updated illustrations and photographs of concepts, companies, and products relating to the purchasing function have been included.
- The end-of-chapter Questions and Problems have been updated and are now organized with the problems at the end to make it easier for instructors to decide which to assign to their classes. There are now Experiential Exercises for each chapter.

## FEATURES

*Purchasing: Selection and Procurement for the Hospitality Industry, Ninth Edition* is a learning-centered textbook that includes several pedagogical enhancements in an effort to help the reader quickly acquire and retain important information.

- Each chapter begins with a **Purpose** section, which provides several learning objectives. These objectives, written using Bloom's Taxonomy of Educational Objectives – Cognitive Domain, direct readers' attention to the major headings and important themes discussed throughout the chapter.
- **Industry** interviews and insights are interspersed throughout all chapters of this text. Some of the interviews are “day-in-the-life” features that demonstrate how a typical purchasing agent functions day-to-day, whereas others are detailed discussions of specific areas within the purchasing function and how the purchasing agent makes an impact on decisions made for the benefit of the hospitality organization.
- At end of each chapter, a list of **Key Words and Concepts** provides the reader with an additional resource to assist in the retention of important topics. Readers can review these terms to ensure that they have grasped all relevant information from the chapter. Further, all Key Words are available in the glossary at the end of the text.
- The **Questions and Problems** section can be used for classroom discussion or assigned to students as homework. The accompanying Instructor's Manual provides detailed answers to each of these questions.
- Most chapters also include a **References** section. Along with citing sources of information within the chapter, these entries provide additional articles, websites, and texts should the reader wish to explore further particular topics.
- All chapters include **Experiential Exercises**. These allow the reader to actively learn about the function of purchasing through hands-on activities and projects.

## SUPPLEMENTS

A completely revised *Instructor's Manual* (ISBN XXXX) accompanies this book; it provides several syllabus examples, teaching suggestions, test questions, answers to the book questions, and term projects. It can be obtained by contacting your Wiley sales representative. If you don't know who your representative is, please visit [www.wiley.com](http://www.wiley.com), click on “Resources for Instructors,” and then click on “Who's My Rep?” An electronic version of the *Instructor's Manual* is available to qualified instructors on the companion website, at [www.wiley.com/college/feinstein](http://www.wiley.com/college/feinstein).

Revised and updated *PowerPoint slides* are also available to students and instructors on the companion website. These graphically rich presentations are classroom tested and provide a detailed outline of each chapter. They can be easily modified to suit any instructor's preferences.

The *Test Bank* for this text has been specifically formatted for Respondus, an easy-to-use software for creating and managing exams that can be printed to paper or published directly to Blackboard, Canvas, Desire2Learn, eCollege, ANGEL, and other eLearning systems. Instructors who adopt *Purchasing: Selection and Procurement for the Hospitality Industry, Ninth Edition*, can download the *Test Bank* for free. Additional Wiley resources also can be uploaded into your Learning Management System (LMS) course at no charge. To view and access these resources and the Test Bank, visit [www.wiley.com/college/feinstein](http://www.wiley.com/college/feinstein), select *Purchasing: Selection and Procurement for the Hospitality Industry, Ninth Edition*, click on the “visit the companion sites” link.

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# THE CONCEPTS OF SELECTION AND PROCUREMENT

## The Purpose of This Chapter

After reading this chapter, you should be able to:

- Define several terms associated with selection and procurement.
- Distinguish among different types of hospitality operations, and describe purchasing functions within those operations.

## INTRODUCTION AND PURCHASING, SELECTION, AND PROCUREMENT DEFINITIONS

There is not a single job in the hospitality industry that does not involve purchasing in one way or another. A flight attendant must keep careful inventories of bottled water and soft drinks to know how much to request for restocking. The manager of a hotel must be able to find the best price for sheets and pillows in a reasonable quantity for her size of operation. An accountant for a hotel chain must know enough about the company's purchasing agreements to take advantage of discounts based on timely payments. An event designer must know the current price for flowers and décor so that he can make appropriate recommendations in the guest's price range. These are just a few of hundreds of scenarios where purchasing plays a critical role in the hospitality industry. Think about it for just a moment; it is the person in charge of purchasing who spends the majority of the money made by a hospitality operation, and it is this person's skills and knowledge that significantly assist in achieving profitability in an operation. It could easily be said that purchasing is one of the most important functions in any hospitality operation.

This book has been designed for those students who expect to have careers in the hospitality industry, but we realize not everyone will specialize in hospitality purchasing.

We emphasize the managerial principles of the purchasing function and intertwine the purchasing function with the other related management duties and responsibilities that the hospitality operator faces on a day-to-day basis.

