

SUPPLY CHAIN MANAGEMENT PRACTICES IN THE  
HOTEL INDUSTRY: AN EXAMINATION OF HOTEL  
FOOD SUPPLY CHAINS IN SOUTH WEST ENGLAND

Submitted by

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## **Abstract**

This thesis examines hotel food supply chain management practices and hotel food supply chains. The study is informed by qualitative data from 20 hotels of different characteristics. The results show three models of strategic sourcing strategy for affiliated hotels (chef-centred sourcing, centralised sourcing and flexible-centralised sourcing) and two models for independent hotel (chef-centred sourcing, and chef and owner sourcing strategy). Chef-centred sourcing can be a sourcing strategy for any type of hotel regardless of their affiliation; this sourcing strategy, however, is common among small group hotels, independent hotels and high-end hotel restaurants. Group hotels, however, are likely to employ a centralised-sourcing strategy with a degree of flexibility regarding supplier selection at property level. It was found that the higher the level of service, the more flexible the centralised sourcing strategy. These sourcing strategies have a strong, direct effect on how individual hotels source their food and therefore their food supply chain network structures. It is apparent that hotel food sourcing practice is complex and dynamic, and hotel business format is the main factor influencing individual hotel sourcing strategies.

Hotel foodservice is characterised by low exploitation of information technology and manual-based supply chain activities with a high level of dependency on head chefs regarding supply chain performance. There is low level of implementation of supply chain initiatives among hotels in this study and the reason for this may be the products and production characteristics which differ from those in the retail sector. Although supplier cooperation and relationships between head chef and suppliers were found, there was an overall low level of collaboration between buyer and supplier. Consumer

usage information was underutilised and under cultivated. Traditional arms-length buyer-seller relationships were commonly found in group hotels at both company level and property level. Overall hotel food SCM practice still displays traditional management characteristics and price-led decisions being apparent. An exception was found in high-end foodservice outlets and some outlets with chef sourcing strategies, where close long-term relationships between chefs and suppliers were found. The originality of this research lies in its attempt to fill a significant gap in hospitality management literature as well as to synthesise literature in the realms of supply chain management and hospitality management.

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# 1 Introduction

## 1.1 Introduction

This piece of research is about the practices used by hotels in managing their food supply chains. Its primary focus is the exploration and identification of the food supply management activities and concepts related to their management practice. The research aims to call the attention of the academic community to the interconnection between supply chain management and hospitality research. It also aims to inform the academic community about the practices that articulate these two areas of research in day to day business planning and operations. This research reflects the *thesis* that the understanding of ‘what’s going on’ is most appropriately achieved by building concepts and constructs from empirical studies.

This chapter outlines the areas of study in which the concept of supply chain management (SCM) has been applied and addresses the importance of the concept in the research domain of hospitality management, within which this particular research is positioned. It begins by discussing the supply chain management concept, and the importance and diversity of the hospitality industry in order to set the scene for the rest of the thesis. This chapter aims to show why the concept of supply chain management in the hospitality industry is important to the academic and business worlds and therefore establishes the necessary foundations to understand the rationale for the research problem. It is organised in three sections. The first gives a background of the hotel industry in South West England; the second describes the research aim and objectives and the third shows the structure of the thesis.

Supply chain management is a relatively new concept for managing businesses across business functions and organisations (Handfield and Nichols 1999; Lambert and Cooper 2000; Simchi-Levi *et al.* 2003). The SCM approach has been well studied in manufacturing businesses where the concept originated in the area of logistics, but little has been done in the tourism and hospitality industry, despite supply management being crucial to the survival of the industry.

The management system invented by the Japanese has been at the centre of contemporary studies on the supply side of business as a source of competitive advantage (Womack *et al.* 1990; Cox 1999). The connection between the SCM way of thinking and the characteristics of the management approach, primarily in the Japanese automotive sector in the 1970s and 1980s, was evident from the consultancy work which coined with phrase SCM itself (see Oliver and Webber 1982; Houlihan 1985). The term 'Lean Production' was coined by John Krafcik to describe concept unfamiliar to the Western world (Womack *et al.* 1990:13). Despite the concept of SCM expanding since the 1990s, SCM core ideas still relate to various aspects of lean production employed in high performers found in the study reported by Womack *et al.* (1990). Even though some (i.e. Lambert and Cooper 2000) argue for expanding the scope of SCM, two aspects (namely: integrated logistics and buyer-supplier relationships) have formed a majority of the SCM literature. Cox (1999:167-8) points out the characteristics of the lean approach that are apparent in SCM: only produce what is pulled from the customer just-in-time; focus on the elimination of waste in all operational processes, internally and externally, that arise from overproduction, transportation, inappropriate processing, defects and unnecessary inventory; recognise that all participants in the supply chain are

stakeholders; develop close, collaborative, reciprocal and trusting (win-win), rather than arms-length (win-lose), relationships with suppliers; and reduce the number of suppliers and work more intensively with those given a preferred long-term relationship.

Early SCM work placed emphasis on upgrading certain traditional business functions (e.g. logistics and purchasing) from operations to strategic status (Houlihan 1984; Christopher 1992) with the potential benefits of integrating the internal business functions (Oliver and Webber 1982). The SCM concept was later developed and covers the management of inter- and intra-organisation with issues relevant to supply management and supplier management on both strategic and operational levels (Cox 1999; Mills *et al.* 2004; Chen and Paulraj 2004a). Three main interests in SCM have been conceptualised in the 3Ss model proposed by Giannakis and Croom (2004) which captured both strategic and operations aspects of the concept. A governance mechanism of transactions, business to business relationships and efficiency are the main 3 research themes under the 3Ss model, which are named synthesis, synergy and synchronisation respectively. The first area is concerned with the question whether the firm should make or buy their product or which production activities the firm should own. The idea is based on companies understanding what internal skills and resources they should own and control in order to sustain their business success (Prahalad and Hamel 1990). Although building core competencies is different from integrating vertically, decisions regarding make or buy do provide a logic for a vertical integration form of organisation (Prahalad and Hamel 1990:83). In the literature, SCM has been suggested as a governance mechanism which is a combination of the benefits of vertical integration and obligational contracts (Ellram 1991). In theory, a supply chain works as a cohesive, singularly competitive unit, combining the benefits of a vertically integrated

organisational structure and organisations in a pure market form (Wisner *et al.* 2009). However, the SCM approach does not lend itself to recommending a specific or single ideal form of organisational structure and SCM does not advocate vertical integration or fragmented market forms. In fact, supply chain members are relatively independent and free to enter and leave supply chain relationships, if these relationships are no longer proving beneficial (Wisner *et al.* 2009). The second area of SCM interest, which has gained tremendous attention, is synergy. This stream of research draws on the transaction cost theory (Williamson 1985), inter-organisational theory (Van De Ven 1980), industrial marketing and purchasing (IMP Group 1997). Business relationships between supply chain members according to the SCM concept is of a particular type, which, again, bears a resemblance to the Japanese car company practice of developing long-term, close relationships, the type of relationships that was unknown in the adversarial sourcing systems of western manufacturers Womack (1990). The key principles regarding supplier relationships in Japanese car companies, involve partnerships with fewer, more qualified suppliers who are the sole source of supply for varying components (Turnbull *et al.* 1993). These relationships are based on co-operation, a full exchange of information, and more importantly, a commitment to improve quality, customer service and reduce costs (Ellram 1991; Bechtel and Jayaram 1997). However, one of the key distinguishing features of these relationships is that improvements and cost reductions are made by buyers and sellers working together as opposed to the traditional practice of attempting to reduce dependency on suppliers, to suppress prices and maintain competition (Nishiguchi 1994). SCM literature portrays this kind of close, co-operative buyer-supplier relationship as a way for improving competitiveness and there have been reported moves towards emulating Japanese

manufacturing practices (see for example Spekman 1988; Ellram and Hendrick 1995; Mudambi and Schründer 1996; Spekman *et al.* 1998; Spekman *et al.* 1999)

The last area which constitutes SCM studies is synchronisation, the area first that attracted researchers' attention to the SCM concept and practice. It includes operational management of the flows of physical materials, goods and services for the transformation of the final products and distribution to the end user. The much cited work has been Industrial Dynamics (Forrester 1958; Forrester 1961), this area of SCM draws largely on resource-based theory (Wernerfelt 1984) and has a central focus on the development of operational best practice models. The principles employed in Japanese manufacturing management systems are apparent in all three areas of the SCM approach and proponents of these principles postulate that the system is not culture-bound or geographically limited and can be used in most business environments with some adjustment in contexts (Macbeth and Ferguson 1994).

The term supply chain management was suggested by a group of consultants at Booz Allen Hamilton in 1982 as a strategic concept seeking to balance conflicting objectives of key business functions; purchasing, production, distribution, and sales within a company boundary (Oliver and Webber 1982). Following their diagnostic studies for international companies, they suggested an approach of using a strategic balance of supply and demand, based on firm-wide objectives, and more particularly, its support by a systems approach that places an emphasis on the fast transfer and accessibility of information across departmental barriers (Oliver and Webber 1982:66). Despite the two published papers (Behling 1982; Oliver and Webber 1982) by consultants from the same company on the application of the SCM approach with regard to material

management, sustained SCM research interest did not start until the 1990s (Cooper *et al.* 1997). Alfalla-Luque and Medina-Lopez (2009), however, suggest that agendas proposed by Miller *et al.* (1981) include research questions closely related to SCM how could the logistics and production functions be integrated for even smoother operation? Furthermore, the Japanese have been particularly effective in integrating logistics and production into very tightly coupled operations. Could their methods and concepts be successfully implanted in American companies? Building on this, how could the role and techniques of purchasing be evaluated and enhanced? How should procurement networks be designed to provide a competitive advantage? Finally in this regard, how could logistics systems be employed to gain a competitive advantage? In fact, early research in SCM basically followed this agenda although in the early period related topics were not termed 'SCM' per se. Rather concepts were identified as in the area of Operations Management with focus on physical materials movement between departments or organisations (Alfalla-Luque and Medina-Lopez 2009:207).

Efficiency performance is necessary for any hotel to survive an increasingly competitive environment (Medlik and Ingram 2000). History shows that the hotel industry has suffered from economic cycles like any industry. Many hotels operate the long running hours – 24 hours a day, 7 days a week and with high fixed costs, a fixed fate of supply but a fluctuating, seasonal and often unpredictable of demand (Mullins 1993:3), However, because hotel businesses usually incur higher costs than other businesses, they tend to suffer more during economic downturns. In order to survive difficult times and prosper during the upturns, hotels need to be operating efficiently not only within but across organisations. Supply chain management, in this research, is viewed as a tool for achieving competitive advantage e.g. cost/waste reduction, product differentiation



through the efficient management of the flow of goods, information between the supply chain activities and collaboration with suppliers

Food service contributes to the overall hotel product and consequently to hotel business economic performance (Andrews 2007:10). Sales revenue generated by food generally accounts for about one third of revenue on average. Revenue from food can exceed revenue from rooms in some hotels, especially the small ones (O'Connell *et al.* 2006). In order to benefit from the contributions food can create, managing food supply and suppliers efficiently is a necessity. However, providing food service is a challenging task, given increasing customer concerns which have now become not only about price, but also sustainability issues. Food sourcing therefore has become more than acquiring raw materials to feed hotel food productions but has involved a whole range of activities carried out to respond to these new demanding customers' requirements.

These sourcing activities involve all levels of decisions: strategic, tactical and operational (Monczka *et al.* 2010). Strategic decisions are needed to plot the long-term direction (e.g. type of supplier and supplier relationships), tactical decisions are needed to translate these into medium-term actions, and operational decisions are required for the day-to-day work of sourcing. In reality, there are no clear distinctions between these levels and activities involved with them vary from business to business. In hotel food service, there has been little work done on sourcing activities under the notion of SCM and how these activities are carried out in different organisations.

The lack of understanding about supply chain management issues within the hospitality industry has meant that knowledge in the Hospitality Management field has a large gap.

Furthermore, existing supply chain management knowledge has only been informed mainly by the observation of practices within the manufacturing industry. Studies on SCM practices in different industrial sectors allow SCM features to be distinguished from the applied practices and therefore provide evidence for further improvement of SCM related theories (Wong *et al.* 2005). Without research into the actual practice of SCM within hospitality organisations, it is not surprising that we have an imbalanced account in terms of supply chain management knowledge. By understanding how supply chains are managed the value of more integrated supply chains and how this integration will lead to increasing a sustainable competitive advantage will be revealed (Lambert *et al.* 1998). However, supply chain activities of a company are varied according to the precise nature of its business. In this research, the attention is on the management of hotel food supply chains with special reference to sourcing practices. Despite similarities between manufacturing and hotel food service in terms of apparent flow of goods involved in the supply chain, products in food supply chains are not likely to be managed and processed in the same way as manufacturing goods. As such, it would be inappropriate to attempt to explain hotel food supply chains using existing materials which are mainly derived from non-food manufacturing supply chains.

For if theory related to SCM is to be developed, different industrial supply chains and transactions need to be investigated (Mills *et al.* 2004) and it would be interesting to see SCM research with a sample of services organisations (Paulraj *et al.* 2006). What is more, SCM within hospitality organisations has been a neglected area of research in Hospitality Management. The hotel industry is full of anecdotal and documented evidence of separated activities related to supply chain issues. However, much is under

investigated regarding the management of supply chains and whether hospitality firms operate according to the principle of the SCM concept.

Cousin, Lawson and Square (2006) point out that SCM is well recognised, with both practitioners and academics alike recognising that this is an important area of management. Supply chain management (SCM) concerns the integration of processes throughout the supply chain with the goal of adding value to the customer (Kannan and Tan 2005:155). The application of SCM involves concepts such as just-in-time (JIT), efficient consumer response (ECR) and supplier partnerships. These initiatives involve dependencies between supply chain members which reflect the essence of SCM principles, the shift towards a new source of competitive advantage which involves supplier-buyer interdependency. Since the introduction of the concept, positive evidence of SCM has been reported. For example, Fawcett and Clinton (1996) report that management of logistics as an integrated activity has positive effects on firms' operational performance with empirical evidence from Stank, Crum and Arango (1999) on the significance of inter-firm coordination to firms' logistics performance. What is more, the establishment of the Partnership Sourcing company by the UK Department of Trade and Industry (DTI), now Department for Business Innovation & Skills (BIS), and Confederation of British Industry (CBI) in 1990 (Macbeth and Ferguson 1994) illustrates the wide support for the attitude associated with SCM, that if the end customer is to be best served, then the parties to a deal must work together.

Despite the evident benefits on firm performance of supply chain management practices employed in the manufacturing and retail industries (Fawcett and Clinton 1996; Stank *et al.* 1999), little is known about how hospitality organisations manage their supply

chains. It is important to understand more about the factors that have an impact on strategic decisions, pertaining to the management of supply chains, particularly in hotels of different characteristics, as well as how the structure of the supply chains of these hotels differs from one another. In order to understand how supply chains are managed, activities related to the supply chain as a whole, need to be examined. A more holistic approach to study supply sourcing is therefore an important step towards the understanding of supply chain management issues within organisations. This thesis seeks to explore selected supply chain management issues by focusing on supply sourcing in hotel establishments, in South West England, a region strongly dependent on the tourism industry, in which hotels play an important role.

## ***1.2 The Hotel Sector and South West England***

The economy of South West England benefits greatly from tourism and the hospitality industry; there were 96.8 million trips made to the region and the visitor spend was more than four thousand million pounds in 2008 (South West Tourism Alliance 2011). Accommodation is an integral part of any tourism destination. By the same token, the tourist industry has provided hotels with business opportunities and income. Hotel establishments act as an important element of the tourism industry and local community by providing facilities to serve recreation, industrial and social purposes. They are not only providers of services, but are also important outlets for products of other industries and are important customers of the construction trade, equipment and furniture manufacturers. Furthermore, hotels routine purchases include food and drink, supplied by farmers, fishermen and other food and drink suppliers. Business activities generated by hotels, therefore, contribute economically to other industries as well as themselves. With more than 1,390 establishments in the region (South West Tourism, 2006),

multipliers of hotels to the South West economy are paramount. As an important element of the tourism industry, the hotel sector creates both direct and indirect economic impacts within the local area. If tourists stay at a destination, jobs are directly created in the tourism industry there (Holloway and Taylor 2006:107), the initial injection of tourist spending provides direct revenues for hotels and other tourist facilities. Indirect multipliers are created by hotels' purchasing from other firms within the local economy. This means the demand for hotel services translates into demand for goods/services from other sectors that supply to hotels, as well as demand for goods/services provided by the suppliers of hotels' suppliers (Cooper 2008:138). Purchases for hotel food services contribute these to direct and indirect multiplier effects. Additionally, the industrial sectors of an economy are interdependent (Cooper 2008). Hotel purchases of food as well as other goods and services, therefore, contribute economically to other industries (e.g. farming and food processing or manufacturing) and the sectors that are suppliers to these industries.

Despite various contributions the hotel industry has to the region, and therefore to the country, the management systems, on the supply side of hotel businesses, are not well understood, due to a lack of research into business management of hotel supply chains. Agarwal, Ball, Shaw and William (2000:242) point out that research into tourism product development has been static, in contrast to the advance of research studies towards tourism consumption e.g. tourism marketing. Research into hospitality, an important element of tourism, is no exception. Studies from a supply perspective will provide a picture of the effectiveness in managing resources. Without an understanding of hotel supply chains and their management practices it is unlikely there will be an appreciation of how hotels and their supply chains are characterised. The South West

region of England has abundant suppliers of food and drink (Taste of the West, 2010) but little is known about how these suppliers are related to hotels and their supply chains, what impact hotel characteristics have on food supply chain structures, and in turn what effect these food supply chain structures have on the suppliers.

### **1.3 Research Aim and Objectives**

This thesis focuses on the actual practices of management of the supply chain of food service within hotels at the property level, originated in the light of a lack of research into supply chain management within the hospitality industry. This research is designed to contribute to an understanding of supply chain management issues in the area of food supply chains; factors influencing the practices of the management of supply chains; hotel food sourcing strategy; food sourcing operations and factors impacting on the supply chain network structure of hotel food supply chains. By taking an exploratory approach, the central aim of this research is to explore hotel food supply chain management practices. This aim has been translated into three specific objectives for the research, which will now be elaborated on in turn.

## **Research aim and objectives**

### **Research aim**

To explore the management of hotel food supply chains

### **Research objectives**

1. To describe and explain the management practices of hotel food supply chains,

2. To examine the extent to which organisational characteristics have an impact on hotel food supply sourcing practices,
3. To identify first tier primary suppliers of hotel food supply chain network structures.

The first objective concerns an exploration of the various activities regarding food supply chains within hotels as well as elements involved in the management of these supply chains. What is more, explanations for how food supply chain management is carried out are sought by exploring the practice of food supply sourcing under various levels of the decision hierarchy (i.e. strategic, tactical and operational), and this will enable a detailed picture to be built regarding the overall activities and elements of hotel food supply chains.

Objective two concerns an examination of the characteristics of hotels that impact on their food sourcing practices. It seeks to explain whether and how hotel characteristics impact on their food sourcing activities and sourcing elements. These hotel characteristics are business format, business model, size in terms of room number, location and food service level offered within the hotel. With the knowledge of the impact certain factors have on hotel food sourcing, a consideration can be made of some of the challenges facing the efficiency issues relevant to food supply chain management practice.

The last objective attempts to identify first tier primary suppliers of hotel food supply chain structures. The knowledge of the actual practices of food sourcing gained from the first two objectives will contribute to a greater understanding of the complexity and

dynamics within these supply chain network structures. This allows the relations between food sourcing strategies and hotel food supply chain structures to be made.



## 2 Supply Chain Management: The Concept and A Review

Supply chain management is described as one of the most influential developments in business management and has gained significance for improving organisational competitiveness (Croom *et al.* 2000; Lambert and Cooper 2000; Giannakis and Croom 2004; Gunasekaran 2004b; Cousin *et al.* 2006). In practice, supply chain management is regarded as a successful business concept in the make or buy decision of a product/service by a firm and a good practice to link all the trading partners and ensure cost effective and timely movement of materials and information from the inception of a new product/service to its final consumption (Giannakis and Croom 2004). Academics and practitioners agree that supply chain management can have positive impacts on a firm's performance (better quality product and customer service) (Shin *et al.* 2000). It has been claimed that with product life cycles shortening and technologies becoming increasingly imitable, effective SCM can be a major source of competitive advantage for firms (Simchi-Levi *et al.* 2003) where competitive advantage may be sought via practices such as reduced inventories, lower costs, and mutually-beneficial supplier collaboration (Lysons and Farrington 2006). Moreover, the benefits will not be at the expense of a company's partners but rather will make the supply chain as a whole more competitive (Christopher 1992; Lambert and Cooper 2000).

The concept of supply chain management has attracted tremendous attention from scholars over the last two decades (Alfalla-Luque and Medina-Lopez 2009). Croom *et al.* (2000) suggest 11 subject areas – including, for example, purchasing, logistics,

marketing and organisational behaviour – which are considered to be associated with SCM. They highlight how different subject literatures have contributed work in SCM from different perspectives. Advancing from the original subjects of Logistics and Operations Management, SCM has incorporated issues in other areas such as strategic management, industrial organisation, institutional economics and inter-organisational relationships (Cooper *et al.* 1997; Giannakis and Croom 2004). An extended body of literature of SCM is understandable because SCM involves not only a single business function or a firm, but also a set of interrelated functions and business entities that are involved in the provision of an offering to end customers (Giannakis and Croom 2004:29). SCM has been approached from different perspectives resulting in various meanings and a variety of different usage in the literature.

Despite supply chain management having attracted a great deal of attention for decades, there is still confusion around the meaning of the term and concept. The term ‘supply chain management’ has been used to mean various things and the concept of ‘supply chain management’ has been given different labels. The large body of literature partly is a result of different interpretations of the term supply chain management. The phrase ‘supply chain management’ has not only been used to explain the logistics activities and the management of materials and information flow internally within a company or externally between companies (Christopher 1992; Fisher 1997). Authors have also used it to describe strategic issues in an inter-organisational context (Cox 1999; Harland *et al.* 1999), and an alternative structural organization of businesses (Thorelli 1986; Ellram 1991). Some describe SCM as the relationship a firm develops with its suppliers (Helper 1995; Sako *et al.* 1995). It has not been agreed in the literature what the concept of supply chain management actually entails (Burgess *et al.* 2006). What is more, the

concept of considering the flow of goods from supplier through to the end user as a seamless process has been given different labels e.g. supply chain synchronisation, strategic supplier alliances, supply base management, and pipeline management (Farmer and Ploos van Amstel 1991; Lamming 1996; Tan 2001).

As SCM has been used to represent various concepts from different perspectives, there is no systematic definition of SCM. Burgess *et al* (2006) show that more than half of the sample of SCM related articles in their survey did not offer a SCM definition. Some authors grasped the meaning of SCM by either choosing a definition from the literature or deriving their understanding of SCM from the literature and/or management practices (see for example Cooper *et al.* 1997; Mills *et al.* 2004). What is more, there is little consistency as to the specific definitions used. Table 2-1 shows a sample of definitions or meaning of SCM available in the literature.

**Table 2-1 A sample of definitions of SCM in the literature**

<b>Definition/Meaning of SCM</b>	<b>Perspective</b>	<b>Scope</b>
A new approach to manage materials flow across organisation functions, which views the supply chain as a single entity (Oliver and Webber 1982:66)	Logistics management	Intra-organisation
Supply chain management deals with the flow of materials from suppliers through end users. The key to efficiently managing a supply chain is to plan and control the inventories and activities as an integrated single entity. (Jones and Riley 1985:19)	Logistics management	Intra- and inter-organisations
We refer to the strategy of applying integrated logistics management to all the elements of a supply chain as 'supply chain management' (La Londe and Masters 1994:38)	Logistics management	Intra- and inter-organisations
Supply chain management is simply a different way of competing in the market...The goal is to achieve improved customer service at reduced overall costs. (Ellram 1991:17)	Strategic organisational structure	Inter-organisations
In very general terms it (SCM) can be described	Operations	Intra- and

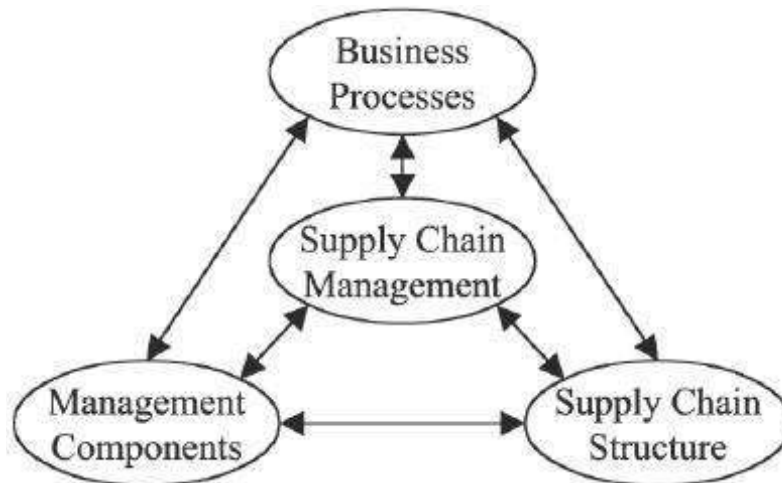
as a way of thinking that is devoted to discovering tools and techniques that provide for increased operational effectiveness and efficiency throughout the delivery channels that must be created internally and externally to support and supply existing corporate product and service offerings to customers. (Cox 1999:167)	Management	inter-organisations
Supply chain management is defined as the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole (Mentzer <i>et al.</i> 2001:18)	Operations Management and Inter-organisational relationships	Intra and inter-organisations
The integration and management of supply chain organisations and activities through cooperative organisational relationships, effective business processes, and high levels of information sharing to create high-performing value systems that provide member organisations a sustainable competitive advantage. (Handfield and Nichols 2002:8)	Operations Management and Inter-organisational relationships	Intra and inter-organisations
A set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores, so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time, in order to minimize system-wide costs while satisfying service level requirements. (Simchi-Levi <i>et al.</i> 2003:3)	Operations Management and Inter-organisational relationships	Intra and inter-organisations

Source: Author's survey

As can be seen from Table 2.1 the definitions vary according to focus, perspective, and scope of SCM. The first three definitions focus on materials flow, planning and controlling the inventories and activities related to the flow. Later authors expand the focus to the coordination of business functions as well as the tactics employed (Mentzer *et al.* 2001) while Simchi-Levi *et al.* (2003) focus on the approaches used to integrate a supply chain in a manufacturing context. Cox (1999) however, thought of SCM as a rationale behind the tactics and approaches utilised to increase operational effectiveness and efficiency. These definitions also differ in terms of their boundaries of SCM, which

can be a firm's boundary or an inter-firm boundary. Most of these definitions state that SCM operates between business functions within a particular company and across businesses. Perspectives taken by these authors evolve from logistics management to include, and emphasise, structural organisation of businesses (Ellram 1991) and inter-business relationships (Mentzer *et al.* 2001). Having realised differences between the existing definitions, some authors have argued for a universal definition of SCM (Mentzer *et al.* 2001; Gibson *et al.* 2005). The definition of SCM put forward by Mentzer *et al.* (2001) covers the core aspects of the SCM concept e.g. strategic and tactical aspects of SCM as well as the inter- and intra-business activities. The whole chain performance was captured within this definition, though the operational aspect of supply chains was not included. Handfield and Nichols' (2002) definition also captures similar aspects of SCM but does not emphasise the improvement issue nor the performance of the supply chain as a whole, unlike the one provided by Mentzer, DeWitt *et al.* (2001). Despite the increasing use of these last two definitions in Table 2.1, to date there has still been no widely accepted definition.

Since the inception of the concept in the mid 1990s, conceptual frameworks have been proposed (Bechtel and Jayaram 1997; Cooper *et al.* 1997). Some authors derived their understanding of SCM from the literature and/or management practice (Cooper *et al.* 1997) and suggest a framework of SCM elements. One of the early frameworks was proposed by Cooper *et al.* (1997).

