

PURCHASING

Speed Becoming Top Factor In Purchasing For Hotel Renovation/Development

BY ALAN BENJAMIN

With the hotel economy roaring back, today speed increasingly trumps cost as the most important factor in purchasing FF&E for refurbishment and development projects. Regardless of whether speed or price is more important to your project, here are three timeless "fables," each with its own "moral," to help get you to completion with the fewest headaches.

A Good Paper Trail Is Key

Make sure that your purchasing professional creates a thorough paper trail to help bring the project in on time and budget. The paperwork involved in a typical, 300-room project can exceed more than 1,000 different pieces of "paper." Having a paper trail and knowing how to follow it can help ensure success.

One recent project for a 350-room property in Manhattan seemed headed for disaster when the vendor notified the purchasing professional several days before shipment was due that the goods were still in China. In addition to delaying the renovation by as much as six weeks, the cost to reschedule installation teams would be extremely high in that market.

The purchasing professional produced a detailed paper trail to show the vendor, beginning with the original specs, through the approved sample and deposit check, as well as copies of on-going communications reaffirming the agreed-upon delivery date. When the manufacturer realized its mistake, it stood by its delivery schedule and took the drastic measure of flying the case goods from China to New York at no cost to the owner in order to

meet the installation deadline.

Moral: A good paper trail, combined with a strong relationship with a well-established vendor, can go a long way to preventing an "ambush" by the Murphy's Law Gang.

Hotel Projects Are A Team Sport

For the past few years when the hotel industry was in a recession, manufacturing delivery times were reduced nearly in half, with normal lead times typically being cut from 12 to 14 to six to eight weeks. Those frames now have reversed and are getting longer.

One architect tells the story of a recent project in which the owner had decided to do the purchasing in-house. When the project was getting close to ordering the FF&E, a key vendor suddenly shifted the delivery time from six weeks to 12 weeks. A purchasing firm was brought in to find an alternative that would meet the original schedule.

Moral: Get the purchasing agent involved at the very beginning. Most purchasing professionals work on a flat-fee basis, so it doesn't cost any more to bring them in at the earliest project stage. In fact, it often saves money and headaches for everybody involved.

Don't Start Purchasing Without It

Most of the major brands are substantially upgrading their products now that

hotels are generating sufficient profits to pay for the improvements. A typical hotel development project for a major brand typically takes two to four years from signing the initial franchise agreement through obtaining entitlements, completing construction and holding the grand opening. During that period, most hotel brands will change their standards on a wide variety of FF&E items.

Typically, the project's FF&E is specified and priced out early in the process. Some 14 to 16 months into the project, the FF&E is ordered. At a certain point, the order has to be made in order to receive it in a timely

manner. While it is nice to wait until the last minute to assure that your hotel will fully comply with current standards, waiting until that last minute could throw off the opening of your hotel by up to several months.

With so many revisions occurring in hotel standards today, make sure that a brand vice president or higher signs off in writing on the FF&E as soon as the specs

are approved. Make obtaining that signature part of your paper trail to avoid a different kind of last-minute ambush. This small step will help avoid having to scrap a perfectly good product, or becoming a victim of lengthy delays in delivery, because the brand standards have changed.

Based on recent projects our firm has been involved in, about one-in-three had incorrect spec books, due to multiple changes in standards. It is the owner's responsibility, as franchisee, to get the brand's sign-off on all FF&E. And, it is the purchasing professional's responsibility to make sure the owner gets that signature.

Moral: If you don't have the time to do it right, you certainly won't have time to do it twice. Brand sign-off is just one of the thousands of items, where a purchasing professional adds value to the project. To make sure that you have a happy ending for your next hotel development or renovation project, make sure that you engage a purchasing professional that has the skills, systems and expertise to respond to today's rapidly changing environment.

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