This book includes enough product information so that you can easily prepare the product specifications required to select and procure an item if necessary, but also includes information on related purchasing activities, such as bill paying, that most purchasing agents do not perform. The typical hospitality manager eventually becomes involved with many of these related activities.

We also incorporate a great deal of information on technology applications related to the purchasing function that will enable a hospitality student to learn the technological aspects of procurement. Similarly, in areas where appropriate, particularly the specific product chapters, the concepts of sustainable and green practices and organic and natural products will be addressed.

It is our goal that wherever your career takes you within the hospitality industry, you will be adequately prepared to interact with the selection and procurement functions of an operation. With this in mind, we begin our discussion of selection and procurement for the hospitality industry.

**purchasing** Paying for a product or service.

**selection** Choosing from among various alternatives.

For most people, the term **purchasing** means simply paying for an item or service. For hospitality professionals, this meaning is far too restrictive because it fails to convey the complete scope of the buying function. For our use, the terms *selection* and *procurement* better define the processes involved.

**Selection** can be defined as choosing from among various alternatives on a number of different levels. For example, a buyer can select from among several competing brands of chicken, various grades of chicken, particular suppliers, or fresh and processed chicken

products. One person, generally referred to as a buyer or purchaser, may not perform all these activities or make all these choices at one time. But they may be involved in most of them at some level.

**Procurement**, as opposed to selection, can be defined as an orderly, systematic exchange between a seller and a buyer. It is the process of obtaining goods and services, including all the activities associated with determining the types of products needed, making purchases, receiving and storing shipments, and administering purchase contracts.

Procurement activities are the nuts and bolts of the buyer's job. Once buyers know what is needed, they set about locating the suppliers who can best fulfill their needs. Buyers then attempt to order the correct amounts of products or services at the appropriate times and best prices, see to it that shipments are timely, and ensure that the delivered items meet company requirements. A host of related duties surrounding these activities include: being on the lookout for new items and new ideas, learning the production needs of the departments they serve, appraising the reliability of suppliers, identifying new technologies for procurement, and so on.

Not all operations have full-time buyers. Many have managers and supervisors who do the buying in addition to their other duties. To these employees, buying means more than what the term *procurement* by itself implies. These employees must also be aware of the relationship between purchasing and the other activities in the hospitality operation.

Because there are so few full-time purchasing agents in our field, a textbook that focuses solely on hospitality buying principles and procedures or product identification, although useful to some, would unnecessarily restrict operating managers and supervisors in hospitality. For example, it is not enough to simply know how to procure chicken. The typical operating manager must also consider what form of chicken to purchase, as well as whether or not chicken should even be on the menu.

## ■ Supply Chain Management

In today's complex world, even the term *procurement* does not reflect the full range of activities that are involved in obtaining the products and services necessary to accommodate our hospitality guests. A much wider concept is that of **supply chain management**. The Council of Supply Chain Management Professionals (CSCMP) defines supply chain management in the following way: "Supply chain management encompasses the planning and management of all activities involved in **sourcing** and procurement, **conversion**, and all logistics management activities." These may sound like big words, but in essence supply chain management means that businesses are concerned with knowing and coordinating everything starting with where the product is made or grown, to how it moves through distribution channels (discussed in Chapter 3), to how it is handled within the business, and how it is utilized by the end-user, our hospitality guest. Supply chain

**procurement** An orderly, systematic exchange between a seller and a buyer. The process of obtaining goods and services, including all activities associated with determining the types of products needed, making purchases, receiving and storing shipments, and administering purchase contracts.

**supply chain management** Process encompassing the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities.

**sourcing** Procurement practices aimed at finding, evaluating, and engaging suppliers of goods and services.

**conversion** Converting supplies into finished products.

management integrates supply and demand management within and across companies. Supply chain activities focus on product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities. The CSCMP advocates that supply chain management is successful when the goal of getting the right product to the right customer at the lowest costs is achieved.

#### **logistics management**

The part of the supply chain management that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information between point of origin and the point of consumption in order to meet customer requirements.