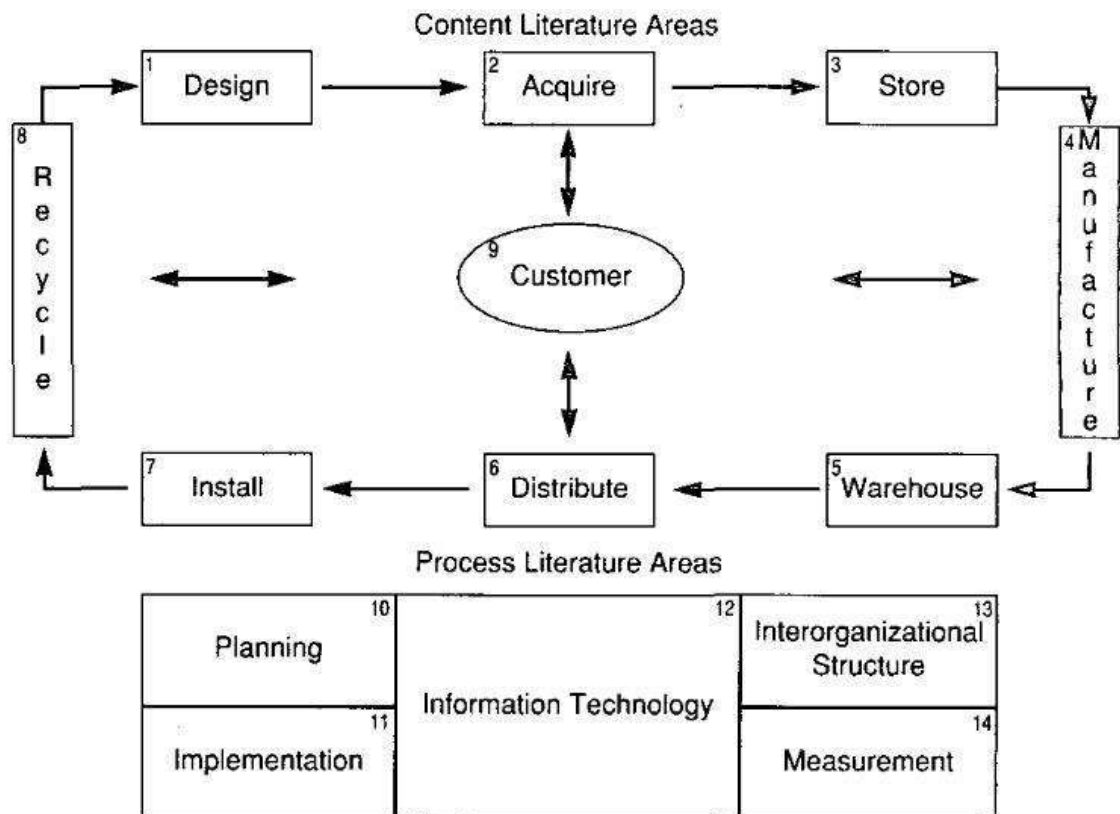
**Figure 2-1 A Framework of SCM Elements**

Source: Cooper, Lambert and Pagh (1997:5)

Cooper *et al* (1997) proposed three major and closely related elements of SCM: *business processes*; *management components*; and *the structure of supply chain*. Figure 2.1 shows these three elements and their relations. Business processes are the activities that produce a specific output of value to the customer. The management components are the components by which the business processes are structured and managed. The supply chain structure is the configuration of companies within the supply chain (Cooper *et al.* 1997:5). Although their framework helps to define SCM and integrates various business aspects across firms, they suggest that SCM embraces all business processes across all organisations within the supply chain, from initial point of supply to the ultimate point of consumption (Cooper *et al.* 1997:5) and this all-encompassing approach compromises its focus and therefore its usefulness. Despite its weakness of being a general framework, Cooper's *et al* (1997) study is one of the early works that emphasises the expansion of the concept of SCM from integrated logistics management. The idea of expanding the concept is agreed upon by other authors (Ho *et al.* 2002; Mills *et al.* 2004) and the SCM today is generally accepted to be more than just

logistics. A more detailed framework than Cooper's *et al* (1997) was proposed by Bechtel and Jayaram (1997). The framework was also developed by reviewing the literature but from a much wider pool. They defined nine content areas from design to customer and five process areas of SCM as shown in Figure 2.2. These process areas are planning, implementation, information technology, inter-organisational structure and measurement. Although all five areas are seen as important, planning was identified as a key component of SCM (Bechtel and Jayaram 1997:20).

**Figure 2-2 A Framework for Analysis SCM Literature**



Source: Bechtel and Jayaram (1997:21)

What is more, Bechtel and Jayaram also (1997) identified three trends in SCM. First, purchasing, manufacturing and distribution were noticed as three common themes in SCM. Second, an emphasis on integration of closely related functional areas e.g.

manufacturing and sales with regard to data sharing. Third, customer as the starting point as well as the end point in the supply chain was depicted due to customer's role as a data source that initiates supply chain activities.

Each framework has its strengths and weaknesses. Cooper's *et al* (1997) framework while offers a conceptualisation of supply chain management by showing three areas that are associated with managing and configuring the supply chain, it did not provide a detailed picture of business functions involved. On the other hand, the framework proposed by Bechtel and Jayaram (1997) examines in detail the business functions involved in SCM but may lack a conceptual element that Cooper's *et al* framework offers.

More recently, Giannakis and Croom (2004) propose a 3Ss model to conceptualise SCM. By analysing SCM literature, they suggest SCM concerns strategic issues involving make or buy decisions which they call *synthesis*. The second S represents *synergy* which depicts the cooperation between supply chain members and the last element is *synchronisation*, the historical area of SCM which deals with efficiently synchronising flows within the supply chain. Despite a broad view of SCM, the 3Ss model has captured the research efforts related to SCM as well as the three main elements of the concept itself.

### **2.1 Understanding the Concept of Supply Chain Management**

The previous section discussed the ways in which supply chain management has been understood among scholars. In order to utilise the concept of SCM, it is imperative to explore the elements that constitute the concept in order to outline the development of



the concept. In so doing it is possible to identify the common characteristics of SCM described in the literature.

### 2.1.1 Supply Chain Management

Many authors begin to describe ‘supply chain management’ by looking at the term ‘supply chain’ but it is felt more appropriate to explore the development of the concept of SCM, because the concept should be treated as an emerging co-constituted collective set of ideas first, before breaking it down in its components. Furthermore, the term ‘supply chain’ can be generally used to refer to a set of suppliers of a firm (New 1997:348); when the supply chain is thought of as chains of suppliers, supply chain management when viewed as an equivalent to the management of supply chain can then be thought of as management of a firm’s suppliers. As a result, the concept of SCM can be narrowed down to only one aspect, supplier management. Although supplier management is also one of the aspects included in ‘supply chain management’, it is not the only aspect that constitutes SCM. For this reason, ‘supply chain management’ is given attention first before the term ‘supply chain’ is examined.

The development of the concept of supply chain management in the academic world started around the mid-1990s, but the diffusion of the field did not take place until the late 1990s (Cooper *et al.* 1997; Cousin *et al.* 2006; Dubois and Araujo 2007; Giunipero *et al.* 2008; Alfalla-Luque and Medina-Lopez 2009). More than a decade since the term was introduced in 1982, scholars began to consider the concept of SCM (Cooper *et al.* 1997), with most of the theoretical and empirical investigation commencing in 1997 (Cooper *et al.* 1997; Lambert and Cooper 2000). As discussed earlier in the previous section, authors have neither agreed on its definition nor the core components of the

concept; clear antecedent has not been identified (Lamming 1996; Croom *et al.* 2000), authors agreed, however, on four areas. Firstly, the notion of SCM has unclear antecedents. Secondly, the scope of the concept has been developed from, but is wider than, integrated logistics management. Thirdly, SCM is referred to as several other concepts. Finally, there are some common characteristics of SCM found across the literature.

The SCM concept has unclear antecedents, however, its development is said to be originated from physical distribution and transportation (Lamming 1996; Croom *et al.* 2000; Chen and Paulraj 2004). Early authors focused their attention on the process of integrated logistics management as a means to efficient operations (Christopher 1994; La Londe and Masters 1994; Bowersox and Closs 1996). Movement of physical materials was, and still is, an important part of SCM, though the operational aspect of SCM has attracted more attention from academics from a certain part of the world, for example North America, than others. Giannakis and Croom (2004:32) report from their survey that North American academics emphasise activities/operations management much more than their European counterparts. Despite the unequal attention to the operational aspect of SCM, academics from both sides of the Atlantic agree that SCM is not just about logistics and physical movement of materials but is also about other functions within a firm and within a supply chain including the 'soft' element of business which involves the management of relationships (Cooper *et al.* 1997; Harland *et al.* 1999; Mentzer *et al.* 2001; Ho *et al.* 2002).

The third area of SCM that authors are in agreement about is that SCM appears in the literature as different concepts (Tyndall *et al.* 1998; Storey *et al.* 2006), some authors

define SCM as a management approach, a management of business processes involving the flow of materials and products (La Londe and Masters 1994; Cooper *et al.* 1997; Lummus and Vokurka 1999), some view it as a management philosophy (see for example Cooper and Ellram 1993; Mentzer *et al.* 2001; Ho *et al.* 2002; Min and Mentzer 2004; Chen and Paulraj 2004a) and some of the authors see it as more than one thing. For example, Cooper and Ellram (1993) mention SCM as a management philosophy, a form organisational structure and a management concept in the same piece of work.

Early SCM was viewed as integrated logistics management, an integrated approach to dealing with the planning and control of the materials flow from supplier to end user (Jones and Riley 1985). La Londe and Master (1994:38) call the expansion of the previous view, *integrated logistics management*, to all the elements of a supply chain as 'supply chain management'. Later authors also view SCM as a management approach that coordinates and integrates all the activities involved in delivering a product from raw material through to the customer (Cooper *et al.* 1997; Lummus and Vokurka 1999). Therefore, SCM is seen as an approach used to integrate business activities within a supply chain. What is more, in a more abstract level SCM has been seen as a management philosophy (Cooper and Ellram 1993) or even a paradigm (Giannakis and Croom 2004).

Cooper and Ellram (1993:13) propose SCM as an integrative philosophy to manage the total flow of a distribution channel from the supplier to the ultimate user. This suggestion of SCM as a philosophy has little different meaning from SCM as a management approach as it still focuses on the management of material flow. SCM is

increasingly seen as a management philosophy, though, its focus has shifted from the flow of materials to the management of processes and the collaboration between supply chain members (Cooper and Ellram 1993; Ho *et al.* 2002; Chen and Paulraj 2004a). Ho *et al.* (2002) posit that the philosophy of SCM suggests that organisations in the supply chain collaborate by integrating and managing key inter-firm business processes (Ho *et al.*, 2002:4423). Others conceptualise the concept as both philosophy and approach. For example, Chen and Paulraj (2004:147) suggest that it is an integrated approach to the planning and control of materials, services and information flows that adds value for customers through collaborative relationships among supply chain members. They also endorse the view of SCM as a novel management philosophy that recognises that individual businesses no longer compete as solely autonomous units, but rather as supply chains. Others look at SCM as alternative forms of organisation, Cooper and Ellram (1993:2) suggest SCM as an integrated form of organisation which lies between vertical integration and separate entities operate completely independently. Despite having benefits which are generally gained by vertically integrated organisations, SCM has relatively flexible organisational forms (Wisner *et al.* 2009).

There is no shortage of evidence in the literature of different perceptions of SCM and a lack of agreement as to what it means by philosophy or approach, as a result Mentzer *et al.* (2001) attempt to clarify SCM by pointing out the difference between management philosophy and management approach. They propose that the philosophy aspect of SCM should be called *supply chain orientation*, SCO, and explain that SCM is the implementation of SCO. According to Mentzer *et al.* (2001:11), SCO is the recognition by an organisation of the systemic, strategic implications of the tactical activities involved in managing the various flows in a supply chain. They further explain that a

company possesses a SCO if its management can see the implications of managing a supply chain. They did not, however, explain the indicators of a company with SCO. SCM is then viewed as the sum total of all the explicit management actions undertaken to realise SCO. Despite the effort to separate the philosophy part from the management approach element of SCM, SCO has not been used by many to refer to SCM as a management philosophy. In fact, SCM is still referred to as a philosophy and/or an umbrella term that includes various approaches to collaborate and integrate within organisation and a supply chain. What is clear in the literature is that the concept of SCM has hardly been viewed as only integrated logistics management or any other standalone processes. The remaining challenge is how SCM can be commonly understood.

SCM can be seen as an abstract notion, a philosophy, as well as an umbrella concept of several management approaches depending on the context. The view of SCM as an organisational form between a vertical integrated firm and independent businesses is also supported. Saunders (1995) warns that a pursuit of single view of SCM may cause conflicts. In order to understand the concept of SCM further, it is felt appropriate to seek common characteristics of the concept in order to construct an understanding of SCM.

Storey *et al* (2006:758) have suggested that there are a number of interlocking ideas and propositions which constitute SCM found across the literatures. These ideas are presented by comparing the core elements of SCM with similar elements of conventional management. As can be seen from Table 2.2, SCM portrays a different set of characteristics which reflects a different attitude to business management. There are

two main differences between these two management approaches: the business relationship aspect, relationships between firm and its suppliers, and the process aspect. SCM core components appear to generally fall into two broad groups: the “soft” inter-business relationship focused components that deal with supply base management; and the “hard” system-dominated components that deal with technological and infrastructural issues.

The process aspect of SCM, the hard group components, essentially presumes rational co-operation between buyers, suppliers and service providers and on this basis strived to find optimal solutions for inventory, transportation, information flow etc (Mills *et al.* 2004). In contrast, the relationship aspect or the soft element of SCM considers the behavioural and political dimensions of trust and power, conflict and dependence between supplier and buyer (Cox 1999).

**Table 2-2 SCM core concepts**

Group	Element	Traditional management	SCM
<b>Hard</b>	Information systems	Independent	Compatible, key to communications
	Replenishment device	Inventory	Information
	Connectivity	Independent logistics	Integrated logistics
	Use of information and knowledge	Information derial, lack of transparency	Information & knowledge sharing, transparency
	Total cost approach	Minimise firm costs	Chain-wide cost efficiency
<b>Soft</b>	Time horizon	Short-term wins, periodic negotiation	Long-term gain; total value costing
	Relationship episode	Transactional	Long-term, multi-faceted relations
	Beneficiaries	One-sided benefit, win-lose	Mutual benefit, win-win
	Breadth of supplier base	Competitive tendering	Small to increase coordination
	Risk and reward sharing	Independent	Shared over a long period of time
	Scope of task	Fragmented tasks; impermeable, rigid boundaries, discrete activities	Interdependency; co-makership; permeable, flexible boundaries, overlapping activities

Source: Adapted from Storey et al (2006:759)

As can be seen from Table 2-2, SCM depicts a different set of business management activities and more importantly, attitudes towards business partners. When compared to traditional management SCM, includes hard elements such as information systems, replenishment devices, connectivity, use of information and knowledge, and a total cost

approach. This hard aspect of SCM is synonymous with the integrated logistics management concept (cf. Christopher 1992; Bowersox *et al.* 2007). The soft elements reflect the supply base view of SCM, that is, to facilitate managing supplier relationships, and maintaining a reduced supply base (Terpend *et al.* 2008). The elements under this soft group are time horizon, relationship episode, scope of task, beneficiaries, risk and reward sharing, and process of supplier selection. There is an overlap between some of these elements and some do have more distinctive features of hard or soft group than others.

The elements of the 'hard' aspects of the SCM concept, as described in Table 2.2 deal with issues discussed mainly in the logistics literature. It first gained attention from the research community where most research efforts went into discovering efficient ways of managing inventory and physical distribution (Lamming 1996). The vision of the supply chain management concept is firms collaborating to improve operating efficiency and leverage strategic positions (Bowersox *et al.* 2007). From a supply chain perspective, it is clear that there is only one true source of income for all supply chain members, the end customer (Wisner *et al.* 2009:7). Logistics and inventory were one of the first areas to be suggested by researchers where the activities contributed to company competitive advantage (Oliver and Webber 1982; Womack 1990). Since then the integration of processes in the areas of logistics and inventory has been viewed as a major source of value to the customer (Christopher 2005). The logistics aspect of SCM views the flow of information and materials/products end-to-end, from source through production and on to delivery to the end customer. As such, in SCM, compatible infrastructure for information systems, both hardware and software, is essential to facilitate effectiveness in a supply chain (Gunasekaran and Ngai 2004a).

SCM emphasizes the use of information rather than inventory as a replenishment device. This is because of the realisation of inventory holding costs; such as, information sharing between supply chain members is key to ensuring beneficial inventory reduction (Cachon and Fisher 2000). Information Technology (IT) is said to be an integral component required to achieve effective supply chain management (Gunasekaran and Ngai 2004). In contrast, traditional management approaches, taking a department- or firm-based inventory approach, can have goods being held at various points in the chain resulting in higher costs (Houlihan 1988; Cooper and Ellram 1993; Handfield and Nichols 1999; Christopher 2000). Moreover, directly related to the inventory issue, is connectivity between supply chain members. From the point of view of the movement of materials/products, SCM takes an integrated approach towards logistics, which means integrated management of the movement of materials from the initial raw materials supplier through to the ultimate end customer. The scope of the logistics strategy, is the entire supply chain, in the view of SCM and the management of logistics activities on an independent basis is seen as no longer necessary or desirable (Handfield and Nichols 1999:47). Logistics activities are coordinated between firms so that the flow of materials can be managed in an orderly, efficient and low-cost manner (Johnson and Wood 1990:10). Furthermore, it has become clear that in order to successfully manage supply chain activities, not only logistics functions should be managed but also other key business functions of the supply chain (Cooper *et al.* 1997; Christopher 2005).

Most authors agree that the relationships between supply chain members are crucial in SCM (Mills *et al.* 2004:1019). The 'soft' aspect of SCM is characterised by a long-term,



co-operative and trusting relationships among firms, in contrast to 'traditional' management approaches in which chain members are relatively independent and have a short-term approach towards their relationship with suppliers (Cooper and Ellram 1993:15; Storey *et al.* 2006). The traditional management, which is the approach of the previous century focuses, on optimization of individual benefits within a market-driven context or 'dog eat dog' (Lamming 1996:185). This is done by having a large number of suppliers who can be played off against each other to gain price concessions while still ensuring a continuity of supply (Spekman 1988:76). Therefore, the traditional adversarial management model is viewed as a win-lose relationship and has historically robbed firms of the opportunity to gain a competitive advantage (Fearne *et al.* 2001:77).

On a contrary, the beneficiary element in SCM is of mutual benefit of trading partners in the supply chain as observed in the Japanese car industry (Turnbull *et al.* 1993). These partnerships are based on co-operation, a full exchange of information and a commitment to improve quality and reduce price. One of the key characteristics of SCM in this respect is that cost reductions and quality improvements are made by buyer and supplier working together. Spekman (1988:79) states that co-operative relationships involve sharing information and knowing the partner's business so that each party can set compatible goals that help maintain the relationship. However, sharing information poses a threat to independence, particularly when those involved lack mutual trust and have a tendency to behave opportunistically and he emphasises that such a close relationship can only be built if trust and co-operation exist.

One of the arguments for building inter-organisational relationships is that firms can gain competitive advantage through their interdependent relationships (Dyer and Singh

1998; Dyer 2000). Another argument for having relationships with members in the chain is the creation of added value for customers, by integrating the planning and control of materials, services and information flows through collaborative relationships among supply chain members (Chen and Paulraj 2004a:147). This cooperative and close relationship implies an ongoing relationship between firms expected to extend over a long period of time with sharing of risks and rewards balanced over time (Cooper and Ellram 1993; Ellram and Hendrick 1995). What is more, long-term relationships do not refer to any specific period of time, but rather, to the intention that the arrangement is not going to be temporary (Chen and Paulraj 2004a). One of the challenges for supply chain management is the potential for opportunism. Ellram (1991) suggests the best way to avoid opportunism is to be very careful in choosing supply chain partners.

In brief, there are several differences between SCM and traditional management, however, the main distinguishing SCM characteristics have been two aspects: the pull (demand-driven) production and the shift in buyer-supplier attitude. The SCM concept fosters a win-win relationship between supply chain members whereas the traditional management approach only focuses on benefits within the firm's boundaries. These two main characteristics translate to a whole range of supply chain practices which are described in the next section.

### **2.1.2 Supply Chain Management Characteristics**

An underlying thread that runs through the SCM literature is an integration and alignment approach to the planning and control of materials, services and information flows that adds value for the customer through collaborative relationships among supply chain members (Chen and Paulraj 2004a; Kannan and Tan 2005; Storey *et al.* 2006).

Despite the fact that some (i.e Lambert and Cooper 2000) argue for integration of business processes other than logistics and purchasing, in practice and in the literature, SCM has typically reflected the management of logistics and/or the supply base (Kannan and Tan 2005:155). As a result, the characteristics of the SCM concept portrayed in the literature relate closely to these two areas. These SCM characteristics are shown in Table 2-3 below. The first four items reflects the logistics focus of SCM and the next three characteristics correspond to the supply base area.

**Table 2-3 Characteristics of Supply Chain Management**

1. Pull (demand-driven) supply chain (only produce what is pulled through)
2. Seamless flow from initial source to final customer
3. Information technology enabled supply chain
4. Shared information across the whole chain
5. Long-term collaboration and partnership
6. Supply base reduction
7. Supplier development

Source: Adapted from Storey *et al* (2006:760)

The underlying idea described by the characteristics in Table 2-3 is that the SCM concept views the supply chain as a single process (Houlihan 1988) as opposed to the view of fragmented functional areas (e.g. manufacturing, purchasing, sales and distribution). As described earlier in the previous Chapter that SCM bears resemblance to lean production. As such, one of the most important aspects of SCM is controlling and managing inventories (Wisner *et al.* 2009:18). SCM calls for a different approach on inventories to be used as a last, not first, resort (Houlihan 1988:13). From the SCM point of view, operations activities should be ‘triggered’ by information from customer

demand (Bechtel and Jayaram 1997:20). What is more, one of the key tenets of what the SCM literature has discussed ever since the inception of the term has been a stable supply chain that managed seamless flows across suppliers in the supply chain (Christopher and Holweg 2011:70). As information technology can effectively link customer demand information to upstream supply chain functions and subsequently 'pull' supply chain operations (Min and Galle 1999:910), some argue that it is impossible to achieve an effective supply chain without IT (Gunasekaran and Ngai 2004a:270). The pull production concept originated in the early 1980s from the inventory systems of the Japanese auto industry (Treville *et al.* 2004:615). The term 'pull production', as opposed to 'push production', was introduced by Houlihan (1985) in his paper discussing the concept of SCM. Furthermore, shared information on various value adding activities among supply chain members is essential and this requires an integrated information system (Gunasekaran and Ngai 2004a:270) as well as trust. As mentioned earlier that long-term relationships can only be built if trust and co-operative exist (Spekman 1988).

According to the characteristics described earlier, the concept of SCM not only focuses on efficiency within the supply chain through integration, but the concept also represents a change in attitude, away from the adversarial attitude of conflict, to one of mutual support and co-operation (Stevens 1989; Lamming 1996; Storey *et al.* 2006). Although the concept of SCM is seen as novel management philosophy (Ho *et al.* 2002; Chen and Paulraj 2004a), it is often based on idealised representations of optimal choices and quantities for demand fulfilment when considered from a whole chain perspective (Storey *et al.* 2006). Despite some authors describing supply chains as managed chains (See for example Mentzer *et al.* 2001) Storey *et al.* (2006:761), point

out that 'just because supply chains may exist, does not necessarily mean that they are managed across the whole spectrum'. In fact, supply chains in the literature referred to different supply chains ranging from the ideally managed supply chain, to an un-managed supply chain. The next section will focus on these differences in supply chains in terms of meanings, scope and variations, as well as identify the meanings of supply chain referred to in the rest of this thesis.

For the purpose of this research, the SCM concept is viewed as a management concept, aiming to achieve a sustainable competitive advantage for the individual companies, supply chain members and the supply chain as a whole, by integrating supply chain activities and organisations, through cooperative operational relationships and systematic strategic coordination of the business processes and the tactics across business functions and entities. This description of the SCM concept was derived by combining the definitions proposed by Mentzer, DeWitt *et al.*(2001) and Handfield and Nichols (2002) and reordering the aspects in their definitions in order to emphasise the aim of the overall notion within the concept. At firm level, SCM can be seen as an approach to achieving profit maximisation, organisational efficiency and cost reduction.

## **2.2 Supply Chain: Meaning, Scope and Management**

The previous section has shown that authors' different perspectives and methods to conceptualise the concept of SCM have resulted in various understandings of the concept but the consensus remains that SCM has expanded from logistics (Johnson and Wood 1990; Cooper *et al.* 1997; Lummus and Vokurka 1999; Mills *et al.* 2004) and there are core components throughout the literature (Storey *et al.* 2006). Whilst SCM has been examined and, to a certain extent, its meaning and components have been

agreed upon, the term 'supply chain' itself has often been taken for granted. Although Mentzer *et al* (2001) observe that the term supply chain seems to be more consistent among authors, there is still discrepancy in these three areas: meaning; scope and variations, and the extent to which a supply chain is managed.

Firstly, the meaning of the term supply chain (SC) has evolved from activities involved with materials and information flows (Stevens 1989:3; Handfield and Nichols 1999:2), to a set of entities (Mentzer *et al.* 2001:4) or a set of materials, information and services processing links within, and across organisations (Chen and Paulraj 2004a:132). In their later description, however, Handfield and Nichols (2002:8) combine entities and activities and suggest that a supply chain encompasses all organisations and activities associated with the flow and transformation of goods from the raw materials stage, through to the end user, as well as the associated information flow. What is more, New's (1994:348) observation of the casual use of the term 'supply chain' in academic literature is still valid today. One often finds the use of supply chain to refer to the concept of SCM. Secondly, the scope of a supply chain seems to operate on two levels: one is on the concept of SCM level and the other is on a general level. A supply chain is referred to as a whole supply chain in the context of SCM. The scope of supply chain that covers the raw materials stage, through to the end user is widely seen in academic literature. The beginning of a whole supply chain can be traced back to mother earth and the chain is connected through a series of linked suppliers and customers (Macbeth and Ferguson 1991; Handfield and Nichols 2002). In the 'end-to-end, from supplier to end user' view of the supply chain, the end user requirements come to the fore (Mills *et al.* 2004). It is often stated when observing the trend for companies to compete as chains (Christopher 1992; Chen and Paulraj 2004a). On the other level, however, supply chains

seem generally to be used as the suppliers of a firm and therefore the scope of the supply chain according to this meaning starts from the focal company through its suppliers to the raw material suppliers. This upstream supply chain is typically referred to under the structure of the supply base and the links between the company and its suppliers e.g. buyer-supplier relationship (Mills *et al.* 2004)

It is noticed that a supply chain is likely to be termed a network when discussing a set of firm's suppliers. However, when the attention is on the flows of materials, products/services and information, 'supply chain' or 'supply pipeline' are metaphors that frame the picture of how the flows should be managed. In order to maintain the consistency of the terms used in this thesis, the term supply chain will be used throughout. According to Handfield and Nichols (2002:8)

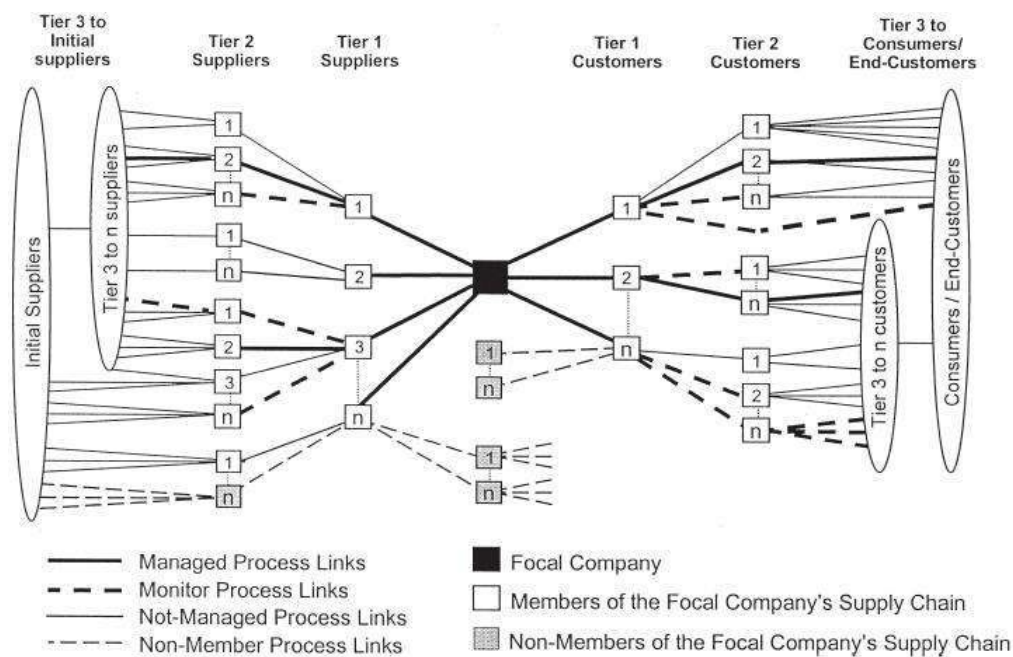
“the supply chain encompasses all organisations and activities associated with the flow and transformation of goods from the raw materials stage, through to the end user, as well as the associated information flows. Material and information flows both up and down the supply chain”

This description is used because it includes both organisations and activities within the supply chain and its focus is on the flow and transformation of goods which is the focus of this current research. What is more, this description of the supply chain does not contain any particular type of management within it and therefore it is a plain concept of connected organisations and activities suitable to be used for the purpose of this research. The term *supply chain network structure*, however, is used when the network of supply chains is being examined so that the attention can be directed to the fact that a company is part of more than one supply chain and the centre of the discussion is on the

structure of organisations rather than the supply chain activities involved in the flow and transformation of goods up and down the supply chain.

Third the term supply chain is interpreted differently to the extent to which supply chains are managed. This management pattern varies from ideally managed to un-managed supply chain. In the SCM concept, a supply chain is portrayed as being ideally managed throughout the whole supply chain (Storey *et al.* 2006). The types of management of supply chain members are shown by Lambert, Cooper and Pagh (1998), Lambert and Cooper (2000). The first study proposed types of inter-company business process links from a whole supply chain perspective. Taking a focal firm's view, they have illustrated business process links as shown in Figure 2-3. As can be seen from the figure below, four types of business process links were identified in the study namely managed, monitor, not-managed and non member process links.

