

Winning in the procurement process

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Story Highlights

- Different clients in different countries will have different definitions of winning.
- Budgetary and scheduling goals must always be part of a winning strategy.
- It's not enough to listen to the client. Successful procurement agents must also "listen" to the project.



If my experience heading a global furniture, fixtures and equipment and operating supplies and equipment purchasing firm with active projects in more than 20 countries has taught me anything, it's that every client in every country wants to "win" in their project.

As consultants, we have to be sensitive that each client may define "winning" in a slightly different manner. Understanding how they do so is essential to the success of every project. Whether a new build or renovation, everyone on the team wants to feel a sense of accomplishment and a "job well done" upon completion. Just like all the pre-competition training required to win an Olympic sporting event, the ability to create the winning recipe for every project starts early in the procurement process.

The performance parameters

In order to get started down the path of winning for the client, one must always ask about the project's budgetary and scheduling goals. Although it is an obvious place to start, a recent industry purchasing survey noted that 25% of purchasing agents did not know their project's budget before being engaged. No consultant should ever start a project that way.



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When in the RFP stage of a project, an understanding of the project's high-level budget and schedule is essential to understanding the procurement consultant's ability to deliver what the client needs, as well as the systems, reporting, accounting and human resources needed to make it happen. Every project—even the most high-end, "6-star-ultimate" hospitality projects—are bound by limitations in both schedule and budget. Furthermore, every project will have a slight, or in some cases, extreme propensity to focus on schedule or budget as the client's definition of the "win" for that project.

If a project has to be completed by a critical, non-moving date—such as a large convention or a special, one-time event business demand generator that the hotel cannot lose—the team has to find a way to make it happen, period. Even when there is not a large one-time source of revenue to harvest, no project can ever afford to suffer from displacement of revenue caused by a delayed opening due to late FF&E and operating supplies and equipment deliveries.

Around the world and in every market and segment, the shelf life of a hotel room is the same: 24 hours. Renting the room Tuesday does not make up for the fact that Monday's revenue is lost forever. After what is

often more than five years in the development, financing and construction process, the FF&E and operating supplies and equipment procurement is the last step of a carefully choreographed effort to get the project open and generating a return for its investors. While the budget is often smaller at the implementation stage of the FF&E and operating supplies and equipment part of the project due to over runs and issues upstream of the FF&E and operating supplies and equipment area, the schedule usually never moves, unless the owner wants to accelerate the opening. For every project there is the "time dictator" and the "money dictator," and each has their role in our decision making.

Active listening

Once the high-level performance parameters are set, one must listen to the client and listen to the project. While listening to the client is always key in every business relationship, listening to the energy of the project itself and working with the entire project team as a group to define the largest possible win for the client is essential.

One of the keys to active listening is to not assume the procurement solutions for a particular project are the same as the last project of a similar brand or project type. In other words, keep the creative process going. Ask questions beyond the initial and obvious product solutions. See if there is an innovative technology that you have not used before. And simply stay curious. All these elements are essential to the process to deliver a superior solution.

An area requiring innovation from the entire capital expenditures team, and universal to many renovation projects around the world, is the disruption of the "normal" CapEx cycles caused by recent economic turmoil. It now may be necessary to work on "half-cycle" solutions, such as a partial soft goods package that will allow the hotel to improve its competitive position from a product standpoint. The "half-cycle" solution will then allow the property to proceed through its next hard goods renovation cycle without replacing the new soft goods, prior to them being expired at the end of their normal life cycle.

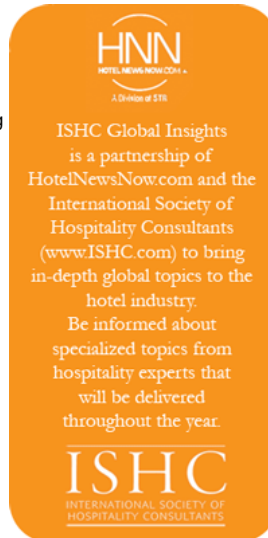
Appeasing the dictators

Working as a critical member of the owner's team, the procurement agent can be the key to facilitating a win for the owner in every project. To appease the "money dictator," one can always cut the budget by shortening the life cycle of a product, cutting overall quality, buying a product that looks similar but is really inferior in many aspects. To appease the "time dictator," one can also pay extreme expediting charges, for both manufacturing and shipping.

Of course, neither of these proposed "solutions" will result in an overall win for the owner. It is the role of the procurement agent to act as the liaison between the interior designer and more than 2,000 global vendors to find the real win/win solutions for the entire team that will yield the largest, most tangible and easily definable win for the owner.

Alan Benjamin (abenjamin@benjaminwest.com), a member of the [International Society of Hospitality Consultants](http://www.ishc.com), is president and founder of the leading FF&E and OS&E procurement firm in the world, Benjamin West, based out of Boulder, Colorado. In addition to the Boulder office, Benjamin West has offices in Chicago, Dallas, Hong Kong and London, is currently working on projects in over 20 countries and deploys over US \$1M per day as a fiduciary agent for its clients.

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