The concept of **logistics management**, which is part of a company's supply chain, involves the movement of products and services to the customers. The CSCMP defines logistics management as "that part of the supply chain management that plans, implements and controls the efficient, effective flow and storage of goods, services and related information between point of origin and the point of consumption in order to meet customer requirements" (p. 1). From the definition, the core idea of logistics management is to meet customers' needs through optimizing movement of products and services within the company. Some activities in logistics management include controlling the flow of goods into the operation and

out to the guest, sourcing and procurement, planning and customer service at strategic, tactical, and operational levels.<sup>1</sup>

## ■ Technology

Today, operating managers must also deal with technology that has revolutionized how buyers and suppliers procure products and services. This technology enables purchasing managers

to complete complex procurement functions online with a few clicks. Transactions done electronically are commonly referred to as **e-commerce**, for electronic commerce. **B2B e-commerce** is the term used for business-to-business electronic transactions, and **B2C e-commerce** refers to business-to-consumer e-commerce. Amazon.com, for example, relies on B2C e-commerce to sell its products to consumers. B2B e-commerce that focuses specifically on procurement activities is referred to as **e-procurement**, for electronic procurement. Examples of companies that make e-procurement applications available to a wide variety of industry segments include Perfect Commerce, Ariba, and Sterling Commerce (a subsidiary of IBM).

These companies have successfully revolutionized the way procurement is conducted. One major company that focuses on the development of e-procurement applications in the food industry is iTradeNetwork (ITN). Companies such as Aramark, Sodexo, CKE Enterprises, Subway, Smash Burger, and PF Chang's, rely on ITN's supply chain solutions to streamline their selection and procurement functions.<sup>2</sup> Avendra, one of the largest procurement services companies,<sup>3</sup> has primarily focused on developing e-procurement applications for hotels. The company was formed by ClubCorp USA, Inc., Fairmont Hotels & Resorts, Hyatt Hotels Corporation, Marriott International, Inc., and Six Continents Hotels.

**e-commerce** Refers to transactions done online.

#### **B2B e-commerce**

Online interaction between businesses. Typically involves the sale and purchase of merchandise or services.

#### **B2C e-commerce**

Online interaction between businesses and consumers. Typically involves the sale and purchase of merchandise and services.

**e-procurement** Ordering products and services from various purveyors online. Alternately, ordering these things from a particular vendor who provides proprietary software to the buyer, who is then allowed to enter the vendor's electronic system.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

No purchasing textbook can be relevant today without including the importance of **sustainability** and **corporate social responsibility**. Whether referring to an independent restaurant that buys produce and meats from local farms or a corporation, like Marriott, whose core values and heritage statement includes “Serve our World,” hospitality companies must evaluate the effect of all their practices on the environment, people, and the global economy. We will discuss these concepts in more detail in the chapters detailing the forces that affect purchasing, supplier considerations, and purchasing specific types of products.

**sustainability** The ability to not harm the environment or deplete natural resources.

**corporate social responsibility** The practice of a company self-regulating the effect of their practices on the environment, people, and the global economy.

## PURCHASING FUNCTIONS IN DIFFERENT TYPES OF HOSPITALITY OPERATIONS

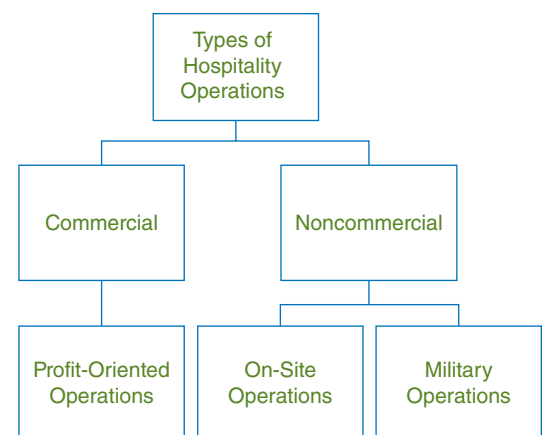
The hospitality industry includes three major segments (see Figure 1.1). The first segment is **commercial hospitality operations**—the profit-oriented companies (see Figure 1.2). The second is the on-site segment, which used to be commonly known as institutional—those facilities that are operated on a break-even basis. The third is the military segment—those operations that include troop feeding and housing, as well as the various military clubs and military exchanges that exist within military installations. The second and third segments are collectively referred to as **noncommercial hospitality operations**.

**commercial hospitality operations** Profit-oriented company.

**noncommercial hospitality operations** Another term for on-site or military hospitality operation.

The following types of operations are generally considered part of the commercial segment:

- Hotels
- Motels
- Casinos
- Resorts
- Lodges
- Spas
- Quick-service (limited-service, casual service, or fast-food) restaurants
- Table-service (full-service) restaurants
- Snack bars
- Food courts
- Taverns, lounges, and bars
- Cafeterias



**FIGURE 1.1** A major segment outline of the hospitality industry.

- Buffets
- On-premises caterers
- Off-premises caterers
- Vending-machine companies
- Ice cream parlors and stands
- In-transit foodservices (e.g., cruise ships and airlines)
- Contract foodservice companies, which typically operate in plants, office buildings, day care facilities, assisted care facilities, senior care facilities, schools, recreation centers, hospitals, and sports centers
- Convenience stores with foodservices
- Supermarkets with foodservices
- Department stores and discount stores with foodservices