**Figure 2-3 Types of inter-company business process links**



Source: Lambert, Cooper and Pagh (1998:7)



Other than types of business process links, Figure 2-3 also shows the supply chain or network structure. It should be pointed out that in their studies, the term ‘supply chain network structure’ or ‘network structure’ are used when referring to supply chain members from a whole chain perspective. Lambert *et al* (1998) show, for most manufacturers, the supply chain looks less like a pipeline or chain than an uprooted tree, where the branches and roots are the extensive network of customers and suppliers. A set of a focal firm’s suppliers are called tier 1 suppliers and suppliers of tier 1 suppliers are called tier 2 suppliers and so forth. Similarly, customers of the firm are also organised into a tier system. The supplier side is generally referred to as upstream and the customer side is viewed as downstream. To date, the extent to which the principles of the SCM concept with regard to managing beyond the focal firm are practiced, has not been comprehensively investigated. However, there have been reports from studies that ideally managed supply chains exist only in a few leading-edge companies (Leenders *et al.* 2002) and reaching out across the supply chain and managing suppliers' operations was still relatively unusual (Storey *et al.* 2006).

Given the range of meanings associated with supply chains discussed above, talking of the management of supply chain can be conceived as anything from the management of supply chain activities to the management of firm’s supply chain members or both. The interpretation of SC therefore has to be taken with caution. In addition, supply chains referred to in the literature are managed, unmanaged ones or something at a point between these ends. The meanings of SC are dynamic, changing according to contexts. For example, a whole chain of supply chain members is used in the context of the competition between chains, but a supply chain means only a set of firm’s suppliers when supply management issues are concerned. Some authors (see for example Harland

*et al.* 2004; Mills *et al.* 2004) consider 'supply network(s)' when their main interest lies in the area of network of organisations rather than the flows of business processes.

### **2.3 The Application of Supply Chain Management to the Service Sector**

The majority of SCM research has focused on the manufacturing sector even though the application of SCM has become prevalent in the service sector. Since 1970, the service sector's contribution to the economic output of the UK has grown from 53 per cent to 73 per cent and today services account for about 70 per cent of economic activity in the European Union, and about 80% of the USA gross domestic product (Battisti *et al.* 2010). Companies in the service sector are attempting to find ways to improve their efficiency, flexibility, responsiveness and relationships with trading partners and in turn increase their competitiveness by changing their operations strategy, methods and technologies that include the implementation of SCM approaches.

#### **2.3.1 The service sector**

Services are important, yet defining and classifying services is problematic (Ellram *et al.* 2004; Battisti *et al.* 2010). One of the main challenges in classifying services is the fact that in service-based activities, it can be very difficult to separate out production and consumption from the operation management of the final product (Battisti *et al.* 2010). As such, services are often classified in numerous different ways. While some consider a service as an offering when it is complementary to goods or commodities, others regard services as a form of activity in itself. Ellram *et al.* (2004:19) state that the service producing sector is essentially defined as everything except manufacturing and farming. This includes transportation, communication, finance, insurance, real estate,

public administration, travel, hospitality, wholesale and retail trades. Because of the diversity of these divisions of the service sector, it is difficult to find the common thread among them (Ellram *et al.* 2004). In fact, economic activities in the service sector range from pure services to hybrid services (Battisti *et al.* 2010). The importance here is not to classify the service sector but to emphasise the fact that manufacturing and farming supply chains have a common link of managing the physical flow of goods that extends to some service organisations. What is more, there are also intangible elements in the product offerings of the tourism and hospitality sectors. This peculiar combination of tangible and intangible elements of tourism and hospitality products distinguishes its production from those of the manufacturing and farming industries.

It is important to highlight the differences between service supply chains and the more traditional manufacturing supply chains. In service supply chains, human labour forms a significant component of the value delivery process and, whilst the physical handling of a product leads to standardized and centralized procedures and controls in manufacturing supply chains, in services this is not entirely possible as many of the decisions are taken locally. This along with the variation and uncertainties in outputs are higher because of the human involvement (Ellram *et al.* 2004:17). In addition, services cannot always be inventoried as the focus of efficiency in service supply chains is on management of capacity, flexibility of resources, information flows, service performance and cash flow management. These issues are quite different from manufacturing supply chains (Ellram *et al.* 2004:23). However, there are also many areas where there are similarities. For instance, demand management, customer relationship management and supplier relationship management are critical factors in manufacturing supply chains that remain equally important in service supply chains (Sengupta *et al.* 2006:4). There are more similarities in terms of supply chains between

the manufacturing and service sectors which have an element of product as well as service than the pure service sectors that have no physical products involved such as the finance sector. In fact, some of the organisations in the service sector are part of the same supply chains as those of manufacturing and farming. For example, companies in the retail sector which deliver processed foods to the ultimate customers are the downstream part of the manufacturing supply chain. From an SCM perspective, therefore, consumption in the tourism and hospitality industry may not always be understood because there are many factors that can mediate each customer's experience, however, the tangible element of the product offerings such as goods and suppliers which contribute a significant element of that. The service sector may, therefore, benefit from the application of SCM practices employed in the manufacturing industry.

Recently, the service sector has shown considerable growth and the applicability of SCM approaches to service organisations has been increasingly discussed in the literature (Ferdows *et al.* 2004; Markillie 2006; Blanchard *et al.* 2008; Lee *et al.* 2008). SCM practices with regard to both hard and soft aspects (see Table 2.2) have been evident in the service sector. For example, Blanchard *et al.* (2008) reported that one of the strongest drivers of Wal-Mart's success is its focus on efficient and effective SCM. Wal-Mart's superior SCM practices have resulted in increased efficiency in operations and better customer service. The main contributors to the company's success in SCM include its early applications of information technology (IT) and supplier collaboration. The use of real customer usage information enables changing the flow of product from the traditional push (or supply-driven) production to pull (or demand-driven) production. As such, the company managed to keep inventory at store level to a minimum which reduces prices to customers and maximises their satisfaction and

loyalty. This real customer usage is obtained by its everyday low price strategy (EDLP) that helps smooth demand fluctuation caused by discounting promotions. What is more, a collaborative planning, forecasting, and replenishment system (CPFR), employed by Wal-Mart allows total visibility among supply chain members (Lee *et al.* 2008:977). CPFR is an SCM business practice where promotion schedules, point-of-sale data, and inventory data are shared to enable shortening of lead times and integration of forecasting and replenishment. The company shares its data with suppliers through its Retail Link system, a decision support system, which suppliers have access to over a secure internet connection (Markillie 2006:5). Sharing information between the company and its suppliers provides a basis for jointly-managed inventory so that the costs of moving inventory through the total supply chain can be reduced (Blanchard *et al.* 2008:173). Instead of keeping large inventories, the company employs continuous replenishment (CR) method, where sellers restock retailer inventory based on the actual product usage and stock-level information provided by the retailer (Lee *et al.* 2008:977). The company and suppliers can spot trends and changing demand patterns in sales data and use this information to better serve customers (Blanchard *et al.* 2008:175). Although Wal-Mart is also known for forcing suppliers to comply with its own practices, the suppliers benefit from participating in the efficient supply chain, access to a large market, large order quantities and the fast payment of invoices (Fishman 2003:68). The principles of SCM to Wal-Mart and other grocery retailers have been practices of the lean production but with IT as an enabler (see Blanchard *et al.* 2008; Gopalakrishna and Subramanian 2008). The early investment in IT facilities has proved to be its 'back bone'.

The concept of SCM has also been applied in the fashion sub-sector of the retail sector. One of the companies that has re-designed their supply chains to gain competitive advantage is Zara, a Spanish fashion company (Ferdows *et al.* 2004; Markillie 2006). Well-known for its timely supply chains, Zara managed its supply chains from a new design into the shops in around five weeks (Markillie 2006:5). Unlike Wal-Mart which focuses on driving costs out of business by implementing supply chain operations, Zara's business practices include sending a half-empty truck across Europe, paying for airfreight twice a week to ship coats on hangers to Asia, or running factories for only one shift (Ferdows *et al.* 2004:110). Instead of maintaining product availability at the stores, Zara encourages, occasional stock-outs (Ferdows *et al.* 2004:106). This helps create a scarcity value and product freshness (Markillie 2006:5). Zara has developed a responsive supply chain which a process of design, produce, and deliver a new garment and put it on display in its stores worldwide takes just 15 days (Ferdows *et al.* 2004:106).

Spending money on anything that helps to increase and enforce the speed and responsiveness of the chain as a whole reflects the total cost approach of the SCM vision of the company (Ferdows, Lewis *et al.* 2004:107). In terms of its responsiveness to customer demand, Zara has much in common with Wal-Mart. It avoids large inventories by relying on quick response (QR), to demand for successful products. However, Zara also runs almost half of its production in-house, managing all design, warehousing, distribution, and logistics functions themselves (Ferdows *et al.* 2004:106). Similarly, their quick response is accomplished through efficient use of information communication between the end users and upstream operations; that is, shoppers to designers and production staff (Ferdows *et al.* 2004:107). Despite efforts and spending

to maintain lead times, Zara has relatively high profit margins (Ferdows *et al.* 2004:104).

The concept of SCM has been applied to the retail sector at the strategic and operation levels. The examples of Wal-Mart and Zara above have shown that these two companies have gained competitive advantage by utilising their supply chains and information technology to manage efficient and strategic supply chain activities. The shift from traditional, supply-driven, push production to pull, demand-driven, production has put the companies ahead of their competitors. It has been demonstrated that the SCM concept being applied to retail companies is not only about cost cutting in supply chains but also it is a strategic concept that can be used to increase profits without necessarily lowering costs.

### **2.3.2 The food grocery retailing sub-sector**

The application of the SCM concept has also been demonstrated by organisations in the food retail sector (Prater *et al.* 2005; Fernie and Sparks 2009). The challenges of managing the supply chain in food related operations are not only concerned with efficiency but also transparency and sustainability. The latter has become a major concern as the media draw public attention to issues such as sourcing locations and food packaging (Fernie and Sparks 2009:28). Food safety issues have become more intense after the identification of bovine spongiform encephalopathy (BSE) in the UK in the late 1980s and foot and mouth disease in 2001. Transparency of food sources has become paramount in engendering customer confidence as well as a major legal issue. The principles of SCM which direct business attention to consider activities in an 'end to end' manner, can be applied to address these issues.

As cost pressures have increased since the 2008 economic crisis not least because of higher oil prices, efficiency in transporting goods within supply chains has become ever more vital (Fernie and Sparks 2009:28). Information sharing between supply chain members is imperative for products to be distributed efficiently, especially for perishable food which needs to be stored at certain conditions otherwise product value will be lost. Transparency within the supply chain in terms of product location and activities, therefore, is likely to increase efficiency by ensuring the appropriateness of product availability and reducing errors within supply chains (Fernie and Sparks 2009:29). Additionally, transparency in terms of sustainability issues has emerged as a practical business concern. Wal-Mart, for example, has launched its own environmental projects reflecting in awareness of customers' concerns regarding sustainability of food sourcing (Harmer 2008; Lane and White 2008). Fernie and Sparks (2009:29) suggest businesses that fail to recognise these growing customer concerns are likely to have problems in the future.

Shifts in retailer and supplier relations from arms-length relationships to partnerships have been evident in British retailers (Wringley and Lowe 2002:54). However, despite the high levels of collaboration and cooperation, and information sharing networks among supply chain members, the practice of sharing risk and rewards has not been evident. Distribution of risks and rewards among the members in the food grocery retailing supply chains has been viewed as uneven. Farmers' reaction to their business relationships with large grocery retailers has not been a positive one (see Morris 2011; Mukherjee 2011) Dawson and Shaw (1990:36) asked over a decade ago, whether retailers enjoying a position of increased market power and under conditions favouring



partnerships would use their growing influence to create the type of relationships fostered by the concept of SCM? Or alternatively, would they use their power to reinforce relationships of long-term domination? The answer seems to be so far one of long term domination reinforcement at least from some producers' point of view. Despite the imbalance of risks and rewards sharing in the grocery retailing supply chain, the efficiency issue with regard to managing their supply chains, especially the adoption of technological systems and sales based order systems, has been reported to be more advanced than their hospitality counterparts (Eastham *et al.* 2001:18).

The hospitality sector may also benefit from applying some of the lessons learned from the application of SCM practices implemented by the manufacturing and other sub-sectors in the retail sector. Food production in hospitality in particular has movements of goods from producers, suppliers through to the customer. However, to date, there has been little research done with regard to how hospitality organisations manage their food from a supply chain perspective. The transferability of the manufacturing and retail SCM principles to the hospitality sector organizations is in its infancy and has only now started to receive increased attention from academics. So far only a limited number of studies have been conducted that specifically emphasize hospitality organisation supply chains.

#### **2.4 Chapter Summary**

This chapter has examined the concept of supply chain management and the issues within the supply chain management literature and the application of SCM to the service sector. It has focused on the use of the term and how the concept has been developed and studied after gaining tremendous attention a decade after it was first

introduced. The chapter has provided the core concepts which encapsulate the essence of SCM under a dichotomy of hard and soft elements. The hard elements of SCM concern the efficiency side of management and the soft elements involve the inter-business relationships.

The concept of SCM has developed from a strategic view of the management of logistics function, and integrated logistics management, to include almost all business management areas. Despite the popularity of the adoption of the terms, SCM, as well as SC, has casual use. Disagreement around the various meanings of 'supply chain management' and 'supply chain' has been discussed. Different aspects of the concept of SCM have been discussed and definitions provided by authors from various fields have been considered. The ways of conceptualising SCM found in the literature have also been examined. It is realised that the SCM concept is complex and unlikely to be captured in one single definition. Instead of choosing a definition the chapter has provided a description of the SCM concept, adapting from the recent definitions of SCM. The SCM concept has been described as a management concept aiming to achieve sustainable competitive advantage for the individual companies, supply chain members and the supply chain as a whole by integrating supply chain activities and organisations through cooperative relationships and systematic strategic coordination of the business processes and the tactics across business functions and entities. The description of the closely related term of SCM, SC, used in this research has also been identified.

This chapter has highlighted the fact that supply chain management literature has tended to overlook practices in industries other than manufacturing. SCM practices, however,

have been evident elsewhere in the service sector where companies in the fashion and food grocery retailing sectors managed to gain competitive advantage through their superior SCM approaches. There is limited research into SCM practices in the hospitality sector and unless the management of supply chains are studied, it is unlikely that knowledge about SCM practices in this important sector will be advanced.

This research aims to contribute to the apparent gap in the bodies of literature of both supply chain management and hospitality management by exploring the actual practices of supply chains and supply sourcing in particular within hospitality organisations. By taking an exploratory approach to considering various activities involved in hotel food supply chains, the thesis will shed light on the reality of practices in the service industry which will inform both supply chain management and tourism and hospitality management researchers as well as form a building block for future research regarding supply chain management in the hospitality industry. This research will also point out the important requirement for a non-statistical approach towards researching and understanding the impact of organisation characteristics on the management of supply chains and supply chain network structures in this emerging stage of a study of SCM practices in hospitality establishments.

## **3 The UK Hotel Industry and Supply Chain Management Practices**

### **3.1 Introduction**

This thesis is concerned with the supply side of businesses in a service industry, which has lacked engagement with the opportunities offered through the concept of supply chain management. The concept of SCM was developed from manufacturing firms and mainly studied manufacturing organisations. The central argument presented in this thesis is to propose that the SCM concept be studied in a setting other than manufacturing, and to do this we need to understand the characteristics of the new settings and the nature of business involved in these different business environments. The thesis therefore explores the hotel sector and its major characteristics with regard to the supply chain of one particular value chain, food production.

In order to understand the settings employed in this project, this chapter provides the contextual backdrop for the rest of the thesis. It presents background information of the UK hotel industry as well as the literature on the issues pertaining to SCM practice in hotel organisations. Considering the organisational complexity of today's hospitality firms, it is necessary to understand the structure of the firms within the industry as well as their diversity so that the dynamic of SCM within the industry can be appreciated meaningfully. The chapter then argues for three main types of organisation, group, small group and independent hotels, to be studied regarding the practices they employ to manage the supply chain.

### **3.2 *The Structure of the UK Hotel Industry***

In 2002 it was reported that about 85% of the UK's estimated total of 30,000 hotels, and other properties offering accommodation on a commercial basis, are independently owned by their operator (Sangster 2003). The British Hospitality Association (2007) and Quest and Needham (2007) report around 47,000 such establishments in 2006. Although there has been an increase in the number of establishments, the structure of the industry has not changed in terms of the domination of small, independently owned establishments in today's face of the industry, however the influence of hotel groups has become strong. These figures give a big picture of the structure of the industry, though they are only estimates.

Providing the exact number of hotel stock in the UK has proven to be difficult, if not impossible, due to three main reasons. Firstly, there is no compulsory registration scheme for most of the countries in the UK; in fact, Northern Ireland is the only country that has statutory registration (Callan 1994; Allin 1999; VisitBritain 2007). The figures of accommodation stock produced by the National Tourist Boards are therefore 'known stock' including those establishments which agree to abide by the National Tourist Boards' Codes of Conduct, those which have ever agreed to abide by it and those which have otherwise become known to the Boards (VisitBritain, 2005). Secondly, various definitions are used for each type of serviced accommodation as there are no rules of law prohibiting the use of various designations unless certain conditions are satisfied; the name given to the establishment does not necessarily provide a reliable guide to its nature. A hotel described in the Hotel Proprietors Act 1956 does not necessarily need to have the word hotel in its name (Medlik and Airey 1978). Therefore, establishments named with the word 'hotel' can be counted as hotels while they may only be private

houses offering bed and breakfast services. What is more, due to the incomplete picture of accommodation provided by the national bodies, there are different sources that offer commercially produced reports of serviced accommodation, but again the lack of universally accepted definitions of the accommodation types used (e.g. hotel, serviced accommodation etc.) makes it impossible to compare data meaningfully.

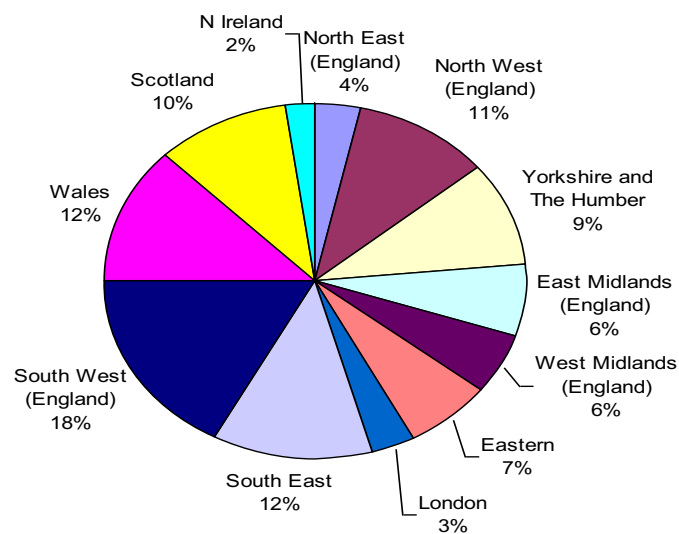
Finally, methods used by different sources of information can be problematic. For example, in England, Scotland and Wales the type of accommodation is classified in surveys as defined by each establishment itself in answering national tourist boards' questionnaires. The criteria for classifying accommodation types are not objectively defined, and as a result the distinction between types of accommodation is not always clear and can vary (VisitBritain, 2006).

A recent scheme introduced in 2005, that came in to effect in January 2008, has had a direct effect on the hotel stock, but the hotel stock may remain somewhat ambiguous. The word 'hotel' is now not allowed in the business name for establishments assessed as 'guest accommodation' by the VisitBritain graded scheme (VisitBritain, 2008). In turn, any establishment calling itself a hotel is now classified as a hotel, even though it may be previously registered as a guest house (BHA, 2007).

What is more, accommodation statistics available at the European Union level (Eurostat) can be drawn from, to obtain and compare the number of accommodation establishments, bedrooms and bedspaces in different regions and countries throughout the UK, but the figures have to be treated with caution because they are provided by the same national bodies and have the similar statistical problems experienced at the

national level. It is likely that the available figures have been manipulated to suit the types of accommodation that are defined in the EU Directive. Establishments included under the 'hotel' type of accommodation at the national level are motels, lodges and inns (VisitBritain, 2006). At Eurostat level, 'hotels and similar establishments' is one category of serviced accommodation where related figures can be obtained. Although the number of establishments, bedrooms and bedspaces at this level may not give a detailed picture of types of establishments, it does allow data to be compared and accommodation distribution in the kingdom to be appreciated.

**Figure 3-1 Regional Distribution of Hotel Establishments in the UK in 2006**



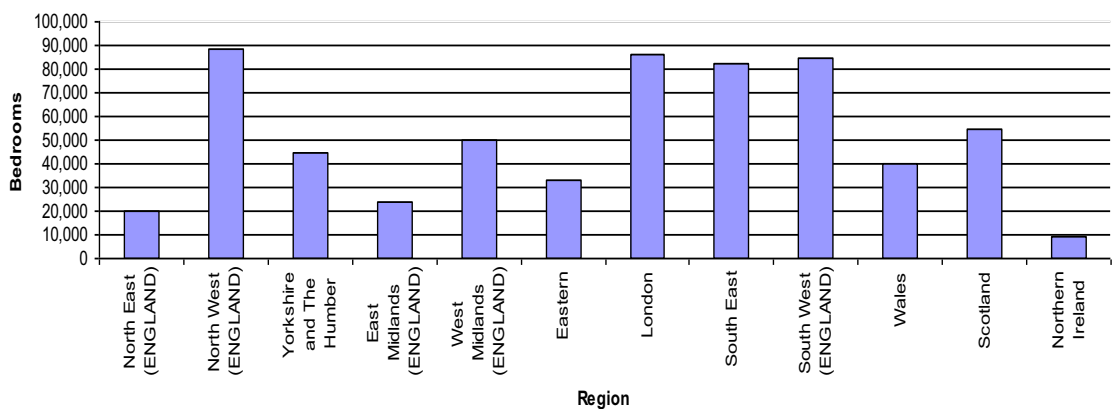
Source: Eurostat (2006)

As can be seen from Figure 3-1, the Southwest has the highest proportion of hotel establishments. In fact, almost one fifth of the total number of establishments in the UK - around 40,000 units - are located in the Southwest. The Southeast and Northwest

regions have similar proportions of establishments, as do Wales and Scotland - a share of around 10-12 percent. Each of the remaining regions has less than 10 percent. It must be noted here that although London has only 3 percent of the total number of establishments, the number of bedrooms in London is almost as high as the number in the Northwest - the top region for bedrooms.

Figure 3-2 shows the distribution of bedrooms in the UK. More than half of the total number of bedrooms exists in four regions, namely the Northwest, London, the Southwest and the Southeast. There are more than 80,000 bedrooms in each of the four areas, and all altogether they represent 55 percent of all bedrooms in the UK.

**Figure 3-2 Distribution of Bedrooms by Region**



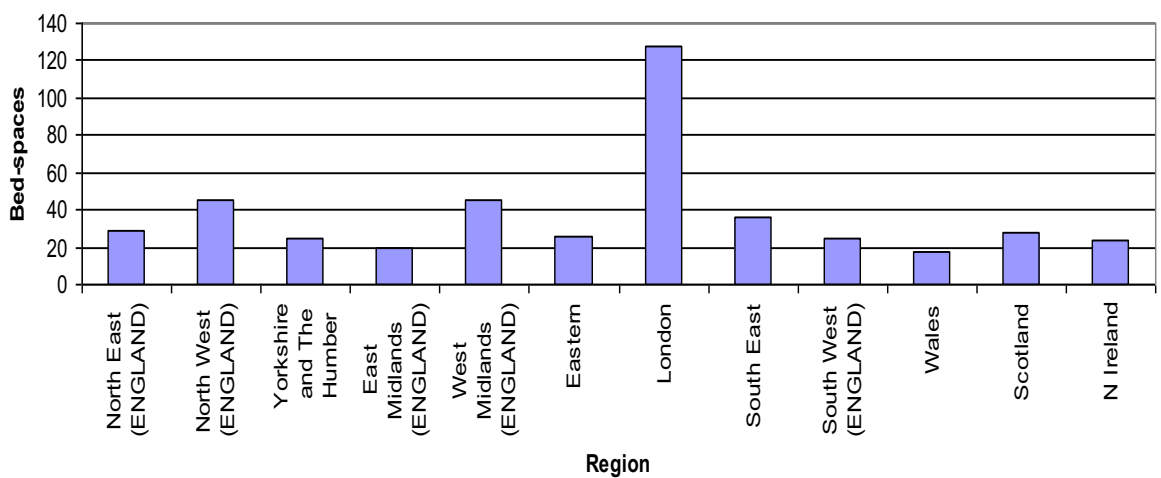
Source: Eurostat (2006)

By using two figures - the number of establishments and the number of bedspaces - the average number of bedspaces per establishment can be obtained. Figure 3-3 shows that the highest number of bedspaces per establishment is in London. Another picture can be obtained from Figure 3-3 is that the three other highly populated establishment areas are the Northeast, the Northwest and the Southwest, though these are much smaller in terms



of bedspaces. The average number of bedspaces per establishment in all areas except London is 29, which is equivalent to 14 bedrooms (Shaw *et al.* 1998). Shaw *et al.* (1998) state that the majority of large establishments (consisting of more than 50 bedrooms) were found in London, and large proportions of small establishments (less than 10 bedrooms) were concentrated in the main holiday regions.

**Figure 3-3 Average Bedspaces per Establishment**



Source: Eurostat (2006)

A more detailed picture can be seen in hotel groups than in independent hotels due to the nature of the ownership, the size of establishments and employees' obligations to follow certain rules and regulations to register. In addition, the greater interest in hotel groups' activities is evident from the number of publications and reports on the numbers, and related information of affiliated hotel establishments. Some small independent hotels on the other hand, are not recorded in statistics for various reasons. Small accommodation establishments are not registered because they have too few rooms; some small firms operate in the informal economy (Morrison 1998; Thomas 2000). What is more, the barriers to enter and exit the accommodation market for small

establishments are much lower than for large establishments (Morrison 2002), resulting in changing numbers of small firms; these changes are unlikely to be captured by surveys. However, the overall hotel stock in the UK is characterised by small hotels, owned independently by the operator.

### **3.3 The Hotel Industry Structure Trends**

#### **3.3.1 Polarisation**

The trend in the hotel industry shows that it has become more polarised, whereby a large number of bedrooms are under control of the top four hotel groups. Such a trend is long established; estimates from 1970s show that 90 percent of hotels were relatively small and independently owned, but one fifth of bedspaces were in hotels of large hotel groups (Shaw *et al.* 1998). McCaskey (2000:27) sees that the trend is the natural outcome of the momentum generated through decades of consolidation, where large companies replace sole proprietor and family business ownership. He also comments that successful independent operators will still exist but low quality independently owned hotels, and also small unfocused groups, will continue to disappear and the process is catalysed by economic downturns.

As the number of unaffiliated hotels (often small and independently owned) has decreased, the number of corporate hotels has grown. The loss of unaffiliated hotels since 1988 is accounted for by three major factors: becoming members of consortia, the acquisition of unaffiliated hotels by hotel companies (particularly larger ones) and the early 1990 recession which has driven a large number of unaffiliated hotels to bankruptcy and liquidation (Harrison and Johnson 1992). During the 1990s, more than

15,500 rooms outside London were reported to have changed hands (Dewbury 2000). The British Hospitality Association (BHA 2007:37) report independent hotel properties are in high demand with small companies wishing to expand. The number of unaffiliated hotels has decreased as a result. Nonetheless, they still form a large component of the industry.

Although there is still a large number of accommodation operators in the UK, the activities of the major hotel groups tend to influence the shape and direction of the industry (Mintel, 2004). Table 3-1 shows the top 10 hotel groups, numbers of their hotels and rooms, brands in the UK and their worldwide coverage. The four largest companies control the majority of the total room stock in the UK. It is clear that most of the big players in the hotel industry are international hotel groups.

**Table 3-1 Top 10 Hotel Groups in the UK, September 2007**

	<b>Groups, location of head office or regional UK office</b>	<b>No. of hotels</b>	<b>No. of rooms</b>	<b>Brands</b>	<b>No. of hotels worldwide (No. of rooms)</b>
	Whitbread Hotel Company, London	488+	32,600+	Premier Inn	
	InterContinental Hotels Group, Berkshire	241	32,540	Intercontinental (1), Crown Plaza (15), Holiday Inn (116) Express by Holiday Inn (109)	3,821 (563,676) in nearly 100 countries
	Travelodge, Oxfordshire (Dubai International Capital)	310+	18,950		322 (20,000+) in UK, Ireland and Spain
	Accor Hotels, London	119	15,722	Sofitel (2), Novotel (30), Mercure (26), Ibis (49), Etap (7), Formule 1 (5)	3,800+ (475,000) in 90 countries

Hilton Hotel Corporation (HHC), London	73	15,300	Hilton (73)	2,900 (500,000) in 78 countries
Marriott International, London	63	13,041	Renaissance (9) Marriott (54)	2,898 (521,240) in 69 countries
Wyndham Worldwide USA	99	9,696	Days Inn (25), Days Hotel (9), Ramada Encore (5), Ramada (59), Wyndham Hotels & Resorts (1)	6,500 (542,000) in 100 countries
Thistle Hotels, London	39	8,792	Guoman (2) Thistle (37)	
The Real Hotel Company, London (former CHE Hotel Group)/ Choice Hotels International USA	104	8,154	Claion (3), Comfort (35), Quality (52), Sleep Inn (9), Stop Inn (5)	Choice Hotels International 5,400 (440,000) in 40 countries
Carlson Hotels Worldwide	33	7,069	Radisson (11), Park Inn (14), Park Plaza (7) Country Inn & Suites (1)	948 (146,448) in 71 countries

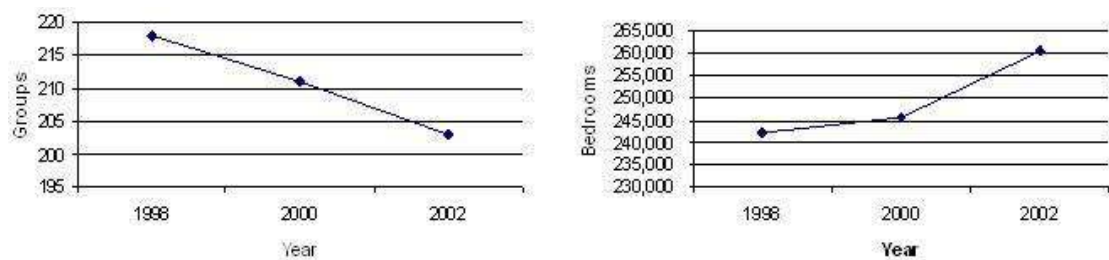
Source: BHA Trends & Statistics 2007

### 3.3.2 The Growth of Hotel Groups

Hotel groups in the UK Hotel Groups Directory produced by the Hospitality Research Centre (Sangster 2003:5) are defined as “organisations responsible for, on a continuing basis, at least one management function for more than one hotel”. A hotel is defined as “a business that, as its main activities, rents at least four bedrooms...” Hotels can be divided into three categories: publicly owned hotel companies, privately owned, and consortia - loose associations of hotels that typically focus on one or two management functions such as marketing and/or distribution. Members of a hotel consortium are usually individually owned and managed hotels, although sometimes both private companies and public companies can have their hotels within a consortium (Sangster 2003:5).

Hotel groups have grown rapidly over the last three decades. There were only three well known hotel groups in the immediate post war years, and one of them was state owned (Stewart 1996). By the beginning of the millennium, there were more than 200 hotel groups reported by the Hotel Groups Directory (Sangster 2003). As can be seen from Figure 3-4, bedroom stock in hotel groups has increased by 7.5 percent even though the number of hotels has decreased. These changes indicate that the average number of rooms per hotel is increasing, which means the larger establishments are dominating. One of the main mechanisms for hotel groups' expansion is merger and acquisition.

**Figure 3-4 Changes in Hotel Groups in the UK, 1998-2002**



Source: Hotel Groups Directory (Sangster, 2003)

The supply costs per unit of production decline as inputs are increased and output expands (Sinclair 1997:86). The increasing size of the establishments reduces unit costs in costly areas of management, though poses different sets of challenge. The large firms that have the financial resources to exploit the economies of scale have dominated large scale establishments. Sangster (2003:3) reports that most corporate operators, with the exception of budget hotels, prefer hotels with 100 or more bedrooms as the overheads can be spread across more bedrooms. Hotel groups can increase their number of hotels via a range of affiliations. This means hotel groups may not own all of their affiliated hotels (Harrison and Johnson 1992). In fact, a hotel group can own, lease, manage or franchise hotels in its group and by not owning the property less capital is needed to

invest in expanding. Additionally, a hotel group can be said to be asset-based - in which case it will have a tight affiliation between itself and its hotels - or cash-flow based (Harrison and Johnson 1992). In these later types of affiliation a hotel group and its hotels can change depending on their strategy. Phillips and Sipahioglu (2004) point out that during the recession in the early 1990s the majority of the major hotel companies sought to expand via less risky financial routes such as management contracts and franchising.

The hotel industry is a fluid industry with hotels changing hands on a regular basis. Before 1980, the expansion of hotel groups had no clear strategy and to a great extent growth reflected whatever the group was able to buy at the time. Later the growth of a hotel group's properties was made with the aim of either securing greater geographical presence or gaining a market share in a particular location (Stewart 1996:123). Hotel groups are now focusing more on a particular market and dispose of properties that underperform or are not in their interest (Knightfrank 2004:3). For example, Whitbread originally had properties ranging from four-star to budget hotels. It is now a focused budget hotel operator (BHA 2007:59). MacDonald hotel group sold 24 of its properties in 2007 and are now focusing on four-five star hotels (Caterer & Hotelkeeper 1<sup>st</sup> February 2007:21).

### **3.3.3 Hotel Facility Trends**

The hotel industry has not only become increasingly dominated by large hotel groups, but it has also diversified facilities (Shaw *et al.* 1998). In the second half of the 1990s, a number of new hotel facilities emerged. The predominant types were boutique hotels and budget hotels. Boutique hotels have been described as accommodation with a

distinctive style of architecture, which tend to be small, with around 30-40 bedrooms; although some recent developments have been of a large scale, with around 100 bedrooms (Keeling and Thomason 2001:A-67). The initial development of boutique hotels was in London, but increasingly boutique hotels can be seen in other parts of the UK (Keeling and Thomason 2001:A-68). Boutique hotels generally appear to be achieving high room occupancy rates. Average room rates are often high, above those of 4-star hotels, and with their limited amenities many report high profit margins (Keeling and Thomason 2001:A-67).

Outstanding growth among relatively new hotel facilities has occurred in the budget sector. Budget hotels were first introduced in the UK in 1985 (Gilbert and Lockwood 1990). The UK went from having almost no purpose-built hotels to having 250 units with more than 10,000 bedrooms a decade later (Fiorentio, 1995:455). By 2000 the UK had the second largest budget hotel market in Europe (Page, 2003). In 2007, BHA reported more than 1,000 budget hotels with around 85,000 bedrooms - 35,000 more bedrooms than in 2001 (BHA, 2007:50). The major brands are Premier Inn, Travelodge and Express by Holiday Inn, though the market continues to be dominated by the former two (BHA, 2007:50).

The success of budget hotels can be related to location, costs, quality and value for money (Page, 2003). The location of budget hotels is often out of town or close to motorway junctions, however, budget hotels have now moved into city centres (Sangster, 2003:15). The quality of budget hotels is of a uniform standard at all hotels with low staffing. These factors allow budget hotels to charge moderate prices, compared to luxury hotels, and are therefore perceived as good value for money by

customers (Page, 2003). As the budget sector continues to grow, smaller groups and independent hotels are increasingly losing their market share to the large budget operators, especially in locations previously dominated by the small firms (Morrison, 1998:137). One of the competitive advantages of these large firms is their strong branding strategy.

### **3.4 Hotel Business Environments**

An interesting characteristic of the hotel group is that it has dual activities to act as a property business and a specialised retail business (Steward, 1996); this current study focuses on the latter. Steward makes the point that the property aspects are more important as when less capital is invested in the property, there is a lesser burden on operating profit. However, he also points out that if a group has one without the other, optimum profitability can never be achieved (Steward, 1996).

In terms of performance, the industry is cyclical in nature. It enjoys the economic upturns and also suffers recessions. The early 1990s cyclical downturn was one of the worst in decades for the hotel industry (Williamson 2000). During the recession years a number of hotels went into receivership (Dewbury, 2000). However, demand from potential purchasers for properties returned in the upturn years (Dewbury, 2000). These cycles are almost predictable, but what is uncertain is how long each cycle will last and the magnitude of the highs and lows (Williamson, 2000). It may be inevitable, when faced with economic recession, that hotels respond with short term discounts in an attempt to attract more guests (Williamson, 2000). However, high operating costs means low profit. Hotels survived the recession by running a much more efficient



operation, and they came out better poised and with the benefits from the cyclical upturn that followed (Gold and Williamson 1999).

It is recognised that the hotel industry is therefore one of the most competitive industries and to stay in business hotels have to respond to customers' requirements and also have an efficient operation. Moreover, the hotel business has particular characteristics that contribute to high costs and therefore need to manage their supply chains efficiently in order to survive recessions and compete effectively. One of the characteristics that Mullins (1993) points out is the long opening hours: many hotels operate for 24 hours a day, seven days a week. The industry also suffers from high fixed costs and a fixed rate of supply, but demand is fluctuating, seasonal and often unpredictable. The industry requires many different categories of skilled staff, but a high reliance is placed on unskilled labour. What is more, the industry is directly affected by government legislation which often translates to higher costs. Mason *et al.* (2006) reported that The National Minimum Wage Regulations had an impact on labour costs with the greatest effects in the hotel and catering sector - an industry that relies on a large proportion of low wage employees. What is more, government regulations and policies have a tendency to impose a negative impact, directly or indirectly, on the hotel industry. Example of this includes bed tax proposed in 2006 although rejected a year later; Hearn (2007), rise in alcohol duties and new immigration laws (2008), all of which have contributed to higher costs for the industry. A high proportion of the costs are fixed or semi-fixed costs, which do not vary in proportion to the volume of business done (Medlik and Airey, 1978:124). Wage costs and operating expenses of hotels together account for over one-half of the revenue of British hotels, therefore one-half of

total costs must be incurred in order to have the hotel stay open, irrespective of the volume of business (Medlik and Airey, 1978:124).

### **3.4.1 The tangible side of hotel service**

As Mullins (1993:43) points out, the hotel industry is both a production and a service industry. There is therefore a tangible side of services offered by hotels and this is what this study focuses on. The offering of food and drinks is one of the major activities that generates revenue for hotels, the other being its main accommodation business (Medlik and Ingram, 2000). Unlike hotel guests who use accommodation services, food and drinks services are sometimes available to non-resident guests as well (Medlik and Ingram, 2000). For this reason, the service of food and drinks is the second major activity of most hotels (Medlik and Ingram, 2000). Food revenue accounts for around one fifth of total hotel revenue in the UK (BHA, 2007:55). The food service activities vary according to the size and diversity of the hotel markets. Other than in restaurants and bars, hotels can offer food and drinks services in rooms (room service) and through functions, events and conferences.

While accommodation activities incur more of the asset and running costs, the provision of meals involves products made up of commodities and of service (Medlik and Ingram, 2000). The transformation of food into meals served in hotels follows several stages from planning, to delivering to the hotel customer. It is here where raw materials have to be sourced, purchased and stored to sell on in the same or altered form. In this respect, hotels need to perform effectively in managing their supply in the same way as in manufacturing. In many ways the manufacturing industry goals and those of the services industry are similar: improve profit and customer satisfaction through better

methods and processes, either by machine based or human processes (Barlow, 1997). As a result, hospitality firms can subscribe to the SCM concept in order to achieve benefits the firms in manufacturing have exploited. In order to apply the concept to the hospitality context, an understanding of the management in the context of different business environments is necessary so that benefits of SCM can be fully appreciated. Remarkably little is known about the difference between these firms, as to how they manage their supply chain and the extent to which organisational characteristics have an effect on their SCM practices. Foodservice is a labour intensive industry, and wages form a significant proportion of operating costs: around 25-30% in many markets (Datamonitor 2010:13). The existence of a statutory minimum wage increases the need for organisations to keep other costs as lean as possible, which in turn increases the importance of suppliers. Foodservice activities are generally low margin businesses, and need to source good quality food at low prices.

### **3.5 Foodservice Supplier Business Environments**

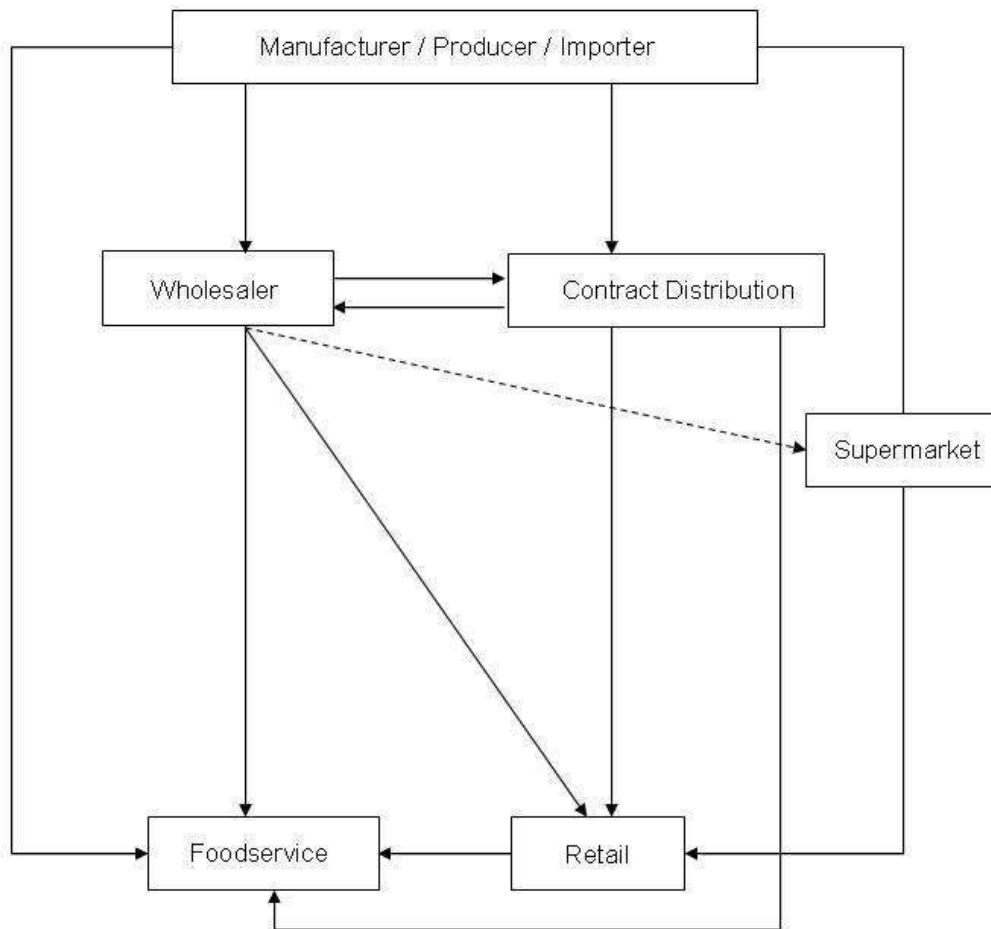
Foodservice is referred to as a division or businesses of food and drinks for immediate consumption on the premises from which they were bought or in the case of takeaways transactions, freshly prepared food for immediate consumption (Datamonitor 2010:6). The foodservice sector, which some refer to as the catering sector, is characterised by its diversity, comprising various types of outlets, and can be classified in a number of ways to reflect its differing roles and activities (Eastham *et al.* 2001). One approach is to classify by the association of catering activity with 'profit' markets or 'cost' markets (Eastham *et al.* 2001:5). The profit sector includes such profit-orientated establishments as restaurants, takeaways, pubs, leisure and travel catering outlets while the cost sector includes catering outlets for business, education and health care which operate in

workplace locations, education locations, hospitals and welfare and services locations. Hotel foodservice activities are classified in the profit sector. Despite the blurring boundaries between these two sectors, the profit and cost classification system is still widely used.

Webster (2001:52) observes that certain major catering companies that have several interests such as restaurant chains, catering contracting and hotel chains are likely to own their own supply and manufacturing divisions, whereas the smaller outlets will source their produce from the wholesalers who specialised in catering for the hospitality industry. However, there is still a dearth of research on the differences between the supply structures of each sub-sector of the foodservice industry.

### 3.5.1 The Foodservice Suppliers

**Figure 3-5 Foodservice Suppliers and Distribution Channels**



Source: Adapted from DEFRA (2008:9)

The catering market is predominately supplied in two main ways; direct either from a supplier or through an intermediary; wholesaler, distributor. The foodservice supplier sector can be divided in many different ways, positions within the food supply chain is one approach. Catering trade suppliers comprise of producers, wholesalers, contract distributors and retailers. Food producers are those at the beginning of the chain e.g. farmers, growers, fishermen. Unlike the wholesalers, contract distributors do not normally take ownership of the goods, but instead, offer a delivery service function. Contract distributors provide a specialist delivery service (e.g. temperature-controlled delivery services) between points of the supply chain (DEFRA 2008). Suppliers can

supply directly to foodservice outlets or use wholesalers as ‘middlemen’. Wholesalers, in this respect, have a significant role as they give producers, manufacturer and importer access to a large number of caterers and in turn allow these outlets to access a wide range of products from different suppliers (DEFRA 2008).

Figure 3.5 shows the suppliers of foodservice and their routes to market. It also illustrates the difference between the supply system of supermarkets and foodservice outlets. Wholesalers connect producers and retail or foodservice other than the supermarket supply chain. The role of wholesalers in a large grocery retail supply chain has declined substantially due to the retailers having developed their own efficient logistical operations (Webster 2001:48) though some specialist wholesalers e.g. fresh produce importers will also supply supermarkets (DEFRA 2008). Foodservice establishments source their food mainly from wholesalers but they may also source some supplies from supermarkets. For some small foodservice operators, it may be cheaper to source some suppliers from supermarkets rather than wholesalers (DEFRA 2008:8). What is more, not all foodservice suppliers use wholesalers as they can supply directly to foodservice outlets.

Food and drink wholesalers can be classified by what products are available and the market they serve, and how products are supplied to customers (DEFRA 2008). With regard to products available and supplied markets, there are three broad categories: general grocery, foodservice and specialist. Wholesalers can also be classified into three broad modes of operation: traditional, ‘cash and carry’ and ‘delivered’. General grocery wholesalers supply a full range of grocery products. Foodservice wholesalers also supply a wide range of products but mainly serve the foodservice sector. Foodservice suppliers are much more diverse and provide a complex range of activities with many

specialist operators (Webster 2001). Specialist wholesalers supply a narrower range of product e.g. meat, fish, vegetables (DEFRA 2008).

The other approach of classifying wholesalers relates to its delivery function. Traditional wholesalers gather in a physical market place to sell in bulk to mainly independent retailers, other wholesalers and foodservice operators. There are 26 traditional wholesale markets in the UK, of which 1 is located in the South West (Zasada 2009). Cash and carry sells to registered customers and operates similarly to large supermarkets. Their typical customers are independent retailers and caterers. As the name implies, generally 'cash' rather than credit is accepted and customers are responsible for transporting their purchases (DEFRA 2008).

Delivered wholesalers act as distributors as well as traders (Webster 2001; DEFRA 2008). Customers generally have an account and pay for goods on provision of an invoice (DEFRA 2008:12). Large delivered wholesaling operators combine a range of functions including primary manufacture as well as distribution (Webster 2001:48) What is more, they also offer other services that are often referred to as 'solutions'. The solutions services are advice and suggestions in areas such as menus and how to use products as well as information on health, regulation guidelines and industry market research. Orders are made using catalogues and product lists via telephone, fax or the internet.

While the wholesale categories classified according to the products available and which markets they supply are fairly clear, the categories divided by how products are supplied to customers are starting to overlap (DEFRA 2008:13). Traditional wholesalers are

diversifying and offer a delivered service to foodservice operators in the area. Large wholesalers e.g. 3663 and Brakes provide a contract distribution service in addition to their delivered wholesaler service. Similarly, some cash and carry wholesalers have started to offer a delivery service.

### **3.5.2 Food Supply Relations in the UK**

The UK foodservice sector is in direct competition with the UK retail sector for a large proportion of its supply, but the buying power of even the largest foodservice companies is relatively weak compared with the large retailers. This is mainly due to the smaller volumes required by foodservice companies (IGD 2005:17).

The UK foodservice sector is in direct competition with the UK retail sector for a large proportion of its supply, but the buying power of even the largest foodservice companies is relatively weak compared with the large retailers. This is mainly due to the smaller volumes required by foodservice companies (IGD 2005:17). Large foodservice suppliers may be under less pressure to keep their prices down due to the high number of businesses they serve (Datamonitor 2010:14). Overall, the bargaining power of suppliers can be viewed as strong (Datamonitor 2010), however, considering the complexity of the foodservice sector, it is difficult to generalise. As such the information obtained from market reports are not likely to be comprehensive, nor apply in every sub-sector of the foodservice sector. The challenge is the complexity of the foodservice sector and a lack of information on how different sections of it operate.

It must be noted that the following information on foodservice suppliers is non-exhaustive due to the lack of accessible sector-specific statistics and this research is not



set out to provide a detailed picture of the foodservice suppliers. The intention is, however, to highlight how diverse and dynamic the suppliers are and the numbers of suppliers serving the foodservice sector so that the supply relations of hotel foodservice as well as the competitive environment of the supplier industry can be appreciated.

The fact that several types of food supplies in the UK are available and there are a number of suppliers under each type makes food sourcing less challenging for foodservice operators. Despite being a second choice after the retail operators for some suppliers, a great deal of suppliers are aiming for foodservice establishments and some specialist suppliers are targeting the hotel sector (IGD 2005; NFU 2008a). The number of foodservice wholesalers has expanded following the eating out trend in the UK (Webster 2001:48). The 'delivered' wholesalers operate nationwide, the two largest operators are 3663 and Brakes who serve both profit and cost sub-sectors. There are also a large number of smaller regional delivered wholesalers specialising in the foodservice sector (IGD 2005). Similarly, large cash and carry operators are also national suppliers. The most prevalent operator in the UK is Booker with 172 stores nationwide of which 28 are in the South West (DEFRA 2008; Booker 2010). At producer level, there are in the region of 1,800 commercial horticultural businesses in the UK (NFU 2008a) and there are about 61,000 farms with beef animals, 80,000 farms with sheep and 6000 with pigs (NFU 2008b).

In order to obtain some indicator of the number of foodservice suppliers in the South West, a search on a business directory was carried out. When using search keywords 'foodservice' followed by specific types of suppliers and food e.g. cash and carry, fish, meat in the Yellow Pages online (Yell.com) search box for wholesalers in South West

England, it returned 69 results for cash and carry businesses, 539 fruits and vegetable wholesalers, 164 fish wholesalers, and 268 meat wholesalers. The numbers of foodservice suppliers in the area suggest the abundance of supply for foodservice operators in the region. Table 3-2 shows the numbers of suppliers in the locations of hotels in this research, some of the suppliers in the table serve more than one location.

**Table 3-2 Numbers of Suppliers in the Participant Hotel Locations**

Type of supplier/ Areas	South West England	Exeter	Bristol	Bath	Sidmouth
Cash & carry	69	7	22	17	6
Meat	268	21	47	49	22
Fish	164	9	9	5	7
Vegetables	539	20	43	43	13

Source Author's survey

It can be seen from Table 3.2 that there are a number of suppliers serving foodservice outlets in the South West and certain locations in the research, although the number of fish suppliers are more limited. What is more, hotels can also use suppliers in other areas even London-based suppliers as long as the location of the hotel is covered in the supplier's delivery range. The competition within the supplier industry is, therefore, considered strong.

### **3.6 Drawing the Concept of SCM to Hotel Foodservice**

The SCM concept proposes that by integrating the flows of materials, information and resources in a supply chain, a true system of creating value for the end customer can be created (Handfield and Nichols 2002). Each link of the supply chain, both within a particular company and across businesses, is important as it adds value to the final product (Mentzer *et al.* 2001). Although supply chains exist in various industries, they can be intrinsically distinct. Food supply chains, as opposed to non-food supply chains, have specific issues pertaining to the management of supply chains. For example, health issues involving a risk of food related illness. This emphasises the importance of the management of supply chain activities with regard to the flow of materials and information about the trail of food from the origin to the point of consumption. The supply chain of food, therefore, requires great attention in order to be managed in an efficient, safe and profitable way.

A handful of work in hospitality has supply chain management as a conceptual foundation (Kothari *et al.* 2005; Sigala 2006; Kothari *et al.* 2007). Kothari, Clark and Wesley (2005) attempted to examine hotel purchasing managers' views about e-procurement which they suggest as a means to effectively manage hotels' purchasing. They concluded that the procurement process is those of strategic aspect and e-procurement technologies will become an important management tool to enhance the performance of supply chains. Although the study does provide insight into the role of the purchasing process in relation to supply chain management, it relied on information gathered from major hotels: group hotels and/or large international group hotels, and did not represent views from other types of hotel, considering the vast differences hotels can have. The differences between hotels in terms of purchasing processes were shown in

their later study where hotels within the same hotel group have different procedures regarding purchasing (Kothari *et al.* 2007). They concluded that e-procurement can offer benefits with regard to supply chain management e.g. enhancing control over the supply chains, but preparation is needed for hotels to position procurement more strategically. The study also reports the issue of willingness to work together between hotels and the hotel group, which impedes technology adoption within the hotel industry. Another study was also on the adoption of technology in hospitality, Sigala (2006) examined the factors influencing the adoption and diffusion of e-procurement by food service operators in Greece using a case study and found that e-procurement was adopted by few firms and was used within a company rather than across organisations. Although these two studies did mention the supply chain, the focus was on technology as a tool to integrate hotels within a hotel group and the hotels with their suppliers and not on the overall aspects of SCM in organisations with various characteristics.

Research has been carried out to better understand how supply chains are managed in hotel food services in different areas e.g. supplier relationships (Balazs 2002; Murphy and Smith 2009), supply management, supply network (Telfer and Wall 2000), linkages between suppliers and consumers (Torres 2002), and supplier selection criteria (Riegel and Reid 1988; Strohbahn and Gregoire 2003; O'Connell *et al.* 2006). Murphy and Smith (2009) looked at issues associated with food supply in a consortium of 11 upscale restaurants, 9 of which were properties with combined hotel and restaurant business. They put forward the role of chefs as partners of suppliers and found close cooperative working relationships between these supply chain members. Their result revealed the emphasis chefs place on ingredients and they concluded that this led the chefs to invest time to foster relationships with local suppliers. The study also identified how chefs

view their craft and described the attempt to communicate their values and the local ingredients to the guests. It was also documented by Balazs (2002) that chefs have shown an effort to find the best produce and work to build close, long-term relationships with particular suppliers.

In a study in Indonesia on economic linkages with regard to local food sourcing of three star-hotels and a non-star hotel, there was evidence that hotels managed their food suppliers by providing them with resources providing they only have the hotel as their customer (Telfer and Wall 2000). For example, one of the hotels provided a local fisherman/fish merchant with coolers. The supplier was the hotel's only supplier for seafood. What is more, the same hotel provided vegetable growers with imported seeds also in an exclusive contract. This hotel was a large group hotel operates at an international scale. The support from the hotel, however, was reported to have ceased after about a year following the introduction of a new Executive Chef and Food and Beverage Manager, with no reasons for the change documented. With regard to SC network structure, the study showed a long multi-tiered structure of suppliers involving both small local suppliers, trading companies and distributors. The study illustrated a food supply network for the largest hotel in the study. Their food supply chain members can be five tier chains or thirteen tier chains depending on whether it was local or imported food. However, for fresh produce e.g. vegetables, the supply chain was the shortest one and this supply chain of vegetable was managed by the hotel. Furthermore, linkages between consumer, tourists, food preferences and local producers as hotel food suppliers were studied by Torres (2002). It was reported that the link between local producers and hotels was obstructed by higher price and the inconvenience of dealing

with a number of small producers. What is more, the study found that chefs' attitude towards local produce was not a positive one.

Researchers have also looked at hotel food supplier selection and reported areas that are considered important by chefs (Riegel and Reid 1988; Strohbahn and Gregoire 2003; O'Connell *et al.* 2006). An early study suggested on-time delivery and order accuracy are paramount (assuming prices were competitive) among supplier selection criteria, a premium is placed on supplier relations with regard to how hotels ensure compliance in these areas (Riegel and Reid 1988). A study of restaurants and institutions local food purchasing by Strohbahn and Gregoire (2003), however, noted that the chefs' primary concerns were for product availability, quality and price. Another study identifying service required by hotel food service was done by O'Connell *et al.* (2006) in which they identified frequency of deliveries and the ability to carry out emergency deliveries to be of high value in the case of fresh produce as viewed by hotels. They identified the delivery system as a supplier value generator in the case of short life products and the reasons for this were recognised as a combination of a) fresh products contribute more to the market positioning of the hotel as an eating location b) avoidance of out of stocks on key menu components and c) protection against wastage on high-value fresh products (O'Connell *et al.* 2006:227). They also identified that long-term business relationships in the hotel food service sector, in Ireland in this case, have not yet been formed and switching costs are low.

There has been work that has shed light on supply chain management issues regarding practices in hospitality food service (Barlow 1997; Barlow 2002; Öztayşi *et al.* 2009). Barlow (2002) studied, in the late 1990s, Just-in-Time (JIT) purchasing and inventory

management within the hotel industry. He suggested managing inventory in a supply chain management fashion can offer benefits to hotel's bottom line profits. This study provided insights into the operation of inventory management and how to improve inventory performance by employing a JIT approach. However, it only investigated one type of product, beverages. What is more, in his earlier study, Barlow (1997) pointed out that hotels were likely to employ a 'just-in-case' approach to their beverage inventory management. These studies implied that the hotel industry can benefit from adopting supply chain management approaches from the manufacturing industry. However, without understanding a wider practice of how other types of supply are managed it would be difficult to understand why and how approaches from manufacturing can be applied with reference to the hotel industry. What is more, the management of beverage inventory cannot explain and be extended to supply management of other products purchased by hotels. The studies by Barlow, however, showed that integration, in terms of the coordination and cooperation between the two parties, in the supply chain can result in cost reduction and more efficient supply chain activities for the hotels. Furthermore, Öztayşi *et al* (2009) investigated the possibility of utilizing radio frequency identification (RFID), a tool widely used in manufacturing and retail to track raw materials/products as a tool for improving service quality. They put forward that RFID applications support reliability and responsiveness. The customer data acquired from the tool can be used to provide guests with products and services tailored to their preferences e.g. meal and drink preferences, preferred light and room temperature as well as preferred hotel activities. What is more, access control, cashless payment and customer preference capturing were suggested as the RFID applications. The customer data can be used to customise product/service offerings and therefore

contribute to competitive advantage and customer loyalty. Issues pertaining to the use of RFID were cost justifications, and privacy and ethics issues.