**FIGURE 1.2** An example of a commercial hospitality operation.  
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The following types of operations are generally considered part of the noncommercial division of the hospitality industry:

- Employee-feeding operations
- Public and parochial elementary- and secondary-school foodservices
- College and university housing and foodservices
- Transportation foodservices, such as the Meals on Wheels program
- Hospitals
- Assisted living facilities
- Extended-care facilities
- Clubs
- Self-operated community centers, such as senior centers and day care centers
- Military installations
- Camps
- Public institutions, such as the foodservices in some government facilities
- Adult communities
- Correctional facilities
- Religious facilities
- Shelters

In Chapter 6, we offer a detailed discussion of the purchasing functions found in the various types of hospitality operations. In this introductory chapter, however, we provide you with sufficient understanding to get you started. When we discuss traditional hospitality operations, we think first of the independent operation. In addition, those in the trade usually group the independent operations according to size: the small, medium, and large independents. The other major type of hospitality operation includes the multiunits and the **franchises**.

**franchises** A business form where the owner (franchisor) allows others (franchisees) to use his or her operating procedures, name, and so forth, for a fee.

## ■ The Independent Operation

The small independent, such as a local Chinese restaurant or a bed and breakfast inn, is typically run by an owner–manager, who usually does all the buying for the business. He or she also oversees the other related purchasing activities, such as receiving deliveries and paying the bills.

The medium-sized independent generally involves more than one person in the purchasing function. Usually, the general manager coordinates the various activities that other management personnel perform. For instance, he or she typically coordinates the purchases of department heads, such as the dining room manager who needs china and glassware, the bartender who requires alcoholic beverages, and the chef who needs food. The general manager also oversees other related purchasing activities.

The large independent, such as a hotel, implements the purchasing function in much the same way that the medium independent does, except that it may employ a full-time buyer. This buyer purchases for the various production departments, such as housekeeping, maintenance, engineering, and foodservice. Alternately, a designated employee from each of these departments may be doing the purchasing; for example, a hotel may employ an **executive steward** to order supplies and to supervise the sanitation crew. Often the large independent operation has a full-time food buyer, a beverage buyer, and a buyer who purchases equipment and other nonfood supplies. A purchasing vice president or an equivalent official may or may not supervise these three buyers. The buyers are, almost certainly, supervised by a management person.

### **executive steward**

Oversees cleaning crews. Typically also has purchasing responsibilities for things such as soaps, chemicals, and other cleaning supplies. May also control the china, glass, flatware inventories, and single-use (paper, plastic, etc.) products.

In the past, small and medium-sized businesses may have had a tough time competing in the same markets as larger companies. This was mainly because these smaller businesses had to pay higher prices for many of the products that they procured because they were not afforded the same discounts as large companies (we talk more about these discounts in Chapter 6). However, e-procurement has leveled the playing field in many instances by enabling these smaller hospitality companies to procure products at more competitive prices and, therefore, to be more competitive pricewise with larger hospitality operations. Today, hospitality buyers can select and procure goods and services from suppliers and distributors all over the world.

An idea addressed more completely in Chapter 6 is co-op buying, a concept that enjoys popularity among some independent hospitality operations, particularly some foodservice operations.



**co-op buying** The banding together of several small operators to consolidate and enhance their buying power.

**referral group** A type of co-op where independent operators join together to send business to one another. For instance, Best Western is a referral group that has a central reservations system available to each member. In addition, these groups typically provide some purchasing advantages, as well as other types of support, to its members.

**aggregate purchasing company** Another term for buying club.

**group purchasing organization (GPO)** Another term for buying club.

**real estate investment trust (REIT)** A legal business entity that buys, sells, and manages commercial and residential properties.

**portal** Web access point. Presents a starting point and access to multiple sources of similar online information.

**e-commerce marketplace** An online application allowing buyers to locate vendors, research products and services, solicit competitive bids, and place orders electronically.

**commissary** Similar to a central distribution center. The major difference is that at a commissary, raw foods are processed into finished products, which is not the case in a central distribution center. Could be considered a restaurant company's personal convenience food processing plant.

As the phrase implies, **co-op buying** is a system whereby hospitality operations come together to achieve savings through the purchase of food and supplies in bulk. Either the operations rotate the purchasing duties among themselves, or they hire someone (or a company) to coordinate all of the purchasing for them. Another type of co-op involves **referral groups**, which are independent operators joining together to send business to one another. For instance, Best Western is a lodging referral group that has a central reservations system available to each member.