The literature in hospitality food service indicated the importance of supply management and supplier relationships. There have been trends towards a support of the use of e-procurement technology in the food supply chains. Long-term cooperative relationships between hotels and their suppliers existed in certain contexts especially in upscale firms. The study by Telfer and Wall (2000) demonstrated a clear practice of supply chain management of an upscale hotel in a developing country. Despite the rare case of hotel SCM, there have been traditional relationships reported where price was still an important criterion for supplier selection.

Other studies on activities carried out in hotels with various characteristics also provide insights that contribute to the understanding of supply chain management aspects. (Orfila-Sintes *et al.* 2005). A study of innovation activities in the hotel industry in Spain by Orfila-Sintes *et al.* (2005) found that hotels with affiliation have higher level of technological usage than those independently managed hotels.

The SCM literature suggests that effective SCM helps firms to improve their performance. The benefits of successful SCM practices have been studied mostly in manufacturing industries. However, as the previous discussion demonstrates, there are no general reasons why the notion of the SCM concept cannot be applied to the tourism and hospitality sector, especially to hotel food service, production and sourcing in particular. As discussed earlier, hospitality is a multifaceted industry comprising a wide range of companies from those with sites represented internationally to individually



owned independent ones. The complexity of hospitality organisations means there is a need to examine the supply chain as well as practices carried out in different settings so that the management practices, the organisational characteristics and their influence on the management of supply chains can be appreciated. The following chapter presents a discussion of the need for the use of research methods pertaining to qualitative data as a means to achieve research objectives.

### **3.7 Chapter Summary**

This chapter has presented background information on the UK hotel industry and highlighted the lack of attention regarding supply chain management in the tourism and hospitality literature. The distinctive characteristics of the hotel industry provide an interesting business setting for the study of supply chain management that differs from that of the manufacturing industry. Considering the importance of the hotel industry as a key component of tourism, a disproportionate by the small amount of attention has been given regarding how it manages its supply. Hotel food service is chosen to be a focus of attention in the study, it is appropriate in terms of being a tangible element of hotel offerings and therefore provides this study with a context to examine supply chain management issues.

Importing the concept developed in manufacturing and applying them to the tangible elements in an area of the service industry would be inappropriate without an understanding of the real practice and supply chain structures in a different setting. Without the knowledge of how supply is actually managed in the hotel industry, supply chain management concepts may be wrongly interpreted when employed to examine businesses in the service industry. This thesis therefore aims to explore the management

of hotel food supply chains in order to provide a solid foundation for the study of supply chain management for tourism and hospitality studies.

The combination of size, and organisational complexity of hotel firms poses some unique questions regarding the management of their supply chain. This thesis will consider exploring two groups of hotels with distinct characteristics, namely group hotels and independent hotels. The answers to these questions will add appreciably to the body of knowledge concerning the management of supply chain activities and suppliers not only in the tourism and hospitality management field but also the body of knowledge in the field of SCM which is much needed regarding actual practices in industries that are distinct from manufacturing. The next chapter will move on to outline the methods used for this research. It focuses on the methodological approaches used to examine actual practices employed by organisations in management areas concerning SCM.

## **4 Research Methods**

### **4.1 Introduction**

As one of the first studies to address supply chain management in the domain of Tourism and Hospitality Management, methodological dilemmas were inevitable. The lack of detailed understanding of supply chain management issues across different types of hotels requires research to increase the understanding of how supply chain management issues are dealt with by hotels. To explore a relatively new topic, consideration has to be given to the stage of knowledge creation in the area of interest.

This chapter reviews approach precedents from Business Management as well as Tourism and Hospitality Management in order to appreciate their merits and drawbacks. It then discusses the research approach taken in this research as well as the rationale for the research methods employed to answer all three objectives: to describe and explain the management practices of hotel food supply chains, to examine the extent to which organisational characteristics of hotel have an impact on hotel food sourcing practices and to identify first tier primary suppliers of hotel food supply chain network structures. The chapter then explains the selection of participants, the interview schedule design, data collection with ethical issues, data organisation and data analysis. The final section will consider the research quality in terms of the research strategy, the data collection and the data analysis with the aid of computer software.

## 4.2 Research Conceptual Framework

A conceptual framework was constructed to inform the development of the survey instruments noted in previous chapters. SCM involves a wide variety of subjects (Croom *et al.* 2000) and its boundaries are not yet well defined (Chen and Paulraj 2004a). The boundaries of research on SCM are, therefore, dependent on the researcher's goals and the problems at hand. In this study, the aim was to explore the management of hotel food supply chains. The key ideas of the SCM concept discussed in Chapter 2 were used to derive SCM practices, as shown in Table 4.1 which forms the focus of the programme of empirical research. SCM practices are viewed as approaches applied in managing integration and coordination of supply chain activities in order to satisfy consumers in effective and profitable manners. The practices are used as a framework to design the questions in the interview schedule for data collection, which are explained hereafter.

**Table 4-1 A Conceptual Framework used in this study**

SCM Parameters	SCM Practices	References
<i>Hard</i>		
Replenishment device	Inventory, Information Pull production	Houlihan (1984), Simchi-Levi <i>et al.</i> (2003)
Information sharing	Independent, Sharing	McIvor, Humphreys and Huang (2000) Gunakekaran and Ngai (2004) Sarkis and Sundararaj (2002)
Use of information and knowledge	Independent, Sharing	Gunakekaran and Ngai (2004)
<i>Soft</i>		
Buyer-supplier relationships	Arms-length, Cooperative, Collaboration and integration	Kumar (1996) Golicic <i>et al.</i> (2003) Barrett (2004)
Relationship episode	Transactional, Long-term	Carr and Pearson (1999) Shin (2000)
Supply base	Small, Multi-suppliers	Choi and Hartley (1996) Spekman <i>et al.</i> (1999)

Source: Author's literature survey

The SCM practices identified in Table 4-1 are used to reveal the characteristics of the state of hotel food supply chains. Variations on practices are also identifiable from, and suggested by the SCM literature. The essence of the SCM concept relates to integration and alignment (Storey *et al.* 2006). As such, one way to examine SCM practices is to use an activities-based approach (Matopoulos *et al.* 2007). Since not all activities are evident in and/or beneficial to integration or management between supply chain members, some common facets of SCM suggested in the literature include supply management, inventory management and supplier management (Lambert and Cooper 2000; Zhang *et al.* 2009) will be explored. Each of these facets should therefore be examined in an empirical study like the one at hand. The relevant literature which used to inform the design of the interview schedule is described in Section 4.7.

**Table 4-2 Research Objectives**

1. To describe and explain the management practices of hotel food supply chains
2. To examine the extent to which organisational characteristics have an impact on hotel food sourcing practice
3. To identify the first tier primary suppliers of hotel food supply chain network structures

Source: Author

SCM practices can also be examined according to SCM critical issues. Lambert and Cooper (2000) suggest seven such main areas of a supply chain: customer relationship management; customer service management; demand management; order fulfilment; manufacturing flow management; procurement; product development; and commercialization. Their study was, however, focused mainly on manufacturing supply chains. In a context of a service sector supply chain, Zhang *et al.* (2009) consider SCM critical issues to be in seven similar areas, namely: demand management; two-party relationships; supply management; inventory management; product development;

supply chain coordination; and information technology. This research, therefore, takes an integrative approach and examines the facets of SCM common to product and service settings, namely:

- Demand management
- Supply management
- Inventory management
- Product development
- Information systems
- Buyer-supplier relationships

Specifically, these six facets or the identification of them is vital to the examination and mapping of practices in hotel food supply chains. In what follows, the empirical research is designed to reveal which of these facets is evident among hotel businesses and to what extent. In doing so, and given the known business parameters of the interviewees, it is possible to examine the extent to which there are variations of food sourcing practices.

**Table 4-3 Variables of Interest**

<b>The Research Objectives</b>	<b>Variables of interest</b>	<b>SCM Framework</b>
1. To describe and explain the management practices of hotel food supply chains	Supply chain practices <ul style="list-style-type: none"> <li>• Sourcing processes</li> <li>• Product development</li> <li>• Demand forecast</li> </ul> Inventory replenishment Information systems Buyer-supplier relationship <ul style="list-style-type: none"> <li>• Relationship episode</li> <li>• Shared benefits</li> </ul>	Supply chain business processes
2. To examine the extent to which organisational characteristics have an impact on hotel food sourcing practices	Organisation characteristics <ul style="list-style-type: none"> <li>• Business Model</li> <li>• Food services</li> <li>• Location</li> <li>• Size</li> </ul> Sourcing strategy	Supply chain management components
3. To identify the first tier primary suppliers of the hotel food supply chain network structures	<ul style="list-style-type: none"> <li>• Supplier base</li> </ul> Number of suppliers per type of food	Supply chain network structure

Source: Author

Identifying supply chain members is crucial to the management of supply chains (Lambert *et al.* 1998; Gardner and Cooper 2003). The member of a supply chain includes all parties with whom the focal company interacts with directly or indirectly through its supplier or customers, from the point of origin to the point of consumption (Lambert *et al.* 1998). However, identifying all members across the supply chain would be counter-productive, if not impossible. Lambert *et al.* (1998) suggest that in order to make a complex network more manageable it seems appropriate to distinguish between primary and supporting members. They then define primary members of a supply chain to be all those autonomous companies or strategic business units who actually perform operational and/or managerial activities in the business processes designed to produce a specific output for a particular customer or market. In contrast, supporting members are

defined as ‘companies that simply provide resources, knowledge, utilities or assets for the primary members of the supply chain (Lambert *et al.* 1998:5). As one of the first research projects into this new area, this study follows extant advice in the literature by mapping out only the most significant members in the supply chains. It is intended to identify the primary members in the first tier of the hotel food supply chains. By obtaining first primary suppliers of hotels, it will be possible to understand the influence of organisational characteristics on SCM practices more fully.

Since there are few, if any, research frameworks to study SCM practices in the context of food supply in hotels and this research is exploratory in nature, a conceptual framework was ultimately constructed to guide the creation of an interview schedule. The interview questions were designed to address the SCM critical issues mentioned earlier in this section. Data collection was intended to cover the breadth of SCM implementation areas. The depth of each issue was obtained by probing questions during the interview. The emphasis of the data collection, however, was always on the coverage of SCM practices in order to obtain ‘a big picture’ to explain food supply chain activities practised by the hotels (responding to research objective 1) and the variations of SCM practices in relation to organisational characteristics (responding to research objective 2) as well as to understand hotels first tier supply chain network structures (to respond to research objective 3). In the next sections, an explanation is provided as to why interviews were finally chosen as part of an exclusive qualitative approach, rather than using questionnaires in a mixed or quantitative study.

### **4.3 Research Method Justification**



In any research project it is important that the method chosen is appropriate for the aim of the study (Jordan and Gibson 2004). The aim of the current study is to explore the management of hotel food supply chains and the case study was chosen as the research method because the research is attempting to know the 'how', sourcing and SCM practices, and the 'why', reasons for the practices to be employed (Ellram 1996; Yin 2003). Case study research aims not only to explore certain phenomena, but also to understand them within a particular context (Yin 2003).

A case-study approach was the most appropriate method because there is a deficient body of knowledge in the research area. As Johnson and Harris (2002) point out, if a particular phenomenon of interest is one where there is not enough knowledge to pin down specific variables and relationships between them, then the research enquiry itself is more likely to be loose. Instead, the job of a piece of research in an unknown area is to begin to uncover what the important variables and relationships might be and, in effect, generate theory.

#### ***4.4 Previous Research Methods for Investigating Operations***

There has been a lack of research into hotel food management practices within a supply chain management context and therefore the previous research methods from studies of hotel food purchasing in other contexts were examined. A few studies exploring food purchasing in hospitality organisations shed light on how these organisations actually approach food sourcing. The research methods used by these studies included detailed analysis of purchasing records, observation of operating procedures, and interviews, as well as a form of quantitative method (Telfer and Wall, 2000; Riegel and Reid, 1988). This section focuses on the methods used in the previous studies of hospitality

organisation operations in the area of food supply management to help inform the methods chosen for the current research.

#### **4.4.1 Method precedent – Interviews**

The study by Telfer and Wall (2000) investigating the linkages between tourism and the local economy in respect to hotel food purchasing used interviews as well as observation, and also investigated purchasing records to gain an understanding of hotel purchasing behaviours. Although details of the type of interview used were not reported, it is likely that interviews were quantitative in nature. The study reported the purchasing procedures of three hotels and concluded that all hotels have strong linkages to local food supply networks. As the purposes of the current research is different from Telfer and Wall's study – being concerned with hotel sourcing practice – rather than economic linkages between tourism and local food, not all methods used in their study would be considered for the research at hand. Purchasing record examination, for example, would not directly produce needed information for this research. Interview, however, could be the right method to investigate food purchasing procedures as well as other aspects relating to food supply management in hotels. An examination of purchasing record would produce useful data for research aiming to find out in detail about food bought by hotels (e.g. study of local food sourcing behaviour of hotels as in Telfer and Wall's (2000) study). By using a purchasing record, local food items can be distinguished from imported ones despite being supplied by, for example, the same local supplier. In this study, the main purpose was to explore the practices of food SCM. Examining purchasing records would produce the same results that a few interview questions would yield e.g. what type of food do you buy? But they would not produce data on food sourcing procedures which an interview question would yield. For

instance, can you explain the process you follow when you source your food? What is more, purchasing record examination would be an unnecessarily time consuming task which would add to the total time spent on data analysis and would not yield enough data coverage to achieve the research aim.

#### **4.4.2 Method precedent - Questionnaire surveys**

One of the most familiar research methods has been questionnaire surveys. A study of food service purchasing in hospitality organisations by Riegel and Reid (1988) can be interpreted as having utilised questionnaires as research instruments from the results shown - the research methods were not described in their published paper. The purpose of the study was to explore key areas of food service purchasing. The study findings include important supplier selection criteria, areas of hotels responsibility at the corporate level and the unit level which are presented in percentage and ranking of the important criteria. Questionnaires can be useful when measurement is part of research. However, the researcher has to presume a range of criteria for respondents to rank or to choose from and often this is done by using secondary data derived from the literature. This research, however, is one of the early studies to explore SCM practices in the hotel industry and as such relevant literature is extant. Additionally, the aim of the research is not to measure or quantify any particular variables but to find out relevant and important variables in the area of hotel food supply chain management. Deriving questions from studies based on manufacturing settings would be inappropriate due to the differences of the nature of product and market as described in Section 2.3.1.

Another study by Kothari and Roehl (2005) examining hotel purchasing managers' views about e-procurement employed both semi-structured interviews and a structured

questionnaire. In fact, interviews were used to gather information about facts and opinions about e-procurement in hotels. Specific questions about hotel characteristics, items used by customers and participants' details were included in the structured questionnaire guided interviews. The choices of answer in the questionnaire were derived from the literature. The questionnaire included a question with a rating scale to see how challenging the participant thinks it is to incorporate e-procurement in their organisational culture. The study provides interesting results with the majority of the results represented in a quantitative manner. One of the similarities between the current study and the e-procurement study is that they are exploratory in nature. However, it is felt that structured questionnaires would not be necessary for the current research. In fact, a structured questionnaire did not seem to be necessary for e-procurement research either considering there were only 14 properties participating in the study. Some of the questions in the structured questionnaire, such as what type of a lodging operation is your hotel, could have been left out as the answers to those questions can be obtained by means of observation. The structured questionnaire together with interview techniques, however, can be useful in acquiring sensitive information e.g. income of the respondent.

#### **4.4.3 Structured Questionnaire VS Semi-Structured Interview**

The first two methods mentioned above, structured questionnaire and semi-structured interview have their merits and drawbacks. Semi-structured interview, on the one hand, is mainly used to produce non-numeric data. Semi-structured interviews, and unstructured types of interview, are often associated with qualitative research while a structured questionnaire is generally associated with quantitative research (Bryman and Bell 2007). Interviewing is a way to generate data as well as gaining knowledge from individuals through conversations (Kvale 1996). It is the interchange of views between

an interviewer and interviewee(s) on the topic of mutual interest, discussing their interpretations of the world in which they live. It is one of the most powerful methods that can be used to understand people and provide insights into issues or problems interested (Cohen *et al.* 2003). On the other hand, a structured questionnaire is likely to be a low cost method and can offer the opportunity to collect a large amount of a wide range of information. They are particularly beneficial where information is required from a number of respondents.

Questionnaires, however, are less appropriate when the research study aims to understand how something works. Gummesson (2000) illustrates one of the disadvantages of questionnaires in his conversation with a senior marketing executive about research using a questionnaire as the instrument. The following excerpt was taken from Gummesson (2000:26);

Executive: Some type of professor is over here again...wanting to interview us about strategy. He had a long questionnaire with him containing about fifty different factors. He wants to find out which factors are important when we decide to enter a new market.

Gummesson: What are these factors?

Executive: Just the usual sort of things - market potential, competition, political stability, et cetera.

Gummesson: What did you reply?

Executive: Well, you know, you go through the list and tick off a few factors, show him some marketing plans, and then send him off to meet a few other people. I have no idea what he gets out of it all.

Gummesson: You don't seem too enthusiastic about his research.

Executive: No, it doesn't really work like that in practice, does it? Let me tell you what happened when we decided to enter a country in Latin America.

Four of us got together over dinner in New York: a divisional director, the vice president of R&D, a department head, and myself. We sat and chatted around the problem but just couldn't agree. In the end, we had to take a vote: two in favour, one against, and one undecided. Well, that was it; in we went. Two men flew down on the following Thursday to check the lay of the land.

Gummesson: Did you tell the professor about all this?

Executive: Of course not! He might have thought that we're not serious.

As can be seen from the conversation above, the instrument did not succeed in obtaining the information on 'how' the company arrived at its decision. It was clear that a short interview with open-ended questions could produce far more insights with regard to 'how'. Additionally, the questionnaire failed to convince the respondent with regard to its capability to generate useful data and hence the conversation above implied that the respondent did not give much thought when filling it out. Data generated by means of using structured questionnaires, therefore, could be of limited usefulness for exploratory studies such as this.

Veal (2006) points out that different methods are not inherently good or bad, but just more or less appropriate for the task in hand. Early decisions had to be made which path the researcher would take in order to achieve the aim and objectives. It was clear from the start that the research was attempting to explore and not to verify or measure aspects with regards to sourcing practice and the management of food supply chains. As a result, quantitative questionnaire surveys were not suitable for producing the data required to understand food sourcing and management mechanisms. The decision at this point was made to follow a qualitative path and to utilise qualitative research methods.

These qualitative methods will now be considered in relation to the objectives, the research context and the situation of current research.

#### **4.5 Method Appraisal**

Although questionnaire surveys were now excluded, the required data can still be derived from various methods e.g. interviews, focus groups, and participation observation.

##### **4.5.1 Interviews**

Types of interview vary in nature from being structured to unstructured (Finn 2000). In semi-structured and unstructured interviews, questions are likely to be open-ended and probes may be used to explore answers in more depth. In unstructured and semi-structured interviews, the matters explored can change from one interview to the next as different aspects of the topic or even new topics are revealed. There may be just one question that the interviewer asks the interviewee to respond freely to, with the interviewer responding to points that seemed worthy of being followed up in an unstructured interview (Bryman 2001). The process of open investigation is one of the strengths of such interviews. Qualitative interviewing tends to be far less structured than the kind of interview associated with interviews in quantitative research which are likely to be structured with closed questions. A list of questions in an interview can be regarded as an interview guide or an interview schedule (Maykut and Morehouse, 1994). In semi-structured interview, an interview schedule contains a list of questions covering fairly specific topics. Questions may not follow on exactly in the way presented on the schedule and more questions can be added as the interviewer picks up on what is said by interviewees (Bryman, 2001). To a certain extent, a similar wording

will be used from interviewee to interviewee. In both unstructured and semi-structured interviews, the process is flexible and the emphasis is on understanding what the interviewee views as important in explaining and understanding events and patterns (Bryman, 2001). As the current research aims to explore management practices of food supply chains, interviewing is the most appropriate method due to the required information is expected to be different from hotel of different categories. It would be inappropriate to restrict answers to choices in a questionnaire to respondent to choose from due to there is not enough published work on the area to construct adequate questionnaire questions and choice of answers.

#### **4.5.2 Focus groups**

According to Veal (2006), the idea of interviewing groups of people is becoming increasingly popular in market and community research. He suggests that focus groups can be used as an alternative to interviews, when people are willing to be interviewed as a group rather than an individual e.g. members of some ethnic communities. Focus groups are commonly employed in business research on the demand side e.g. in testing reactions to a proposed new product. It is less common to use the method in researching the supply side of business. Bryman (2001) says there are some issues that relate to qualitative interviewing in business and management research. Interviewing managers can be difficult in terms of access and arranging a mutually convenient time in which to conduct an interview, let alone focus groups. In some cases, interviewing within organisations may not be possible as it means taking people away from their work and there may be no one available to cover their duties when being interviewed.



### **4.5.3 Participant Observation**

This method is often one of the strategies used for the social aspect of tourism when the main attention is on human experience. Easterby-Smith *et al* (1991) state that one role a researcher can take is that of the employee working within the organisation, which allows the researcher to move around the organisation and gather information and perspectives from other sources. They judge that the role of researcher as employee is appropriate when experience and situation is needed on a first hand level. The current research can benefit from this method with respect to obtaining data from observation by being in the natural setting over a period of time. In a hotel business setting, however, this can prove to be a big challenge considering the physical work involved in a commercial kitchen and other aspects of the research project that had to be managed.

### **4.6 Choice of Data Collection Method**

This study mainly focuses on the understanding of actual food sourcing practices in hotels and how hotels manage their food supply chains. It takes into account that practice and knowledge is flexible and can vary from hotel to hotel. Despite the merits of structured questionnaires, it is not completely clear that they are suitable for the current project. As pointed out in Section 4.3, the research area is underexplored and there is not enough knowledge in the field to construct a useful questionnaire. Decisions have been made to employ interview as a research instrument to acquire insights into the sourcing practice and food supply chain management in hotels. Interviewing provides a way of gathering empirical data by asking people to talk and in this respect, interviews are special forms of conversations (Holstein and Gubrium 1997:113). An interview is a conversation with a purpose (Maykut and Morehouse 1994:79), where attempts are normally made to maximise the flow of valid, reliable

information while minimising distortion of what the respondent knows . Interviewing as a social encounter, in which knowledge is constructed, suggests the possibility that the interview is not merely a neutral conduit but instead a site of, and occasion for, producing reportable knowledge itself (Holstein and Gubrium 1997:114).

As mentioned earlier, the research objectives, the research context and the situation of current research are the main factors to consider when selecting research methods. The aim of the research is to explore in detail, rather than to measure the topic of interest. Research objectives, as stated above, are therefore of the exploratory type. The context of the current research is that there is little available information regarding hotel food sourcing practice and the management of hotel food supply chains in the literature and there was not much material from previous studies of a similar nature, that is, studies examining the operations mechanism, in the fields to draw on. What is more, it was intended to learn more about the world from the participants' perspective. The required information, therefore, had to come from practitioners who were currently working in the industry. The business settings of the potential participants meant that the focus group method was not appropriate for the reason mentioned in Section 4.3.2. Participant observation was also seen as inconvenient for both the organisations to be observed and the researcher. The data of qualitative enquiry is best captured in words and actions and one of the most useful methods of gathering these forms of data are semi-structured interviews (Maykut and Morehouse 1994).

Semi-structured interviews allow the researcher to have control over the interview as well as allowing the respondent the opportunity to speak in their words on issues that

they consider to be important, rather than responding within the predetermined categories identified by the researcher (Marshall and Rossman 1995).

The choice of method to conduct interviews was face-to-face; by conducting a face to face interview, researcher can instantly verify the respondents' answers which otherwise might be misunderstood or misinterpreted (Frankfort-Nashmias and Nachmias 1996). Furthermore, semi-structured interviews allow the researcher to learn from the subjects' points of view by using probing questions adjusted to the level of language used by the participants that arise from the interview itself (Berg 2009). As a result, it was decided that interviews would be necessary to investigate the topic of interest.

The research method is used to explore aspects of food sourcing and food SCM as well as any variations of practice across different types of hotel. Therefore the semi-structured interview was the main method used to address the above research objectives.

#### ***4.7 Exploring Hotel Food Sourcing Practice and Food SCM Using Interviews***

##### **4.7.1 Selection of hotels for interview**

In a qualitative study, the sample is normally purposefully selected (Mason 2002; Patton 2002). According to Patton (2002) a decision on sample in qualitative research depends on the main purpose of the research. Mason (2002) judges that qualitative research is often about depth, nuance and complexity. Qualitative researchers are not interested in

the 'census' view nor try to conduct a broad understanding of everything. In fact, they are focusing in on specific issues, processes, phenomena, etc.

A purposive sampling strategy was employed in this study with some degree of theoretical sampling as associated with Grounded Theory. Glaser and Strauss (1968) explain that sampling in Grounded Theory is an ongoing process in which the researchers simultaneously collect, code and analyse their data and decide what to collect next as well as whom to talk to, and where to go for more data. The purpose of sampling is to go to places, people or events that would maximise opportunities to discover variations among concepts and to identify categories in terms of their properties and dimensions. The sampling decisions therefore were not made in advance, but samples were selected as the research went along. It was clear, following the decision to exclude quantitative questionnaire surveys was made, that the principle of the current research was of understanding the process rather than representing a population of hotels. Categories or types of samples were selected in order to explain practices in specific contexts. The types of hotels chosen were intended to allow the researcher to generate data to explore processes, similarities and differences to develop explanations in particular contexts. In other words, information acquired from a hotel would be used to explain the hotel sourcing practices and to compare the practices with those of other hotels in the study. It was not expected that the hotel's sourcing practices would be representative of the practices used in all the hotels that share similar characteristics

According to Mason (2002), the size of the sample or whether the sample is statistically representative of a total population is not a major concern in a qualitative study.

Qualitative samples are usually small for practical reasons to do with resources, especially in terms of time and money. The main concern regarding sampling is selecting samples that provide access to enough data to enable the researcher to understand the issues studied.

In this study, hotels of various types in terms of size (number of bedrooms), operations and affiliation were selected. The initial 3 categories of hotel were identified as a result of a discussion with the research supervisory team. These categories were independent hotels, group hotels and hotel within consortia. The assumption behind the division of hotels into these categories was that hotels in each category may have different sourcing practices. The hotels were chosen because they belong to one of these three categories. The total number of hotels in the study was not decided at the beginning. The number of samples grew as the research progressed. Details and the total number of samples can be seen in Section 4.6.3.

#### **4.7.2 Acquiring hotel information for sampling**

Hotels were selected from a mixture of sources namely the Regional Tourist Board for the South West of England, South West Tourism, The Exeter and Heart of Devon Hotels Association, the Exeter City Council website and other hotel booking agency websites and printed material which contained information on hotels. South West of England was the first agency approached to request a list of hotel accommodation in the area. It took a few months before this list was received and unfortunately it only contained establishment names, types of establishments, postcodes, districts and AA and RAC ratings and did not have details of the types of hotel and whether they were independently owned, group hotels or hotels in consortia. The Exeter and Heart of

Devon Hotels Association, a professional association of Devon based hotels that have a minimum two star rating and eight or more bedrooms, was also contacted in the hope of receiving a list of the members' names and addresses. However, following an executive meeting, the membership list was deemed to be confidential and could not be forwarded to the researcher. A few contacts in the hotel industry obtained by recommendations through supervisors and a colleague were also contacted via electronic mail but there were no replies.

As the attempt to obtain lists of accommodation was not completely successful further samples were then drawn from commercial and organisation advertisements. The sources of such information were printed material as well as Internet based. The hotels that were listed on public and/or private organisation web sites and official hotel websites were used in the data collection process as they provide information regarding the hotels' names, addresses, facilities, direction to the hotels, and some also provide information about contact persons. For some hotels, it was not possible to directly identify, from the above sources, the hotel's ownership or type of affiliation if any. In these cases, group directories and lists of hotels provided by affiliation organisations were used in a process of elimination to determine those hotels which appeared not to be connected to any groups or associations and could thus be assumed to be independent. In recognition of the research's non probability sampling selection technique (described in Section 4.5.2), it was deemed unnecessary to compile a list of every hotel in the region. Samples were then chosen from the available pool of hotel details acquired from various sources listed in Appendix A.

### **4.7.3 Interview schedule design**

The research instrument was an interview schedule, an interview format consisting of a detailed set of questions and probes (Maykut and Morehouse, 1994). The interview schedule was used as a guide to give the interviewer direction in the interview.

The initial interview schedule was designed and discussed with the supervisors to gain feedback on the clarity of wording and sequence of questions, before trying out the questions in the piloting stage. The early interview questions were in 7 sections, as shown in Figure 4 1. As the interview progressed, the questions and their sequence were adjusted. The sections of questions were reduced from 7 to 4 sections namely: background, food sourcing practice, inventory management and suppliers. These sections are described below.

#### **4.7.3.1 Section 1 Background**

The purpose of this section was to acquire information about the hotel, its customers and the respondents themselves. The section had 2 objectives. First, it was designed to produce a business profile of the hotel by determining the ownership, affiliation and the length of time the hotel had been operating. Second, the section acted as an ‘ice breaker’, by asking for information that the respondent was familiar with.

The questions about the respondents aimed to determine how experienced the respondent was in terms of their role as well as their knowledge regarding food sourcing practice at the hotel. Getting the respondent to talk about themselves and their job helped to get the interview started.

### 4.7.3.2 Section 2 Food Sourcing Practice

This section focused on the actual practice of food sourcing. The objectives of this section were to determine three elements: the facts about food supply in the hotel, food sourcing operations regarding personnel and process, and how food was sourced with regards to customers' food preferences.

The management of supply chains can be viewed by examining whether supply chain activities are initiated by customer's demands. A pull supply chain is suggested as more efficient than a push supply chain and the concept of SCM advocates a system where supply chain activities are demand driven, so that they are coordinated with true customer demand rather than demand forecasts (Houlihan 1984; Simchi-Levi *et al.* 2003). The question on customers' food preferences, therefore, aims to find out if hotel foods supply chain activities were operated in a demand-driven fashion. The section started with a question asking the respondent to describe the type of food offered by the hotel, followed by food costs and revenue in relation to the overall hotel revenue. This question gave a picture of how important food business was to the hotel.

The next questions were about food sourcing practice in terms of personnel and processes. The respondent was asked to give reasons why the person(s) were responsible for food sourcing, as well as to explain the process to follow, when sourcing food including any tools (medium) used in sourcing. Communication medium employed in food supply chain activities implies that the use of information communication technology is involved. The level of ICT usage can determine whether the supply chain is IT enabled. IT can be viewed as a nerve system of SCM (Gunasekaran and Ngai 2004a) and the degree to which IT is utilised in a supply chain can indicate how



information is used within and across organisations. In the study of the organisational formation of inter-firm relationships, Sarkis and Sundararaj (2002) suggest the use of electronic data interchange has a positive correlation with the level of inter-organisational integration within a supply chain. Also in this section, the reason for changing food supply was asked, together with the respondent's knowledge of their customers' food preferences.

Beaman (1999) posits three interconnected areas which indicate level of supply chain management practices: resources, output and flexibility. The general goals of supply chain performance assessment are resource minimization, high levels of customer service and the ability to respond to a changing environment. In the context of hotel food supply chains, inventory management reflects resource as well as output performances because finished products are only produced on demand. Flexibility translates into an ability to change product offerings according to customer's requirements.

The questions in Section 2 allowed the interviewer to learn about the organisational structure relevant to food sourcing activities, types of food supply used by hotel, the process of food sourcing, as well as the hotel's knowledge about their customers in terms of their food preferences. By obtaining data generated from this Section, it will be possible to initially understand the characteristics of hotel food SCM practices. However, practices of inventory management and supplier management require further information which the design of the questions in the following two sections is intended to acquire.

### **4.7.3.3 Section 3 Inventory Management**

In this section, the information regarding a more specific practice of managing food supply was needed. The respondent was asked to describe how they estimated amounts and types of food and the 'system' they used to manage the flow of food within the hotel. In a pull supply chain system, the firm does not hold any inventory and only responds to specific demand, however it is not always possible to implement a pull based system throughout a supply chain (Simchi-Levi *et al.* 2003). Respondent opinions were sought regarding the difficulties they felt about the efficiency of food inventory. The information obtained in this section helped the researcher to understand the management of food supply with regards to the hotel's inventory management. Data generated in this section can suggest if hotel food supply chains are characterised as a push or pull production or a combination of both. In turn this information fed into the knowledge of hotel food sourcing practice. Respondents were asked to give their opinions about how they felt about their 'system' and why.

### **4.7.3.4 Section 4 Suppliers**

This last section consists of questions that asked the respondent about their suppliers with respect to two areas. The first concerned the hotel's current suppliers, how the suppliers became known to the respondent, how they were chosen (if applicable), the period of time the suppliers have been used and whether or not the suppliers were reviewed and how. The form of communication the hotel used with their suppliers was also asked. The issues concerning suppliers in SCM start from supplier selection through to supplier change. Strategic supplier selection is key to the concept of SCM where suppliers are not only chosen based on the ability to meet cost targets (Chen and

Paulraj 2004a) but companies also place importance on a wider set of concerns. The factors found to be more importance than price are reported in the SCM literature. Choi and Hartley (1996) found a consistency factor: quality and delivery, to be the most important supply selection criterion in the supply chain. Spekman, Kamauff and Spear (1999:114) report that through their sourcing strategies, high performing companies manage their supply base as a valued resource. They suggest different levels of sourcing and supplier relationships and state that not all suppliers should be treated equally but the trading parties chosen for supplier partnerships should be selected with care. That means supplier selection in SCM should not be based on price alone. Furthermore, supply chain partnerships are time and resource intensive and this implies a small supplier base.

Despite some companies using their power to maximize their own benefits, others realize they have some responsibility for their partner's profitability. Barratt (2004:35) identifies trust, mutuality, information exchange, and openness and communication as elements of supply chain collaboration. The period of time suppliers have been used implies the buyer's trust and mutuality towards the suppliers. Kumar (1996:99) reports the guiding principles of one of the SCM high performers in the retail industry is to work closely with suppliers in long-term partnerships where the benefits and burdens are divided between partners. Communication forms employed by organisations suggest the level of the interface orientation between buyer and supplier. McIvor, Humphreys and Huang (2000:122) suggest electronic commerce, the process of doing business electronically, involves the automation of transactions, changes the traditional nature of relationships between buyers and their suppliers and supports more collaborative relationships. What is more, Carr and Pearson (1999:516) indicate that frequent face-to-

face planning and communication with key suppliers will benefit the buying firm in the long run.

General indicators of relationship type and magnitude are suggested by Golicic, Foggin and Mentzer (2003:64). A long-term cooperative relationship is often referred to as a partnership or cooperative relationship and the next level of relationship is regarded as collaboration. The focus group in their study describe a cooperative relationship as;

When you think of partnership - it's the good and the bad and ... they're going to be with you in the good and bad. How do we work it out together as opposed to "I'm not going to see you any more".

A collaborative relationship was described in their study as a more active role on the supplier's part. The relationship was described as different in terms of supplier's willingness to take an active role in making decisions and sharing more information. Although the terms cooperation, and collaboration were used to describe the strength or magnitude of the relationship, they are used to refer to the type of relationship that is advocated by the SCM concept. This section was designed to find out if there was any similar type of relationship existing between hotels and their food suppliers.

The second area dealt with the opinions of the respondent regarding their relationships with the suppliers and how the relationships should be maintained. Two more questions were asked at the end of Section 4, one in order to find out whether the respondent felt that the interview was missing anything and the other gave the respondent an opportunity to talk about anything that s/he felt relevant.

#### 4.7.4 Interview piloting

Piloting of interviews was conducted in order to put the interview schedule to test and see if the terms used in the questions were understood correctly by the respondents. During the pilot stage, six hotels, with three hotels belonging to the same group, were approached and a request to interview was sent on a university headed letter (see Appendix C). A reply was received from all six hotels, with two agreeing to participate in the first round of the study. The hotel group of which three respondents were members agreed to let the researcher interview in one of their hotels. Two hotels declined the request giving the reason that they were not involved in food sourcing practice because they were part of a hotel group. Since only two hotels agreed to participate in the pilot interview more hotels were recruited. All hotels contacted for piloting are shown in Table 4-4 below.

**Table 4-4 Hotels in the pilot study**

<b>Hotel</b>	<b>Type</b>	<b>Number of rooms</b>	<b>Response</b>
1.	Group	40	Yes, interview with a
2.	Group	50	hotel in the group (as a
3.	Group	65	representative)
4.	Group	110	No
5.	Group	90	No reply
6.	Group	55	No reply
7.	Group	46	No reply
8.	Group	15	No reply
9.	Group	141	No reply
10.	Group	150	No
11.	Independent	18	Yes
12.	Independent	18	Yes
13.	Independent	13	No

Source: Author's fieldwork

The pilot study showed that most questions were understood by the interviewees and only minimal clarification was needed to make the questions understandable and thus

yield the required data. The questions regarding hotel's suppliers produced useful materials to map hotel supply chains although more questions were required in order to gain insight into how hotels interacted with their suppliers. What is more, the data gained from this pilot stage was mainly descriptive. Questions about food sourcing processes were added to the interview schedule for the next stage of interview. The pilot interview covered background, food sourcing practice and suppliers. This early version was then developed into the full version of the interview schedule comprised of four sections.

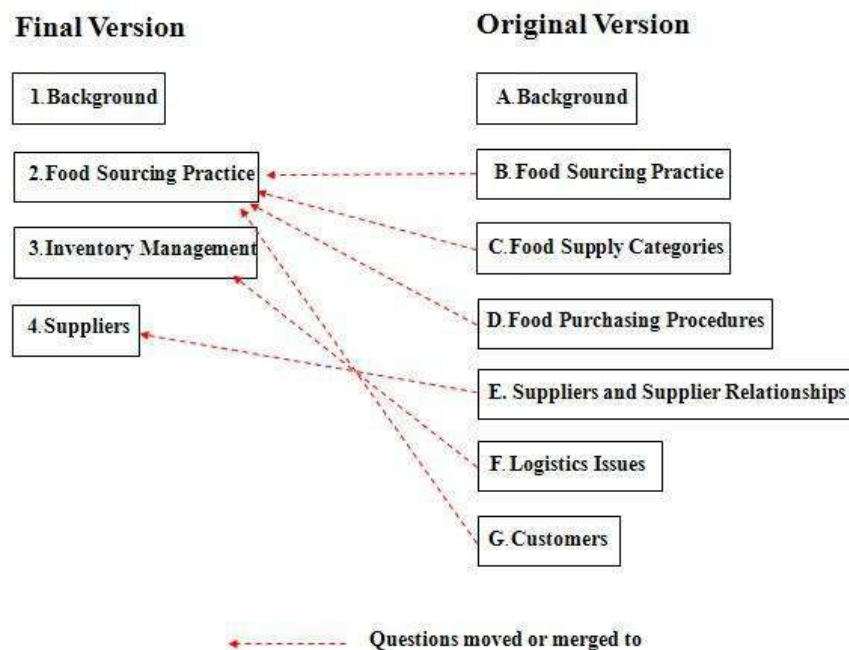
The pilot study also revealed that the amount of time spent on each interview was around forty five minutes and it was sufficient to answer all the tested questions. However, if more questions were added, at least one hour for each interview would be necessary.

From the pilot study, we found that international group hotels were much less likely to co-operate in the study. For the purpose of the research data collection, empirical data would play a crucial part in providing material that allows food sourcing practices and the management of food supply chains to be understood. A decision was needed as whether to exclude the group hotels from the research due to the accessibility problem and to focus on the independent hotels instead. While still waiting for group hotels contacted during the pilot study to reply, the interview schedule was developed. The process of developing an interview schedule was a long one, going through many major and subtle changes before reaching the final version that was made up of four sections. Amendments to the interview schedule from the first draft to the final version are described below.

#### 4.8 Amendments to the interview schedule

After piloting and during the interview period, changes were made to the interview schedule. Two main changes are described here. Firstly, the two versions of the interview schedule were combined as some of the questions could be used with different types of hotel. Secondly, changes in three different areas of the interview schedule were, the number, sequence and wording of both questions and sections. The original interview schedule had seven sections: A to G, as shown in Figure 4-1. After a few interviews it was recognised that answers to the questions in Sections C and D could be obtained through questions in Section B. Therefore, three sections were merged into one. What is more, there were far too many questions in Section E and it became apparent that answers to some questions could be obtained from other sections. Thus, Section E then became Section 4 with tighter questions focusing on suppliers.

**Figure 4-1 Changes in Number and Sequence of Interview Questions**



Source: Author's fieldwork

Section F was about logistics issues as this was the initial area of interest of the researcher, at the beginning of the project. It was felt that inventory management was a more suitable section title therefore the title was changed to become Section 3 Inventory Management. The last section in the original interview schedule was Section G Customers. By asking a question about the hotel's customers, the interviewer could obtain answers regarding the different types of customers and the proportion that were represented in each type of customer group. The question about the hotel customers was therefore moved to Section 1, Background. The question regarding the hotel's knowledge of their customer's food preferences was also relocated to Section 2 Food Sourcing Practice because it was a more relevant place, thus enabling Section G to be totally removed.

Apart from moving and merging questions, section sequence was also changed. Background questions were originally planned to be put at the end of the interview so that the interviewer would come across as unobtrusive at the beginning. However this section was then moved to the beginning of the interview with an objective to start the interview with easy questions for the respondent to answer and also to provide an introduction to the hotel and the respondent.

Another change was taking out drinks, which were included in the original version of the interview schedule. After discovering that the person responsible for drinks, both in terms of sourcing and managing drink supply, was not the same as the person responsible for food and in order to keep the study focused, it was felt that food should be the main object of the study. What is more, it would not be practical to explore the sourcing practice of both food and drink within the allocated time each interview had



without compromising the detail of information obtained. For these reasons, drinks were excluded.

#### **4.8.1 Interview strategy and administration**

In order to have a favourable response, an approach recommended in the research method literature was followed. Healey and Rawlinson (1993) suggest a dual approach: first made a telephone call 'fishing' for a named person, who is the most likely to be appropriate for the interview, and then follow the phone call with an introductory letter. In some instances, the researcher approached in person, requesting information regarding a person who was responsible for food sourcing in the hotel. The person was later contacted by an introductory letter stating the nature and purpose of the research and the amount of time requested for interview. Interviews were arranged by telephone and carried out face to face using a digital voice recorder. The respondents could be interviewed in a number of ways including face to face, over the telephone or by electronic means such as email. It is suggested that face to face interviews were appropriate as it allowed the interviewer to establish trust, which should help the respondent feel comfortable and as a result they could give valid data, especially regarding information about the actual practice of food sourcing. What is more, face to face interviewing provides information expressed by non-verbal actions and the facial expressions of the interviewee. These non-verbal signs can help the interviewer understand the real meaning, despite what was being said and decide when to probe for clarification or additional points of information. Having an opportunity to observe body language is an advantage face to face interviews have over telephone interview. According to Ruane (2004), telephone interviews are considered the next best thing to being there. It was felt that telephone interviews should not be used for initial

interviewing because of its lack of capacity to build trust between interviewer and interviewee.

Telephone interviewing; however, can be used to collect further information once the contact has been established. One of the advantages of using telephone interviews is that travelling costs and effort can be saved. Electronic means were not considered as appropriate for first time interviews. It was, however, partly used as a means to send an introductory letter and collect additional information needed after a face-to-face interview had been carried out.

- Official letter

An introductory letter was printed on the university headed-letter paper and was personally signed by the researcher. The official look of the letter helped to add credibility to the project which should gain trust and distinguish the research from commercial surveys. The letter included information about the research project, a request for an interview with the person in charge of food sourcing at the hotel, the confidentiality issue regarding the use of information obtained from the interview, and finally the researcher's details and contact information. An official letter had three important roles. First, it would make the research seem more official to the contacted person; details provided in the letter enabled the contacted person to verify the credentials of the university and the researcher. Second, it would introduce the research being carried out and help the hotel to identify the right person to participate. Third, it was important that the contacted person understood that the research is carried out for the learning purposes only.

- The Interviews

The goal of the interviews was to obtain as much information as possible regarding food sourcing practices, food supply management in terms of inventory management and supplier relationships. The researcher presented herself as a student with non-commercial involvement and this is stated clearly in the letter to hotels requesting an interview. The respondents were assured at the beginning of the interview that their names would not be disclosed in the dissertation and other parties would not be aware of their answers.

The interviews were undertaken from July 2006 to March 2007. In total, twenty-five interviews were conducted on a one-to-one basis which lasted forty minutes on average, and all were recorded. The majority of the respondents were head chefs but some of them were owners or managers. There were a couple of hotels where there was the opportunity to interview both the owner or manager and the head chef in order to obtain information regarding the business background and operations side of food supply management.

The researcher conducted the interview as close to a conversational style as possible. Some hotels offered tea before the actual interview began, which helped make the conversations go naturally and encouraged a more open and comfortable atmosphere for the interview to take place in. Prior to the beginning of each interview the researcher tried to engage the respondents in small talk in an attempt to make the respondents feel at ease. However, as soon as the recorder started the tension of the respondent was detected by the way the respondents spoke; for instance, quieter voice, they used their body language such as sitting up straight and changing their hand positions were

noticeable. By being a good listener and trying to reflect the answers by rephrasing them helped to ease the respondents' tension and therefore improve the quality of the interviews and ensure correct understanding. What is more, probing was used to delve deeper into unclear answers or answers that appeared to be what the researcher wanted to hear rather than wanted to know. A few of the interviews went in a more formal style and this was partly to do with the respondents' personalities. Additionally, the location of the interview was best chosen by the researcher to be a quiet and comfortable place where possible. The advice by Easterby-Smith and Thorpe (1991) of not being over-anxious to get all the data at once was followed, and all respondents were asked for permission to be contacted again in cases where more data needed to be collected. Contacts were made by telephone or electronic letter to obtain more information that had not been included in the first interview.

#### **4.8.2 Ethical Issues**

Ethical responsibility was exercised throughout the research process. Lofland *et al* (2006) states that one of the obligations researchers have, is to guarantee anonymity via the assurance of confidentiality and ensure that the real names of respondents are protected. What is more, confidentiality in research implies that private data identifying the participants will not be disclosed without their consent (Kvale and Brinkmann 2009). All participants were informed that although parts of the interviews would be used in the dissertation and any publications based on the study, their anonymity would be preserved by the use of pseudonyms. At the beginning of each interview, interviewees were advised that they could withdraw from the interview at anytime if they felt they would like to. They were also offered a copy of the interview recording on request.

### 4.8.3 Summary of interview respondents

Access to large scale hotels which was a problem in the beginning was later resolved. It was learnt that direct contact with the person responsible for food sourcing opened ‘the door’ to the data required. Instead of sending a letter to the general manager of the hotel, on which the request to interview was likely to be rejected in the case of large hotels, the researcher approached the right person for interview directly. The person often had a title of director of food and beverage, executive chef or head chef, and these contacts could decide whether they could give an interview for academic research purposes. The researcher, however, did ask whether she should send a letter to inform the general manager or any other person in the hotel about the research. There was one occasion where a letter was also sent to the human resource manager to explain what the research was about, and date and time spent to carry out an interview.

The hotels contacted earlier during the pilot study were approached again during the interview stage and after direct contact was made with the person responsible for food sourcing, the response was more satisfactory. The summary of hotels and respondents is shown in Table 5-1.

Table 5-1 illustrates the number of hotels and respondents interviewed. The majority of interviewees were head chefs the position often found to be in charge of food sourcing in hotels. General Managers were interviewed in early interviews when the person in charge of food sourcing had not yet been identified. There were a couple of occasions when there was an opportunity to interview both head chef and manager or owner. Not all persons responsible for food sourcing knew about the hotel they worked for, so

owners or manager were able to give better information regarding the hotel business and head chefs who knew more about the operational side of food sourcing were asked about their practice. In interview 5, a member of staff was interviewed because the head chef was not available. The member of staff, however, was knowledgeable about how food sourcing practice was conducted in the hotel, because the hotel was a small one and staff were employed to do multiple roles. At this hotel an interview with the manager was also conducted. Interview 7 was done with a guest service manager, at a hotel where there was no one working as a head chef. In fact, the hotel restaurant only served cold breakfasts which involved no actual cooking.

#### **4.8.4 Interview Transcribing**

Half of the interviews were held in the hotels' restaurant during closing time, although a couple of interviews took place in quiet parts of the restaurant during opening times. There was only one interview that was taken in a noisy environment. This happened after the interview had already begun and a few members of staff and friends came in and began talking in the chosen interview room. Despite the noise, the interview was successfully conducted, although difficulties later arose when the recording had to be transcribed. The interview was completely transcribed but the amount of time taken to transcribe was great. Apart from this single case, the rest of the interviews produced good quality recordings that were all later transcribed within a fortnight and some of which were transcribed on the same day of the interviews.

The time spent on transcribing varied depended on the respondent's accent and speaking speed. It must be noted here that not all respondents were English native speakers. Help was sought from the same nationality of the respondent, to listen to some parts of the

interview, where the researcher had difficulties transcribing, to ensure the accuracy of the transcript. Time spent on transcribing the rest of the interviews was forty five and sixty minutes per interview. Most of the interviews were transcribed in the same manner, half an hour transcribing with half an hour break until finish.

#### **4.9 Methods of data analysis**

Qualitative data analysis is less structured, unlike quantitative data analysis where an external structure is imposed on the data and as a result makes analysis far more straightforward (Easterby-Smith *et al*, 1991). The large amounts of non-standardised data produced by qualitative studies make data analysis a real challenge. The qualitative data analysis used in this research is based on a pragmatic basis of Grounded Theory, the method introduced by Barney Glaser and Alselm Strauss in the book entitled the Discovery of Grounded Theory (1967).

Although Grounded Theory was originated in the 1960s in the field of clinical sociology, it has become popular in other areas, including business research (Mangan *et al*. 2004). According to the basic principles, grounded theory is transcendent in terms of its application. In recent years, the diffusion of the method into a range of disciplines including management has been witnessed (Goulding 2002). Locke (2001) believes that the method is well suited to organisational research because it has the capacity to capture the complexity of context and link it with practice. The analysis method adopted from Grounded Theory is therefore suited to the situation of research where the main aim is to explore the topic and its complexity from practice.

According to Partington (2002), Grounded Theory is about being systematic with qualitative data, which involves the use of a systematic set of procedures to develop an inductively derived knowledge about a phenomenon. The technique has processes which revolve around data collection and data analysis with the researcher alternating between inductive and deductive thought. He points out that the term Grounded Theory has now taken on a more generic meaning, tending to embrace all theory building approaches which are based on the coding of qualitative data, with many researchers, to a degree, deviating from the original approach. Although there have been variations of Grounded Theory, Charmaz (2006) notes they all have similar characteristics, including pursuit of emergent themes through data analysis and inductive construction of categories.

Despite similar characteristics, different approaches emerged from the split of the two originators and now Grounded Theory has split into at least two camps, each associated with one of the two original authors (Goulding 2002:38). The split of grounded theory approach became clear after the publication of Strauss and Corbin's book co-authored with Juliet Corbin, *Basic of Qualitative Research: Grounded Theory Procedures and Techniques* (Goulding 2002). The book was viewed as too descriptive and prescriptive in the eye of the other originator who later published a book, in response to Strauss and Corbin's approach, entitled *Basics of Grounded Theory: Emergence versus Forcing* in 1992 and stated that the method described in Strauss and Corbin's book is a methodology, but not grounded theory.

The divide between the 'Glaserien' method and the 'Strauss and Corbin' version revolves around the aims, principles and procedures associated with the implementation of the method. Glaser's version, which is also referred to as classic grounded theory, aims at



theory building, while Strauss and Corbin's approach focuses more on developing concepts and categories. The approach developed by Strauss, and Corbin (1990) has been used mainly to construct concepts and categories but was viewed as being too systematic, which Glaser (1992) claims, reduces the degree of theoretical sensitivity and insightful meaning and does not aim for building theory. In brief, Glaser's model favours creativity and openness to unanticipated interpretations of data, while Strauss and Corbin have gone down a much more prescriptive and mechanical road (Suddaby 2006:638).

The Strauss and Corbin approach, however, has become popular among business researchers and this is due to its highly descriptive and prescriptive detailing of the key procedures (Goulding 2009:384). Although Strauss and Corbin's version of grounded theory has been criticised for being too mechanical, a researcher's imagination or insight is still fundamentally important (Strauss and Corbin 1990:19). Glaser's version, on the other hand, may be viewed as lacking in empirical rigour compared to the more prescribed method of Strauss and Corbin. What is more, the classic grounded theory version advocated by Glaser was designed for mainly sociological studies. The more pragmatic approach of Strauss and Corbin's version may, therefore, suit studies in the field of business and management. Furthermore, the openness of Glaser approach also implies an unpredictable estimate in terms of time needed for doing the analysis. In choosing the method, Strauss and Corbin's version of grounded theory was more appropriate considering the current study is to explore the practices in business settings and is not intended to build a theory as such, but rather to describe and explain the practices within hotel organisations. Strauss and Corbin's grounded theory was thus selected.

Analysis of qualitative data is an intuitive process and the steps involved are not always reported. Research and analysis in qualitative data is about ‘feel’ and an implicit component of all research is the honesty of the researcher (Easterby-Smith *et al*, 1991:112). However, for academic assessment purposes, the explanation of how things have come to be known is expected to be presented in a systematic manner. The process of constructing and reaching the final version was considered to be ‘organic’. The reading and re-reading of the transcripts as well as coding and categorising concepts lead to the final core category. As Gummesson (2000) explains, qualitative data analysis, using an analogy of a small child, speaks a language but cannot explain the rules and grammar of the language. Qualitative data analysis, to a great extent, requires the researcher to learn and use tacit knowledge, but at the end of the analysis it can be difficult to describe the whole process of data analysis. The researcher felt it was counter-productive to try to keep an analysis journal while simultaneously analysing data; it was felt that taking notes could disrupt the thinking process. Keeping track of data analysis, however, was carried out to a certain extent by using computer aided qualitative data analysis software (CAQDAS). Records of data analysis activities were kept in the files and can be examined regarding data analysis processes. Despite the electronic records embedded in these files, investigating these processes would not be considered a fruitful task. After several rounds of reading, coding and analysing the data, *the core category*, categories, concepts with properties and dimensions were derived.

The analytical approach taken in this study did not adopt particular processes described in certain specific qualitative research method books, but was rather informed by a

combination of techniques recommended from various sources (for example Strauss and Corbin, 1998; Miles and Huberman, 1994; Richard, 2005; Bazeley, 2007).

The approach was viewed as a systematic qualitative data analysis where steps were followed and memos, notes, were taken to keep the researcher's thoughts and understanding as the analysis progressed. These steps are explained next.

The process of data analysis was a non-linear and iterative one. Although activities carried out in the data analysis process were not captured in detail, the researcher had gone through 7 stages described by Turner (1983): familiarisation, reflection, conceptualisation, cataloguing concepts, recoding, linking and re-evaluation. Data analysis began by re-reading all transcripts so that the researcher familiarised herself with the interview material. Turner (1983) argues that re-reading the transcripts enables some first thoughts to emerge, and helps the researcher to be aware of interesting things. Interviews were listened to again and again; some first ideas and diagrams were noted and drawn by hand using different coloured pens and pencils.

Initial codes were created soon after the first stage where the interviews were 'read' literally and interpretively. As Mason (2002) points out, reading literally is not possible in the social science context; literally reading in this research was in fact an act of extracting facts, content and structure of food sourcing practice in hotels. Interpretive readings were also carried out where meaning interpreted by the researcher played an important role. 'Reading between the lines' was a form taken in interpretive readings, whereby the researcher was involved in reading through and beyond the text. During interpretive readings, codes were created and named according to what the researcher thought of the chunk of data. The name of each piece of data being analysed, of data

were derived from the researcher's interpretation of what the data chunk was about (Richards 2005). At the early stage, all transcripts were coded by using a technique called open coding, breaking data apart and delineating concepts to stand for blocks of raw data (Strauss and Corbin 1998). The coding frame was generated in a bottom up fashion; codes were created as concepts were identified in the data. Names given to these codes can be derived from the researcher's ideas, concepts drawn from the literature or from words used by respondents. Terms used by the people who are being studied, that are used as codes are referred to as *in vivo* codes. (Strauss 1987:30).

By the end of the second stage, reflection, hundreds of codes had been generated together with analytical notes containing thoughts and ideas that emerged while reading through the text (these notes are named 'memo' according to Strauss and Corbin (1998)). While trying to make sense of the data, which seemed, at first, an impossible task, the researcher experienced what Glaser (1999) calls a psychological regression. He explains that during the regression the researcher feels "stupid, young, out of control like you don't know anything...real world level is way beyond you..." Having overcome this great confusion, a process of analysis continued by going back and forth between the literature and the data, as well as comparing concepts generated from interview material and memos. At the next stage, conceptualisation, codes were grouped, renamed and/or merged according to the researcher's judgement, while at the same time new codes were created. Sets of codes were 'upgraded' onto an explanatory level as they seemed to be important for understanding what was going on. In the software utilised in this research these sets of codes were stored in tree nodes separated from 'standalone' codes.

The fourth stage, cataloguing concepts, involved printing out concepts that had already been indexed or catalogued on the computer software. As the researcher employed various pieces of computer software, both general purpose and CAQDAS, cataloguing concepts manually was not a necessary task. What needed to be done at this stage was reading and checking the appropriateness of the data and concepts and changing in terms of replacing, removing and adding data to and from concepts. Changing codes was carried on to stage five, recoding where codes were reassessed in terms of their 'fitness'. Stage six involved linking concepts and defining categories (many call these themes). At the last stage, re-evaluation, an overall picture of the analysis was looked at and 'products' from the previous stage were re-evaluated and re-written.