E-commerce has significantly affected co-op buying. Companies are currently aggregating purchasing processes for similar hospitality organizations throughout the country. These companies are commonly referred to as **aggregate purchasing companies** or **group purchasing organizations (GPOs)**. Examples of GPOs include Entegra, Foodbuy, and Dining Alliance.

GPOs do not buy or sell products. Instead, they negotiate contracts on behalf of restaurants, hotels, management companies, resorts, and **real estate investment trusts (REITs)**. Each company enrolling in this group might receive a purchasing guide that includes the names, e-mail addresses, websites, and telephone numbers of suppliers, along with a brief description of the programs negotiated on purchasing companies' behalf. Buyers can then access a private **e-commerce marketplace**—or **portal**—to conduct business with approved distributors or suppliers. As more buyers become members of the GPO, purchasing power increases and so do savings. Typically, either buyers pay a participation fee that provides access to the aggregate purchasing companies' pricing or the GPO takes a percentage of the savings.

## ■ The Multiunits and Franchises

The second major category of hospitality operations in the purchasing function includes multiunit companies, franchises, and chains. These interlocking operations organize their purchasing somewhat differently from independent organizations. One usually finds, when examining a chain of hospitality operations, for example, a centrally located vice president of purchasing. Moreover, the company may maintain one or more central distribution points, such as a **commissary** or distribution warehouse. The managers of the company-owned outlets receive supplies from the central distribution points under the authority of the vice president of purchasing. Often these managers may also do a minimal amount of purchasing from local or national suppliers that this vice president approves; in some cases the managers may order from approved suppliers without consulting the vice president of purchasing, or they may order everything from a commissary.

In company-owned outlets, the internal organization for buying, particularly for restaurants, stipulates that the unit manager order most products from the central commissary or approved suppliers. The unit managers may,



however, have the authority to make a few purchases on their own, such as a cleaning service or a locally produced beer. When the unit managers do this sort of purchasing, however, they nevertheless need to follow company policies and procedures.

In company-owned, large-hotel properties, a system similar to that of the large independents generally exists while applying the broader concepts of supply chain management. That is, the vice president of purchasing at corporate headquarters may draw up some national contracts, research and buy **commodity** items such as coffee or shrimp in consideration of global supply and demand, establish purchase specifications, and set general purchasing policy. He or she may also purchase the stock for the company's central distribution warehouses and/or central commissaries. By and large, however, vice presidents of purchasing handle overall policy, while the individual hotel units, although they do not have complete freedom, exercise a great deal of purchasing discretion within established limitations.

The typical franchisee receives many supplies from a central commissary, but many of these non-company-owned units try to do some purchasing locally—to maintain good relations in the community, if nothing else. However, they quickly discover that they save considerable time, money, and energy by using the commissary and/or **central distribution center** as much as possible. If no central commissaries and distribution centers are available, the franchisees usually order their needed stock from suppliers that the vice president of purchasing has prescreened and approved. Franchisees are, however, usually free to buy from anyone as long as that supplier meets the company's requirements.

**commodity** A basic, raw food ingredient. It is considered by buyers to be the same regardless of which vendor sells it. For instance, all-purpose flour is often considered a commodity product, for which any processor's product is acceptable.

**central distribution center** A large warehouse owned by a multiunit hospitality company that orders merchandise directly from primary sources, takes delivery, stocks the merchandise, and then delivers it to company-affiliated units in the area.

## A DAY IN THE LIFE

Wayne Bach, Purchasing Manager

### ■ THE FOUR QUEENS HOTEL AND CASINO, LAS VEGAS, NEVADA

Opened in 1966, the Four Queens Hotel and Casino is one of the classic gaming hotels on Fremont Street in downtown Las Vegas. The property has 690 rooms including 45 suites, three full-service restaurants, two fast-service restaurants, three cocktail lounges, 22,000 square feet of meeting and event space, and a gift shop to accompany its 32,000 square feet of casino space. Wayne Bach and Karen Ashe comprise the tag team that ensures that there are enough food, beverage, and supplies to provide superior products and services to their guests 24 hours a day.

Wayne holds the title of purchasing manager. He reports directly to the controller and then to the financial director. Wayne is responsible for buying all food and beverage products so he also indirectly reports to the chef and the food and beverage directors.

Wayne starts his day early; he arrives at 6:00 a.m. to his office right inside the receiving and storage warehouse. Wayne feels that being right on the floor is essential to have control over the operation and to know exactly what is happening in his department. When he arrives, the first thing he does is check e-mails for notices from the chef regarding special needs and from suppliers regarding any