It should be noted that these seven stages happened in a non-linear sequence. Various techniques and tools such as computer programmes and manual devices were tried out and utilised in combination. What is more, attempts were made to ensure that categories emerged from the data and were not forced by the researcher's pre-conceptions or secondary data without making sure they were supported by empirical data. A great challenge was separating what was already there in the mind and what was going on in the data this was not as easy as it sounded. Therefore some of the stages mentioned above were carried out more than once until the researcher felt the categories were supported by data and explanations of the categories had the capacity to address the objectives of the research.

#### ***4.10 The Use of Computer Software***

One of the most notable developments in qualitative research in recent years has been the arrival of computer software that facilitates the analysis of qualitative data (Bryman

and Bell 2007:603). This research made use of available computer software in the data analysis process, as an aid in data handling and seeing the patterns in data. Both general purpose software and computer aided qualitative data analysis software (CAQDAS) (Fielding and Lee 1998), NVivo version 7 were employed in the project. Although the identification of categories and patterns, which is considered essential in data analysis, was done by the researcher, the computer software assisted the researcher with mainly two areas: cognitive thinking and the clerical task. The facilities of NVivo enabled the researcher to organise data in a systematic way and this aided the thinking about data even though the software was not used for every task in the analysis process. The clerical tasks would have been different without using NVivo. Sorting texts and passages contained in transcripts and the coding process would have involved a lot of cutting paper by hand and photocopying text to store under different codes.

Although there have been criticisms relating to the use of CAQDAS since these different types of software became available, it was felt that the criticisms around the use of computer software to aid qualitative data analysis was really directed against any ‘mechanising’ of the process of analysis which many agree should be an intuitive process. However many, if not all, researchers employ some kind of computer software to handle their qualitative data and, to a certain extent, perform tasks equivalent to what is offered by CAQDAS using general purpose software (La Pelle 2004). The criticisms can only be allowed if CAQDAS is not employed by an informed choice. Scepticism about the software or the lack of ability to utilise it are not grounds for objection (Richards 2005).

#### ***4.11 Critical Analysis of Research Limitations***

Although this research was carefully prepared by the researcher and the supervision team, there are still limitations and shortcomings in the design. First of all, the research was conducted in certain areas in South West England where hotels accepted to participate in the study. The number of participants did not increase once collected data was enough to give an understanding of hotel food SCM practices and as a result only hotels in Devon were included. It may be noted that hotels in Devon and Cornwall are somewhat of similar characters in terms of business format, business model, location; city, seaside, countryside.

Secondly, the participants in each group of hotels are not very diverse. To generalise the findings to the larger hotel population, the study would need a representative sample of hotels with certain characteristics. For example, the small group hotels in this study have a similar degree of service level, mid-high end hotels, though situated at different locations in the region, they produced similar findings regarding sourcing and food SCM practices. Thirdly, since the research instrument was designed to cover the breadth of FSCM practices; the time limit for each interview did not allow detailed data on specific topics such as demand forecasting, product development and information systems to be collected. But at one point, a researcher has to say the understandings have been developed for the purposes of the research and accept that there may be undiscovered information in the field (Corbin and Strauss 2008). Had more time been granted by the participants, interview data would have given useful information on sub-topics of food SCM practices and new properties and dimensions of the concepts related to the topics and sub-topics would have been further discovered.

In addition, since the research is qualitative in nature, it is unavoidable that in this study, a certain degree of subjectivity can be found. The selection of hotels, for example, was influenced by the time and convenience the researcher had. What is more, the interview transcripts were not sent back to the participants. The transcripts had been, however, offered to them but none of them requested to read the transcripts. The research finding manuscripts, however, were read by the supervisory team and their colleague in the industry and no objections were made to the content of the findings.

#### ***4.12 Chapter Summary***

This chapter has outlined the rationale for the choice of methods used in this research. A semi-structured interview was chosen as the method to generate the data required to fulfil the research objectives. The lack of previous research and information regarding hotel food sourcing was the main reason the choice of method was arrived at. Interview was also an appropriate method to fulfil the aim of this research – to explore, rather than to measure or test variables, regarding hotel food sourcing practice. Data generated by means of semi-structured interviews were used to identify patterns and categories in order to describe and explain hotel food sourcing practice, to examine the extent to which the characteristics of hotels have an impact on hotel food sourcing practice, and to map the hotel food supply network – the three objectives of the research. Whilst other methods could have provided insights in to the actual practice of food sourcing and the management of food in hotels, they were considered unsuitable for the research situation – for example participant observation could have been used to get to the inside of ‘the practice world’ for observing and exploring what was actually happening in the industry. Focus groups were ruled out early as the difficulties involved with arranging mutual times for interviews.



The chapter also outlined the practical side of the data generating process involving selecting samples, designing and piloting the interview schedule, the actual interviews and ethical issues associated with the research. Data handling and analysis was done with the aid of computer software, as it enabled the researcher to organise the interview material and facilitate analytic thinking. The Strauss and Corbin's version of grounded theory was selected to guide the data analysis process because of their prescriptive nature which allowed concepts and categories to be developed.

Despite a well prepared research design, there have been some limitations and shortcomings. There are three main limitations regarding the research design, first the participating hotels were from only one county of the region. Second, the characteristics of hotels in certain groups were not as diverse as they could have been. Third, the research instrument only yielded enough data to understand the breadth of the FSCM practices within hotels but had time been available, it would have given more insights into sub-topics of SCM practices.

The following three chapters present the analysis of the data from the interviews. Chapter Five focuses on the mechanism of food sourcing in hotels and presents categories emerged from the data. More detail regarding how data analysis was carried out and techniques employed in this research are explained to assist the presentation of the results. Chapter Six deals with the hotel food supply network, different types of food supply network are shown and explained. Chapter Seven sets the findings of the previous two chapters as well as presenting research limitations and suggests further research.

## 5 The Supply Chain of Hotel Food Service

### 5.1 Introduction

Hotel food service has historically been an integral part of the hotel business. Food service provides guests with food for consumption, business related functions, entertainment and celebrating events, and for some hotels food acts as an attraction in its own right. As has been pointed out earlier in this thesis, an understanding of hotel food sourcing practice and the management of food supply chains has previously been missing from the literature in the field of Tourism and Hospitality Management, and this oversight has hindered the development of our construction of a detailed understanding of food sourcing in this important area of the industry.

This chapter focuses on the practices of food sourcing in hotels in order to address the first two objectives; first- to describe and explain the management practices of hotel food supply chains; and second- to examine the extent to which organisational characteristics have an impact on hotel food supply sourcing practice. This chapter discusses the core category that summarises the hotel food sourcing practice as well as the main four categories, themes, and the concepts under each category. Concepts variations, properties and dimensions and how they were arrived at were presented in the previous chapter, where discussions regarding data analysis methods and related issues were also included. The data employed in the analysis were drawn from interview transcripts. However, other sources of data e.g. trade press, related radio programmes, and the researcher's experience were utilised in a constant comparison analysis method.

The chapter is organised into 3 main sections. The first section begins by giving hotels and respondent information; this is followed by the main section of food sourcing practice where food sourcing activities are described as well as the food sourcing strategy and the food sourcing strategy. Within this main section, the core category as well as the categories and concepts under food sourcing practice are presented. The last section summarises all categories and concepts in the previous section as well as highlighting the main features of hotel food sourcing practice in general and with regard to hotel characteristics.

## 5.2 Hotels and Respondents

Interviews were taken at 20 hotels as shown in Table 5-1 of these hotels, 3 were small group hotels, 8 were independent hotels and 9 were group hotels. These interviews included managers, owners, head chefs and sous chefs as they were knowledgeable persons regarding food sourcing and the management of food supply chains within the hotels. All hotel names in Table 5-1 have been changed and the names of respondents were excluded to preserve confidentiality.

**Table 5-1 Hotel and Interviewee List**

	Hotel	Hotel Type	Respondent	Experience	
			Head chef / Owner / Manager	At the hotel	Industry
1.	SG1	Small Group	Manager	5 years	19 years
2.	SG2	Small Group	Head Chef	2 years	14 years
3.	SG3	Small Group	Head Chef	4 months	16 years
4.	I4	Independent	Owner	12 years	12 years
5.	I5	Independent	Manager	4 months	16 years
6.	I6	Independent	Head Chef	2 years	10 years
7.	I7	Independent	Head Chef	3 months	25 years
8.	I8	Independent	Head Chef	9 months	18 years
9.	I9	Independent	Head Chef	5 years	15 years
10.	I10	Independent	Head Chef	5 months	10 years

11.	I11	Independent	Owner	24 years	24 years
12.	G12	Group	Sous Chef Head Chef	5 years 7 years	16 years 21 years
13.	G13	Group	Manager	8 years	13 years
14.	G14	Group	Head Chef	8 months	24 years
15.	G15	Group	Head Chef	2 months	15 years
16.	G16	Group	Head Chef	3 years	10 years
17.	G17	Group	Head Chef	1 month	33 years
18.	G18	Group	Head Chef	1 year	24 years
19.	G19	Group	Head Chef	1 year	6 years
20.	G20	Group	Head Chef	6 years	13 years

Source: Author's fieldwork

As can be seen from Table 5-1, the respondents vary in terms of their position, years of experience in the industry and the length of time they have been at the hotel. It was clear that the interviewees were experienced and have been working within the hospitality industry for more than 10 years, except one person from Hotel G19 which has been working within the industry for 6 years. From informal interviews, it became clear that many of the interviewees started their career in the hospitality industry on leaving school and have firsthand experience in the food service side of the industry. Although the interviewees have been in the industry for longer than 10 years, they did not tend to stay at the same establishment for long, exceptions were two owners of independent hotels where they have been in the industry for the same period of time as they have been at the hotels. Interviewees, other than owners, tend to change jobs and move to other hotels within the industry; this was evident when the researcher tried to contact some of the interviewees and realised that they were no longer at the same establishments. One of the interviewees moved abroad, although he still worked as a head chef of a high-end hotel. The interviewees therefore were knowledgeable in the area of food sourcing practice and management of hotel food supply chains in various types of hotel and were able to compare the similarities and differences regarding the practices across different types of hotel they had worked for.

The next section describes food sourcing strategies within the hotels. The section discusses three types of sourcing activities according to the decision hierarchy: (strategic, tactical and operational) (Monczka *et al.* 2010), the sourcing, strategy, and hotel food production. The information given in the first half of the section provides background for the second half, which deals with hotel food sourcing categories and concepts that emerged from the interview data.

### **5.3 Hotel Food Sourcing: the Core Category**

This section describes and explains hotel food sourcing practice by showing the categories and themes discovered from the data. These themes respond to research objective one – to describe and explain the management practices of hotel food supply chains with specific reference to hotel food sourcing practice. The categories and concepts were found in the data and are presented as explanations of what hotel food sourcing was about. The information in this section provides information on one set of supply chain management practices; this however does not imply that there are no differences in management and practices between hotels of different characteristics, in fact many differences were found and these will be discussed in the following section. The author believes that it is important to give a big picture of what was going on about food sourcing in general, before showing the details and pointing out the similarities and differences found in different types of hotel. Therefore, the following section responds to the second objective of this research – to examine the extent to which organisational characteristics have an impact on hotel food supply sourcing practice.

One core category and four sub-categories emerged from the data. The core category sums up the sourcing practice in the hotels in this study. It was the product of a lot of time spent thinking and rethinking about this core category but in the end it was agreed

by many voices within the researcher that this was the ‘thread’ that runs through the hotel sourcing practice. Of course, compromises had to be made when representing various practices of different types of hotel by one phrase. However, it was felt that the core category represents the practice under the study. The core category;

‘sourcing for productions of fresh food for immediate consumption serving multiple outlets’

sums up sourcing in the hotels in the study. The researcher came up with the core category by realising, from the interviews, that food service production in hotels was based mainly on fresh produce. And the perishable nature of fresh produce seemed to be a challenge for hotels; this challenge was further increased by the multiple food outlets and supply chain activities found in each hotel. Also hotel food was not designed to be kept for a long time. Once the food was prepared it was expected to be consumed immediately, or soon after the production was completed. These elements in the core category were derived after several readings of the data as well as many changes in refining the phrase. The following quotes were a couple of the excerpts that fed into the thinking process when considering the core category.

Hotel SG2: I have found that it’s much more difficult (in terms of managing food supply) in a hotel than in a restaurant.

Interviewer: Why is that?

Hotel SG2: Because there is something else to think about, you’ve got, you know, I have the menu for the night club, I have the lounge menu in here, I have breakfast, room service, you know it’s so many more things to control.

The other quote from a group hotel also pointed out the differences between sourcing for a restaurant and sourcing for a hotel. The main point being made in this quote is that hotels, have a higher number of food outlets, which also have to be managed simultaneously and that the numbers of customers being catered to is typically greater, when compared to stand alone restaurants.

Participant: I'm not actually a hotel chef, I am a restaurant chef

Interviewer: What is the difference?

Participant: Oh a big difference - restaurants are a lot smaller and cater for a lot smaller clientele.

### **5.3.1 The Productions of Hotel Food Service**

Having explained the core category of the hotel food service supply chains, the themes and concepts under this core category are described next. It is necessary to understand the production of food service in hotels in order to appreciate the different types of food production. The food production context was relevant to each of the following categories and concepts, the productions and the conditions associated with each type of production therefore are discussed first and followed by the categories and concepts found in the data.

The productions of fresh food varied according to types of food services offered by individual hotels. In connection to food sourcing, two groups of food production were found; 'push production' and 'pull production'. Push productions are related to services that have not been paid for in advance. These food services were available in the restaurant, bar, guest bedroom or any other outlets where food can be ordered on

demand. These outlets can be as many or as few depending on the hotel designated food outlets and other spaces that food can be arranged to be served. Pull productions served services such as functions, conferences and other events that have been reserved and details have been given for e.g. how many people to attend, what types of food required and where it will take place. Payments for pull productions serving these services are often paid in advance either partly or in full. The food is pulled by customer demand.

As for food sourcing, push and pull productions had different sets of conditions. Push production posed a greater challenge because of demand uncertainties. The data indicated that push production is associated with ‘the guessing game’, which is explained in detail in Section 5.4.2, and the hotel effort to attract customers. It was agreed that getting the demand forecast right was a tricky task. The consequences of getting the forecast wrong resulted in either not having enough food to sell or having food wastage. On the contrary, pull production was seen to be a straightforward task in terms of planning for what and how much food to source. Knowing in advance the demand for food and the revenue taken for food allowed hotels to have time to produce food and make the profit aimed for. There were, however, challenges relating to food sourcing and one of the potential challenges of sourcing for pull production relates to the reliability of suppliers.

## ***5.4 The Management of Hotel Food Service Supply Chain Themes***

### **5.4.1 The challenge of managing fresh food supply chains**

The SCM practice regarding product movement between echelons is characterised by a seamless end-to-end flow. The difference between manufacturing goods and hotel food service regarding inventory is that hotels do not store finished products as food service



products are intended to be immediately consumed. In this respect, the challenge in hotel food service supply chains lies in managing inventory of raw materials rather than finished goods. However, hotel food service requires fresh raw materials which have an intrinsic short-life, which creates specific management requirements.

Hotel food service productions comprise two types, push and pull, with pull production more likely to show the product flow characteristic reflected in SCM because supply chain activities are triggered by actual customer demand instead of demand forecast. The difficulties of managing push production supply chains in an SCM fashion are contributed to by *demand uncertainty* in two areas: business volume and demand variants, i.e. the variety of customer requirements. The uncertainty of demand and the stock of short-life raw materials pose difficulties to the management of the supply chain. In order to deal with the demand uncertainty, hotels employ business forecasts to assist them to anticipate demand from different markets. While some hotels have computer-generated demand forecasting, the forecast can only help to estimate the volume of food required by hotel guests and other markets related to push production e.g. conferences, functions; there remains uncertainty of demand for restaurant food which is also associated with variants of food requirements.

Business forecasting gives the hotel some ideas of food requirements but it only performs well with pull production related demand e.g. breakfasts, conferences, functions. The head chef from Hotel G18 explains that the forecast takes the number of hotel guests and gives an estimate of the number of people who will eat in the hotel restaurant. Similarly, he also uses a function planner to assist him with planning food requirements.

Hotel G18: We do a financial forecast. I have financial forecasts which will look at the number of residents, estimated number of diners for breakfast and lunch and dinner in the restaurant and also we have a two week function planner; any conference business will come up on that. That's the backbone that I work from.

He explains further how the forecast is prepared and functions. The quote below demonstrates that the hotel financial controller and food and beverage manager prepare the forecast and the head chef receives the forecast in advance and uses it to help him plan according to the customer requirements.

Hotel G18: It's not done by myself, it's the financial controller and food and beverage manager we've got to plan up. For instance for the reception team they made an input what rooms we've got booked, for instance what room we anticipate we will sell on that day, that sort of thing and obviously that just comes across an automatic sort of revenue from that aspect.

The above quote also implies that the forecast provides estimates from the number of hotel rooms booked and the amount of food budget for a certain period of time is calculated as the head chef described.

Hotel G18: Same with the food as well you know, we anticipate, food and beverage management anticipates twenty covers in the restaurant, twenty pounds per cover so it's four hundred pounds for dinner.

Although the chef did not go into detail in each business segments of hotel, it is clear that he works backwards from expected revenue guided by the number of hotel rooms booked.

Hotel G18: It just goes the whole week, we just come together, for instance I would have a figure of maybe next week, we anticipate doing fifteen thousand on food next week, so I have a figure of what anticipated business we're going to do, to work of.

By knowing the budget the hotel can spend on food, the chef can plan his pull-production supply chains to meet his target gross profit (GP). Another group hotel, Hotel G13, employs the same practice of using business forecasts which use the number of booked rooms to produce estimates for food required by hotel guests.

Hotel G13: we can look at a forecast report from the computer which would forecast how many people we'd be looking to feed for the following two days and we will prepare orders against that.

The forecast at Hotel G13 gives the estimates of people who are going to have breakfast in the morning. The room rate is inclusive of breakfast, therefore they can calculate the number of guests who would require breakfast based on the number of checked-in guests. The hotel only prepares the amount of food for three quarters of guests. See the manager's explanation in the quote below.

Hotel G13: A report [of the number of checked-in guests] tells them how many people would be here for breakfast and then they prepare breakfast for

roughly three quarters of the amount of those people, because not everybody will have breakfast.

Hotel G13 only offers breakfast and food for conferences. These food services are associated with pull-production where the estimates can be calculated with not much difficulty. As to push-production, demand for restaurant food is still uncertain. Hotel G19 describes the forecast limitation with regard to restaurant guests.

Interviewer: Do you have any tools to help you with that [estimates of required food] ?

Hotel G19: We did but it doesn't work here actually. The tool we did use took the business, the costs of the business and it gave us a number of how much we could spend on food but it doesn't take into account the restaurant in the evening. It just never worked out properly. It's pretty cool because that could really help you but it's never been set up properly to figure out what the restaurant numbers are going to be, because some people pay extra to come into the restaurant, some people are not interested because they are here to see relatives.

It is clear from the quotes above that demand forecast can only help with half of the task of estimating how much food is required; it does not help with demand variants. The rest of the challenge has to be dealt with by the head chef. How head chefs manage to meet the demand is explained in the next theme, *head chef as creator, memory and processor*. Another challenge is balancing the conflicting objectives of business functions of inventory management and customer service within the supply chain. In order to be efficient, hotels need to keep only required food inventory for production,

but to meet diverse customer requirements, they need to keep a variety of food. Two areas are now looked at: product offerings and inventory management.

In order to achieve expected GP and meet *customer requirements*, managing *product offerings* and *inventory* have become two of the most challenging supply chain problems. In order to meet customer requirements, product offerings have to cover a range of types of food and preparation method. Hotels in the study offer a range of product offerings that cater for customer needs and wants. See what Hotel I4 and G14 explain about the variety of food they offer.

Hotel I4: Our menus do offer very comprehensive choices of food and cater for different diets. There is a food choice on the menu. We also have a separate a la carte menu which has very well known dishes. If they don't fancy anything from the regular menu then they can choose things from the A la carte menu. We also have a vegetarian menu.

Hotel I4 describes above that they have a good choice of product offerings offered in three types of menu: the regular menu, A La Carte menu and vegetarian menu. Those are what the hotel usually offers. The hotel communicates their menus to their customers via their web site and also sends them off to their guests when requested.

Hotel I4: we offer a pretty good choice and the menu is on the internet for them to look at and if they ask us to send it to them through the post we do that as well.

The hotel manages special dietary needs in a pull-production supply chain by responding to customer requests if the guest lets the hotel know in advance.

Hotel I4: If someone has special dietary or requirements, then if they let us know before they arrive, then we are able to deal with that. If they do have special dietary requirements they can have special foods, and if they want something else and they put a request in to us at the earlier time we're more than happy to provide that as well

These special dietary needs are mainly related to food allergies. In the examples given below are flour, nut allergies.

Hotel I4 They can't have flour in their diet so we have to cook special food for them as all gravies normally have flour so we have to be very careful and obviously vegetarians and people who are allergic to nuts, again we cook special food for them.

Hotel G14 also describes the variety of product offerings they offer their customers.

Hotel G14: A great range, possibly 400 different menu choices, from toasted sandwiches and snacks to salads, soups, grills, vegetarian food, steaks, chicken, specials, all sorts. It's a huge, great menu. Then there is the full breakfast in the morning. Food is offered from 12 noon to 12 midnight. So a lot of food comes in here and goes out, there is a great cycle of feeding people.

The head chef of Hotel G14 explains further that the hotel has to stock materials for every item on the menu.

Hotel G14: you're going to need every item that you have on your menu, you're going to need one unit to supply one case, so to speak. So that's how we operate: for every thing we have on the menu we hold stock of one case for that item.

Regarding inventory management, Hotel I4 points out that in order to offer a wide variety of food they need to keep small amount of a lot of raw materials.

Hotel I4: In order to offer a good variety you have to maximise your space and to do that you have to keep small amount of a lot of products.

And the way they maintain their stock partly dictates their supplier selection.

Hotel I4: I order beverages generally once a week, with my food I'm ordering three times a week so in a space of three days I could run out of something but I will order it and replace it straightaway.

Interviewer: Does that affect the way you select your suppliers?

A In some way it does, yes. They have to be able to come on certain days of the week for me in order to maintain my stock to that way otherwise it wouldn't be possible. I would have to order more things which would reduce my choice if you like.

Hotel I4 indicates the relationships between the variety of product offerings, inventory management and supplier selection. He explains that in order to have a wide range of product offerings, to cater for the customer requirements and the fact that the size of hotel food storage is about as small as a garden shed, the hotel can only order small amounts of food at a time and in order to be able to offer the range of product offerings

they need to order every 3 days to maintain their stock of raw materials. In this way, one supplier selection criteria is the ability to deliver at least twice a week. What is more, Hotel SG1 points out the links between inventory management, the amount of items ordered and delivery frequency. The amount of food the hotel can order is, to a certain extent, also dictated by the space they have to store them. From the quote below, Hotel SG1 reveals that details of delivery e.g. the amount of order as well as the amount per item are specified by the hotel not their suppliers.

Hotel SG1: It [inventory space] can affect it, because the space within the hotel is very limited, the space here for example that we use 22 gallons of Carling lager, for example and they [supplier] say..well..you have to take you can only take a certain amount of order at a time We say no you can't do it because space is limited and we need to order twice weekly just to make sure that we've got space

Interviewer: Is it dictated by space?

Hotel SG1: It's dictated by space to a certain extent, yes.

The hotel further explains more about the reason behind food specifications required by the hotel.

Hotel SG1: ...quantities so we need to be specific about exactly what we want especially in terms of food so it can be cut down, reduced waste. We get a container bin that is going to be able to fit in the size of the fridges that we have.

The hotel food requirements are specified according to the production process, cooking time, temperature and these requirements are spelt out in the hotel policy.



Hotel SG1: It's got to be viable and obviously if we use [beef supplier]. for example, he can't come in and dictate to us how we're going to deliver it and what size of meat he's going to deliver. We would specify there and it's our policy says that we can't have it over certain amount of weight because cooking times and cooking temperatures and everything else in our policy will dictate to a certain degree how that meat is actually delivered to the hotel.

The pattern of hotel food ordering and supplier delivering patterns are discussed later in the section. This section will continue to look at product offerings and how the product offerings are developed and managed. It is found that product offerings in Hotel G14 are managed centrally and systematically. Hotel G14 is the only hotel in this study that uses a centralised menu. This menu is developed at the company level where there is a person responsible for writing menus which are supposed to be used by every hotel in the group.

Interviewer: Who decides the menu?

Hotel G14: The company decides. [Name of the hotel company] have a big head chef, like an executive company chef in the head office and they write all the menus.

This centralised menu is monitored and is regularly changed. See the changing frequency and how the menu is changed in the following quote.

Hotel G14: Everything on the menu is all past sellers. Anything that doesn't sell very well, if they want, the company will then take away that item.

Interviewer: And that's the head chef in the company?

Hotel G14: Yes. They are monitoring the sales records and they can see that that isn't very popular so that has been in the fridge or freezer a long time so maybe they remove it from the menu.

Interviewer: Does it change often?

Hotel G14: It changes about every 3 months.

The centralised menu then is used in every hotel in the group.

Interviewer: So, they [the hotel company] choose the menu and tell every hotel [in the group]?

Hotel G14: Yes

The practice of using a centralised menu by every hotel in the group, however, does not appear to be the case for every group hotel. Hotel G19 pointed out that only 10 hotels use the centralised menu despite the fact that 60 hotels are owned and managed by the hotel company, out of 72 hotels of the same brand. These 10 hotels are properties with the highest quality of the general hotel ranking.

Hotel G19: There are ten hotels accepting the menu at the moment – and that's the 5 star properties.

Product offerings developed by the head chef are found in both hotels with chef-centred configurations and hotels with company-centred configurations. It is found that these menus can be changed daily. As such, hotels are more flexible to change their product offerings to suit the stock of raw materials as well as customer requirements than those with centralised menus. The quote below shows how customer requirements are met by the flexibility of menu changing and improvising. What is more, the production staff

work together with staff in the front of house to facilitate the flow of product in fresh food supply chains.

The quote from Hotel G19 below shows how product offerings can be altered to meet customer food preferences.

Hotel G19: I had one man last night – he wanted a pork steak. So I just changed the old menu and on the new menu was the pork steak, so he had a pork steak for his tea. It was that easy.

The same Hotel describes the situation where they run out of a certain ingredient and cannot get a delivery of that ingredient from their supplier in time for service.

Hotel G19: Because the fish is expensive [to buy from non-suppliers] it is a lot cheaper if we tend just to take it off the menu.

Another quote shows how the hotel chef describes that raw materials can be prepared to suit customer requirements.

Hotel G19: If someone wants poached eggs, we've got to keep eggs for fried eggs so we just poach one for someone. Or the chefs can make things out of what we have got – we can improvise.

Furthermore, the head chef of Hotel I6 reveals that he works with the restaurant manager to facilitate the flow of certain items he has in stock.

Hotel I6: I would speak to the restaurant manager saying that if I need to get rid of this I would say try to push this and this and this, try to get rid of it and try not to get wasted or try to push the lamb as it's going to get wasted.

Hotel I6 also reveals the practice of changing the menu according to the stock of raw materials.

Hotel I6: We do change the menu around stuff we have if we need to get rid of what we have, we would try to push it in that way.

Changing the menu according to raw materials in stock was also practised by Hotel G16.

Hotel G16: What's in the fridge at the time; if there is something in there I need to use, that I'll put that on the menu.

Despite all the efforts of managing the fresh food supply chain of push production, hotels admit there is not much they can do regarding the uncertainty of demand. The conflict between the objectives of product availability and inventory management is still an issue.

Interviewee: Is there a time when you run out of food that your customer want?

Hotel I6: We have a busy night, it's not a major problem, everyone always run out of something. I mean it's a ridiculous thing it's a pain but it can't really be helped if you're not busy at that point and you try to keep your waste down, not to hold much stock and if it's a big demand on that day

for that product and you run out of it there is not much you can do really.

Hotel G19 explains that customer demand, even for push production e.g. hotel breakfast, is unpredictable. As shown in the quote below, just because the number of guests is known, does not mean they have total control over the amount of food required by guests.

Hotel H19: We have absolutely no control over that. We've done a breakfast for 300 and I've got bacon left and then we do breakfast 150 and I'm out of bacon. I cannot control what everyone eats: they serve themselves, they take what they want. If it was me, I'd have someone serving them but that is not company policy. They are not pressured into feeling they only have to have 2 pieces of bacon – if someone wants 6 or 7 they will take 6 or 7. It's a pain really, but if it's what the customer wants it's what the customer has.

Similarly, Hotel G13 expresses that the demand for breakfast is uncontrollable as the guests are allowed to serve themselves.

Hotel G13: [there is food wastage] when people are just greedy really they collect all the food on their tray and then eat what they want and leave the rest.

#### **5.4.2 Head chef as creator, memory and processor**

This theme looks at the multiple-roles of head chef in more detail. As can be seen from the discussion in the previous theme, the head chef plays an important role in hotel food

service supply chains, being involved from the first stage, product development through to the production stage. The degree to which the head chef influences supply chain activities depends on the hotel food service supply chain configuration, which in turn is affected by organisational characteristics. Head chefs are an important resource of expertise and knowledge required for the functioning of ‘the production plant’ of food service, the kitchen, and all activities going on within it. They work as creator, memory and processor that engineer the production. What is more, head chefs are also responsible for important management areas other than production management e.g. purchasing and inventory management. This theme looks closer at the mechanism of the management of the supply chain activities carried out by the head chef. It begins with the role of head chef as a creator with data from hotels whose product offerings were developed by the head chef. Then data on head chefs with the roles of memory and processor were interwoven into the first role.

The role of head chef as creator was drawn from their menu writing responsibility. All head chefs interviewed said menu writing was one of their responsibilities except two hotels, Hotel G13 and Hotel G14. Hotel G13 does not offer food service other than breakfast and Hotel G14 uses centralised menus developed by the hotel company.

Menu writing is a form of product development and in hotel food service the development appeared to be intuitive. Several concepts emerged from the data which characterised the mechanism of the product development process. These concepts include ‘menu as chef’s toy’, ‘a guessing game’, ‘a minimum’.

Menus do not only function as product offerings but also as a ‘tool’ to achieve target GP. The concept ‘menu as chef’s toy’ emerged from the data on menu development. Menu writing was perceived as fun, something to change when bored, something to play with and to change often. The attributes of ‘menu as chef’s toy’ concept are demonstrated by the quotes below. The task of menu writing was seen as a creative part of the job. Hotel G16 described menu writing as fun and important, so that he can try new ingredients.

Hotel G16: ‘[menu writing] It’s good fun though, you get to try new stuff which is important.’

Similarly, Hotel I9 saw menu writing as a creative task and he wanted to improve items on the menu regarding the taste and the presentation.

Hotel I9: Taste, look, presentation, you have to improve them that’s part of the cooking really. It’s a creative thing.

Hotel I9 also mentioned the reason why he changed his menus and that was because he was bored of cooking the same things on the menu.

Hotel I9: the menu once you’ve done it six months down the line you know maybe you might get bored of doing it.

Menu writing was not only done at work but also at home and the quote below implied that the menu was a product of chef’s imagination and creativity.

Hotel G20: 'When I get an idea in my head I write it down quickly... I do a lot of menu writing at home as well, not just for here. I get a lot of strange ideas.

Hotel G16 also said that he had menu ideas when he was doing something else.

Hotel G16: Something just clicks in your head when you're doing something.

The quotes above show that chefs do not view menu writing as just part of their job but as something they think about outside working hours and more importantly they saw the task of writing a menu as creative. As to the frequency of menu changing, menus were changed often and some changed their menu daily.

Interviewer: How often do you change your menu?

Hotel G16: Everyday at the moment.

Hotel I7 explained that it was one type of menu that he changed everyday and every night and the rest of the menus were changed on demand. The menu that was changed often was Table d'hôte or set menu.

Hotel I7: Table d'hôte every day. Table d'hôte every night. A la carte I would say once a month and weddings is for every wedding the menu is different we have a base I offer different produce that they can choose from every wedding is different basically.

Menus were not just changed according to what was there in their inventory or chef's imagination but they were adjusted according to the price of raw materials. Hotel G17



changed his menu for this reason. The menus at Hotel G17 were also changed often, everyday or twice or 3 times a week.

Hotel G17: We've got the set menu, we've got specials which we do if not every day, then at least 2 or 3 times a week. I find out from suppliers what is cheap. I play with it like that.

Other than changing the menu according to the raw material price, chefs change their menu according to the response from customers. Similar principles were used by the hotel company as when changing their standardised menu, the items that were sold well were kept on the menu and the items that were not so popular would be taken off the menu. The differences between the menu changing practice of the hotel company and the chef were the pattern of changing and the change mechanism. The frequency of menu changing was dependent on the judgement of the chef rather than changing on a regular basis as happened in the hotel company. Changing of items on the menus by head chefs could be done in a more immediate manner to respond to customer feedback. The hotel company monitored their sales of food and adjusted their menu accordingly. Head chefs also changed their menu corresponding to sales. The mechanism of introducing and changing menus is now discussed.

Product offerings mainly came from the head chefs themselves and were put on the menu for trying and refining in response to customers. The concepts that appeared in the processes of producing and receiving feedback about product offerings are 'process of elimination' and 'a guessing game'. Below are quotes from hotels about these concepts.

Hotel G16 explains that he only put items that he thought would sell, on the menu.

Hotel G16: I just simply put them on the menu, say, when I come up with an idea  
for something to try.

The head chef experiments with different dishes on the menu as a process of elimination, the popular items stay on the menu and those that are not popular were taken off the menu.

Hotel G16: 'I try some dishes out and see if they sell and if it's popular you put them on again, if it's not popular you take it off so it's a process of elimination.'

The same 'process of elimination' was found at other hotels.

Hotel G17: The things that sell the most, that's what we keep on and things that don't go very well come off the menu.

Hotel I9: You put something on the menu; sometimes something didn't work out very well, you know, you take it off and replace it with something else.

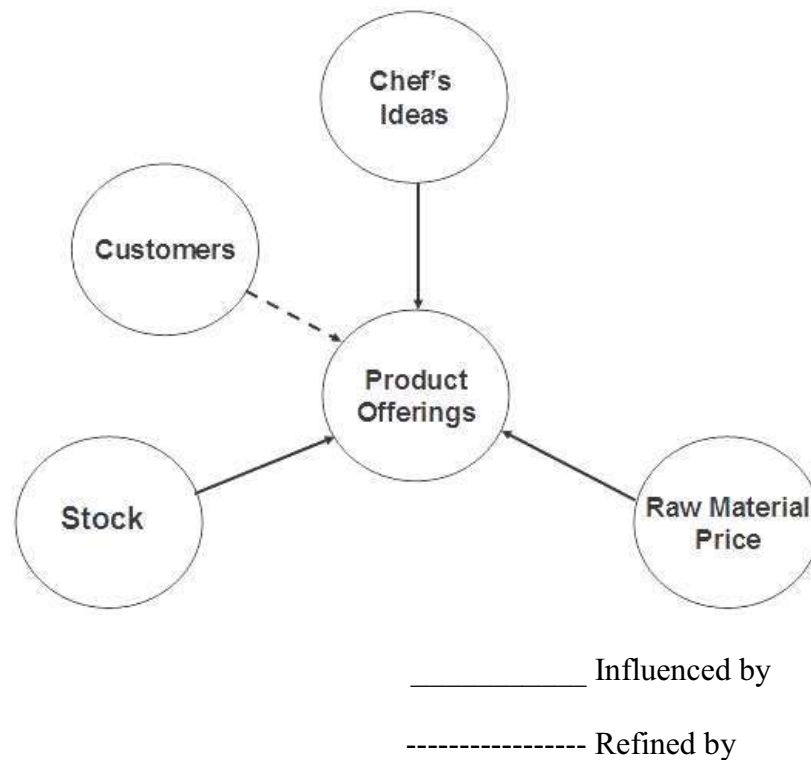
The process of elimination started from introducing product offerings to customers via menus. The chefs explained that product offerings, despite being a product of their imagination and creativity as explained earlier, were a rough guess at the start. Because of the demand uncertainty involved with push production, challenges of meeting the demand and keeping minimal inventory were constant. The activity of demand forecasting was revealed by Hotel G12 as 'a guessing game'

Hotel G12: 'I don't know what we're going to sell so it's just a rough guess...  
it's just a guessing game really'.

In the same way, Hotel G17 guessed what he would produce and saw customer demand as a natural happening.

Hotel G17: Oh you just guess. If I know that during the week it sold well, then  
I'll produce more, if it doesn't go terribly well I won't produce so  
much. It's just a natural happening,

The chefs had two challenges regarding product offerings which related directly to their management of inventory: one was product variants and the other was the amount of raw materials to hold in stock. So far product offerings appeared to be mainly a product of chef's ideas and at times these product offerings were influenced by stock and the price of raw materials. Once the product offerings were experienced by customers, they were refined according to customers' responses. The relationships between these factors are shown in Figure 5-1 below.

**Figure 5-1 Factors Related to Product Offerings**

Source: Author's fieldwork

Head chef as memory was found to be in two areas: sales history, which was utilised as a base for adjusting product offerings, and level of inventory (stock). While the word *memory* was used in order to emphasise information stored in a person, 'head chef as memory' also related to 'experience' at the hotel that normally took time to acquire. The same was true with an inventory aspect of head chef responsibilities. This memory and experience of the head chef can be viewed as a form of tacit knowledge, the practical knowledge used to perform a task, which functions as background knowledge that assists in accomplishing the task that is in focus (Sveiby 1997:30). As Polanyi (1966:4) puts it 'we can know more than we can tell'. It was found in this study that how chefs managed food supply was not always articulated. Hence, knowing how to manage food supply is sometimes not consciously known by the chef.

Having discussed the factors that influence product offerings, the process of refining is now examined. It was found that the response from customers to the product offerings was used to refine the menu. Head chef received information from the customers via the waiting staff or by themselves if there were opportunities for them and the customers to meet. Feedback on food was in verbal and non-verbal forms. Waiting staff were an important medium for sending and receiving information between the head chef and the customers. Hotel G12 explained in the quote below that the waiting staff was the way that he heard what this customers had to say about the food.

Interviewer: How do you learn about your customers food preferences?

Hotel G12: Basically just asking the waiting staff because the waiting staff talks to customers and we can get back the comments.

He also talked about the response to customers' complains.

Hotel G12:...if any dish doesn't get a good comment on, we have to take it back, like we had a soup cheese on last month we had a very bad comment about it. I personally thought it's very good, the flavour is nice and different and in one night we had two complaints so I take it off the menu, we took it off and put something new on.

Hotel I9 explained that he relied on the waiting staff to give him customer feedback and also observed the returned plates.

Hotel I9: you rely to a certain degree on feedback from the waiting staff, what customers have said, are they happy or not and you look at the plates when they come back.

The quotes above show the process of elimination according to customer feedback.

Thus far, demand forecasting with regard to product variants and business volume appeared to be unknown for head chefs at the start. The chefs employed their ‘common sense’ in managing the supply chain activities. Despite guessing what and how much would be required by customers, certain factors were taken into account when forecasting the demand. These factors were ‘business cycle’, ‘location’ and ‘clientele’.

Business volume was associated with ‘business cycle’: days of the week and times of year which are associated with events in a calendar year, school term or non-term times. ‘Location’ was suggested to relate to product variants, type of food required. Hotels situated in a city area tended to be busy during the weekdays, school term-time and calendar events such as Valentine’s Day and Christmas period. Food stock was managed according to these peak and off-peak times. With regard to the forecast of product variants, ‘clientele’ and ‘the weather’ were mentioned as factors used in ‘a guessing game’. Hotel I9 explained that understanding the ‘business cycle’ was gained through experience.

Hotel I9: It’s really an experience of what the customers like and what’s on the menu and how busy you think it’s going to be from the diary and so on, it’s like Valentine’s night we’re going to do forty covers. It will be full you know.

The head chef also explained the relationships between ‘location’ and ‘product variants’ which in turn related to ‘clientele’.

Hotel I9: ...everywhere it works different, you could put one dish on in one restaurant and you sold a lot and you put it on in another one it and won't sell at all, because you have different kinds of people; it's the food we do here, if we put it on in a restaurant in Torquay, it probably wouldn't go down very well because they've got lots of families and older people on holiday, they want more sort of traditional English, almost fast food, and if you put the food on in a certain hotel in Torquay, like you put on here, it wouldn't work, people complain because it's a different type of customers you're attracting.

The 'clientele' was brought up again by Hotel I10.

Hotel I10: any place that you work you have your clientele, you learn what sort of clientele or customers you again like; here the customers are very red meat based, if you put fish next to red meat red, meat always oversells fish, but in previous establishments where fish would sell over red meat, you know you gain your customers, you get to know that.

The weather factor was mentioned by Hotel G12 as part of 'a guessing game'.

Hotel G12: ...sometimes it's very difficult to judge I mean tonight we're doing two hundred people in this restaurant and the other restaurant and I don't know what we're going to sell so it's just a rough guess. It's quite cold outside, we're not selling a lot of fish because people like to eat meat and warmer things when it's colder.

Although the task of getting the business volume and product variants to meet customer requirements was seen as 'a guessing game', chefs' guesses did improve through

experience. Additionally, the accuracy of the demand forecast depended on not only the experience of the chef in the hotel food service industry, but also the experience at a particular hotel. Head chef as memory with regard to demand forecasting and inventory management, therefore, meant new a chef would have to play the guessing game at the beginning of the job. Additionally, high job mobility of chefs means hotels lose this knowledge and expertise every time the chef left. It was evident from the concept ‘a guessing game’ and ‘a process of elimination’ that knowledge retention with regard to customer preferences and inventory management at property level was low. The quotes from the following discussion support this low knowledge retention issue at individual hotels.

Another important management area, inventory management, was also related to ‘a guessing game’. Knowledge and experience of the head chef were imperative in managing hotel food supply. It was, again, found that head chef was the person who has the information regarding inventory management. The practices employed by hotels were ‘a minimum’, the amount of food held at all times as ‘a reserve’ or safety stock, and ‘run out and replace’, a practice of replenishing stock when empty. A factor that could impose difficulties on ‘a minimum’ was found to be suppliers’ ‘delivery pattern’.

In an ideal situation the food required by customers should be equal to what the hotel had in stock at the time, so that at the end of the day all the food stocks were finished. In reality this ideal situation did not happen for the following reasons. Food had to be stocked at all times in the hotels that provide food service, ‘around the clock’, e.g. restaurant and bar services, and room service. Not getting the required raw materials due to unavailability in the market or failed delivery meant certain amounts of food had



to be in stock at all times to sustain production. Inaccurate demand forecasts resulted in excess food or lack of food products for sale, with consequent impacts on GP. The strategy to have enough food for sale and not having too much in stock is defined as ‘a minimum’,. Once the amount of food held was less than ‘a minimum’, food was ordered to top the amount up to a minimum again. Although some hotels can afford to use a ‘lean’ strategy, run out and order as found in Hotel I5 and Hotel G13, most hotels kept a minimum.

A minimum amount of food kept in hotel was a simple approach for maintaining an efficient production, however, not all hotels had this practice in place. The head chef was the person who determined whether to have a minimum and what a minimum should be. Hotel G20 said that he initiated the use of ‘a minimum’ at the hotel.

Hotel G20: ‘I’ve done that [keeping a minimum] since I started. There was nothing like that in place when I started – it was people just ordering what they wanted.

An investigation was carried out to understand how ‘a minimum’ was derived by the head chefs. It was found that ‘a minimum’ was not determined by the size of food production but by the chef’s routine practice. The head chef at Hotel SG2 described that he had always worked with the same number of ‘a minimum’.

Hotel SG2: Hmm..It’s kind of something that I do with my eyes closed, now I don’t think too much about it [i.e. a minimum]. I usually aim for about, you know, approximately twenty portions of each thing for a day ,you know, that’s a general guide. If I had twenty duck breasts twenty Plaice fillets, twenty of this twenty of that. I should be fine then...

Interviewer: Where does the number twenty come from?

Hotel SG2: [laughing] I don't know. I always work on twenty.

'A minimum' was estimated in a similar fashion as 'a guessing game'. Hotel G20 explained that 'a minimum' was worked out by trial and error at the beginning and it was refined as the chef was familiar with the volume of business and the product variants required. Chef's memory of sales for a certain period of time e.g. last week or last month was used to draw a pattern of food sales.

Hotel G20: First of all, it was a bit hit and miss. We were running out of things and then we'd have too many of things. We work on roughly one tin of baked beans per day, and then on a Sunday we'd normally use 2, because we normally have more people staying on a Saturday night than we would on a Monday night, for example. So that's the way I've worked that out.

The *memory* that head chefs retained included 'a minimum'. A new head chef at Hotel G15 described the challenge of estimating 'a minimum' at an unfamiliar working environment.

Hotel G15: It's difficult when you are new, when you come to a new place ...you have to get used to all the business of the hotel. How much food is going out on a daily basis, it takes time, I'm still judging really everyday

The head chef at Hotel G15 believed that he should know what stock he held all the time.

Hotel G15: Basically now if you ask me how many tins of baked beans I have in the room, I should be able to tell you I have eight or I have twelve or I have none. You should know exactly what's in the fridge all the time.

He also implied the impact of delivery on his stock. There was no guarantee that they have enough raw materials during the period they did not have food delivery.

Hotel G15: It's a bit of a gamble, honest. Especially when it's quiet and specifically during the weekend, that you can't have delivery when you're not here, we wish, we hope, that we have enough.

It was found that during non-delivery days hotels increased the level of inventory. Hotel G20 had an experience of running out of food.

Hotel G20: That [running out of beef] only really happens on a Sunday when on the Saturday you did more than was expected. But we've overcome that problem, we tend to freeze more, we buy a bigger batch and freeze. You get 2 deliveries a week rather than one every day because it didn't work like that, so you get a big order twice a week.

This particular food supply was from Scotland and the supplier only delivered twice a week. The use of suppliers and the delivery factors are discussed in more detail in the next two themes.

### **5.4.3 Using and collaborating with suppliers**

As we can see from the first two themes of managing hotel food service supply chains, hotels face the constant challenge of managing the balance between meeting customer requirements and managing inventory in order to achieve the expected GP. Suppliers not only play a vital part in supplying raw materials but also, some hotels utilise their suppliers in menus and brochures in order to add value to and distinguish their product offerings from their competitors. In this section, hotel supplier relationships are examined. It was interesting to find both traditional arms length relationships and long-term cooperative relationships between hotels and their suppliers. The conditions where these relationships were found are discussed.

Fresh produce suppliers as well as their produce were utilised as a selling point of foodservice outlets. Local suppliers and producers who are local, suppliers of special quality produce, as well as the attitude of chefs towards their suppliers were communicated to their customers. For example, names of local suppliers were worded on the menus as can be seen from part of the menu:

...Ingredients wherever possible come from local producers and suppliers, some of the suppliers we use are: [name] butchers, [name] fruit & vegetables, [name] dairies, [name] farm...

Source: Hotel I11's menu

Hotel G20 stated their menu indicated a specific type of meat from a specific supplier.

Hotel G20: In our menus, it is printed that we use [name] beef, our steaks are from [name] Estate.

The quote below shows that fresh produce was specifically sourced, identifying the breed of animal and how the production of the particular raw material was carried out.

Hotel SG1: We will go out to the farm, speak to the farmers and actually see how everything is run on the farm, we want to know exactly which breed and any meat it's actually coming from, so we go and source an individual item from a different supplier.

The hotel also advertised produce and suppliers within hotel restaurants. Hotel SG1, for example, advertised the attitude of the head chef towards suppliers. The quote below indicates their positive attitude towards sustainable sourcing, in terms of the use of local food, and the relationships between the hotel and their suppliers.

Hotel SG1: I expect all my chefs, wherever we are located, to create meaningful relationships with farmers, growers, fishermen, food producers and suppliers.

Special types of ingredients were promoted in some hotels, but across all types of hotel was the promotional use of local produce. It was also found that specific quality ingredients were not always sourced locally. Hotel G12 sourced local produce as well as specific produce from a certain part of the world.

Hotel G12: I've been ordering French Quail from a certain region in France.

Hotel I5 also implied the quality of produce from outside England.

Hotel I5: Things like smoked Salmon, we get it flown down, it's all ice packed from Scotland.

Despite the conflicting evidence between the portrayed attitude and the actual practice with regard to local food, hotels used their suppliers as selling features of their product offerings. Hotels also used their suppliers to help to achieve their GP. Because suppliers contribute directly to their costs, practices that reflect arms-length relationships, using two suppliers per type of food and deliberately making them compete, as well as the practice of sharing current supplier prices with potential supplier in order to receive lower prices, were widely found.

Lower prices of raw materials were continually sought by hotels, mainly for dry food. Prices were compared from different suppliers and the cheapest ones were often chosen. Hotel I4 utilised a spreadsheet to help him choose the cheapest items from different suppliers. It was viewed as an advantage by the hotel, as they paid the cheapest price for the products they bought. The owner manager commented in the quote below that he had more suppliers than hotels normally have. The researcher named the practice as 'mix and pick'.

Hotel I4: I can get something from different suppliers for cheaper price, instead of having one supplier I have four main suppliers. I do the same thing with the beverages side of the business as well. Normally hotels have one supplier for that I have three.

Table 5.1 shows a part of a spreadsheet used to compare prices from four different suppliers. The products compared in Table 5-2 were told to be of similar quality though the brands of each item were not literally verified by the researcher.

**Table 5-2 Example of Spreadsheet Used in a ‘Mix and Pick’ Strategy**

<b>Product Description</b>	<b>Supplier A</b>	<b>Supplier B</b>	<b>Supplier C</b>	<b>Supplier D</b>
Polish Potato Pearls	<b>40.72</b>	45.50	-----	54.82
Pickled Onions in light Vinegar	<b>5.43</b>	7.52	12.84	10.34
Pickled Sliced Beetroot	<b>8.87</b>	9.78	-----	12.28
Pickled Capers	5.63	<b>5.62</b>	-----	6.17
Baked Beans & Tomato Sauce	13.24	12.46	-----	<b>10.72</b>
Red Kidney Beans	<b>3.79</b>	3.80	-----	4.23
Butter Beans	<b>6.67</b>	7.40	-----	7.75
Chick Peas	4.76	<b>2.78</b>	4.78	5.72
Peeled Plum Tomatoes	<b>2.12</b>	3.95	3.61	3.99
Chopped Tomatoes	<b>2.12</b>	4.14	3.40	3.99
Tomato Puree	-----	<b>22.19</b>	-----	22.79
Bamboo Shoots	9.20	<b>8.50</b>	-----	-----

Source: Hotel I4

A similar practice was found in Hotel SG1 where raw material prices were compared but Hotel SG1 is a group hotel and they also communicated with hotels in the group about suppliers with lower prices.

Hotel SG1: We're all looking at new suppliers, and we've got new suppliers for the (group name) the executive chef in (a place in the UK) might say well.. I've got this great product that we can use. It's 10 pounds cheaper from, whatever it is, the same quality so then that will become a new product for us.

‘Price competition’ was a similar practice to ‘mix and pick’ but suppliers are aware of the competitor being compared with. ‘Price competition’ practice was seen as exploiting

suppliers by way of making them compete on price by sharing the supplier competitor's prices. Hotel I4 and Hotel I6 expressed that they tried to put the prices down by showing prices of suppliers' competitors.

Hotel I4: I share their competitor's prices with them [the suppliers].

Hotel I6: They [suppliers] give you a certain price, a good way to do it is to go to another supplier say ok right can you beat it as it's going to help your GP.

Other than making suppliers compete on price, hotels employed 'a two supplier strategy' in order to maintain good quality and price of particular produce received from the suppliers. The sous chef at Hotel G12 commented on the strategy they used in the quote below where he explained he had two fish suppliers and he switched between them as suppliers often put the price up and did not maintain good quality.

Hotel G12: There are two different fish companies and we kind of move around a little bit and change it every now and then. You find if you're a new customer they look after you a lot. As soon as you've been a customer for six, seven months they start...the quality slips and they start charging you more. So, to keep them on their toes you swap the company again and then they are like "oh, welcome back!" and you get good price and good quality.

The chef further commented that if he had only one source of supply for fish he would be charged as much as the supplier wanted.



Hotel G12: If we had only one, then caught over a barrel, they can charge us what they like

The head chef explained that his fish suppliers tried to compete with each other in order to get the business from the hotel. Therefore, he received better products from them all the time.

Hotel G12: You have to barter people against each other, but these two fish suppliers they know I use different suppliers and they want the business so they try to compete with each other send better products, better fish all the time.

It was also viewed as smart to use ‘a two supplier strategy’ to get a better price. Hotel SG2 expressed this view as well as a lack of trust, as displayed by Hotel G12 above regarding product price.

Hotel SG2: ...it’s smart to have two of each [suppliers for the same type of food]...if one’s price is too high then other one is lower. If you only have one butcher then they will charge you whatever they want, you know.

Having discussed arms length relationship characteristics found between hotels and their suppliers, long-term cooperative relationships are now examined. The concept ‘a good relationship’ emerged from the data. ‘a good relationship’ appeared to be associated with ‘a help’ and ‘knowledge’. What is more, ‘competency’ was found to be a prerequisite of the concept of ‘a good relationship’. These concepts are now examined in more detail.

Hotels occasionally needed help from their suppliers with managing their food supply, 'a help' was found in two main channels: 'a new chef', a new chef in a new area setting up their supplier base, and 'a rescue', an emergency delivery. The concept 'a help' is interrelated with 'knowledge' as often 'a help' was to provide 'knowledge' relating to food supply or suppliers. In the first context 'a new chef', Hotel SG2 and SG3 described their difficulties setting up a supplier base at a new work place and explained how they received 'a help' from suppliers.

Hotel SG2 described below that he used his supplier to help to set things up at his new work place.

Hotel SG2: [the supplier's name] came in and he was very helpful because it was such a hard job when I came in to set things up, you know, for me doing the ordering, in a new place, in a new hotel, without any help, really I kept calling him at one or two o'clock in the morning, you know, I need this, I need that and, you know, all the time he was very helpful

As Hotel SG2 said above, he was approached by suppliers. It was in the suppliers' interest to serve hotels as 'a help' hoping to have their business, especially when it was a new chef in the area. Hotel SG2 knew the fact well as he stated in the quote below.

Hotel SG2: ...smart suppliers they have their ear to the ground, when they know a new chef is in town, then they come running, you know, because they make business.

Similarly, Hotel SG3 used local suppliers to find out about other suppliers in the area.

Hotel SG3: I'm quite new here, I don't know the suppliers completely, I take help from the local people, you know, I got the local butcher who is on the corner [name of the supplier] which I can ask him where's the best cheese you can get? because he buys cheese, so he told me.

The other context when hotels needed 'a help' is 'a rescue'. The concept 'a rescue' has a reciprocal relationship with 'a good relationship'. For example, Hotel G12 described a situation where the hotel did not get their bread delivery but their meat suppliers would step in to help and buy bread for them when this occurred.

Hotel G12: ...they [supplier] ring up the night before and say they haven't got something. We haven't got any bread.. How can you not have bread?  
It's impossible.

Interviewer: What did you do?

Hotel G12: We're lucky because our meat suppliers will go and buy bread for us if we need it.

Other than helping hotels when they had no delivery of certain products, suppliers also helped hotels when they needed 'a favour'. Hotel I4 explained that having a good relationship with their suppliers, they were more likely to help him. In this case, the help was about delivery out of a normal delivery pattern.

Hotel I4: If we have a good working relationship with your suppliers they are more likely to do you special favour when you need it, they deliver when they don't normally deliver. It's very important to keep a good relationship with them.

Hotel SG1 described the supplier that they had a good relationship with, as the one that knew what they wanted, as well as the one that could supply them with items that they could not get from other suppliers.

Hotel SG1: He [the supplier described as having a good relationship with the hotel] knows what you want and he can get what we need to order, anything else out of that box that is.. he can get that for us as well ..speciality items not necessarily got from a normal supplier.

Another form of ‘a help’ was to supply things at short notice. Hotel I5 described his suppliers as worth their weight in gold if they could supply things within a day.

Hotel I5: Basically, you know, if they can supply things at short notice - say you’ve got a function or something like that , when you need some special product within, you know, 24 hours if they can do that for you, then it’s...then they’re worth their weight in gold, really.

‘A help’ was also found in a volunteering form. Hotels gave examples of how their suppliers helped them with events hotels undertook. Hotel I5 talked about his drink supplier in this regard. Although it was a drink supplier, the example did explain the form of help the hotel received from their supplier which was regarded as a factor contributing to ‘a good relationship’

Hotel I5: if I have anything like gourmet nights, she will come for free and talk about the wines. So, she is great.

Hotel SG1 asked their supplier to donate food or drinks for a charity dinner. It was a voluntary form of help from their suppliers.

Hotel SG1: We do a charity dinner each year and we ask our suppliers to donate some dish or wines for the charity dinner.

The concept of 'knowledge' also contributed to 'a good relationship'. For example, knowledge of produce provided by suppliers was considered by hotels as beneficial. Hotel G12 not only linked the concept of 'a help' and 'a favour', but also 'knowledge' to 'a good relationship' in the quote below.

Hotel G12: It's very important to keep a good relationship with your suppliers you know you never know when you need a favour... not only that, you get other than that... they tell you what's happening so it's important to keep a good relationship with your suppliers.

The sous chef at Hotel G12 also mentioned his vegetable suppliers regarding their knowledge on products.

Hotel G12: They are very knowledgeable about certain products in the markets...they're good, you know, because they are seasonal as well as everything.

Gaining knowledge about product availability was viewed as a difficult task, as Hotel G15 reveals.

Hotel G15: It [i.g. figuring out seasonal produce] can be very tricky to know which to remember what product you get in, which season it could be very confusing because everything is available at all times.

Therefore, receiving external knowledge of what is available and when, could help hotels with their supply chain activities e.g. developing product offerings as well as selecting produce that would contribute to their target GP.

Hotel G17: I find out from suppliers what is cheap and what is not cheap.

The knowledge about produce flows from supplier to hotel and this can be viewed as a process of knowledge transfer where the knowledge of fresh produce regarding type and price diffused from the supplier side to the hotel side. This knowledge transfer process was found to be initiated by both sides. Hotels as initiators of the knowledge transfer process occurred when hotels used suppliers as a source of knowledge. As shown from the quote above, Hotel G17 sought information on prices of produce from their suppliers when he changed his menu which was done everyday or a few times a week. Hotel G12 also sought knowledge about produce from their suppliers. Suppliers were also initiators of transferring product knowledge. Hotel I9 pointed out that the product availability of seasonal vegetables, was information he received from his supplier. Hotel G12 mentioned the same point where suppliers called them and updated them with produce availability.

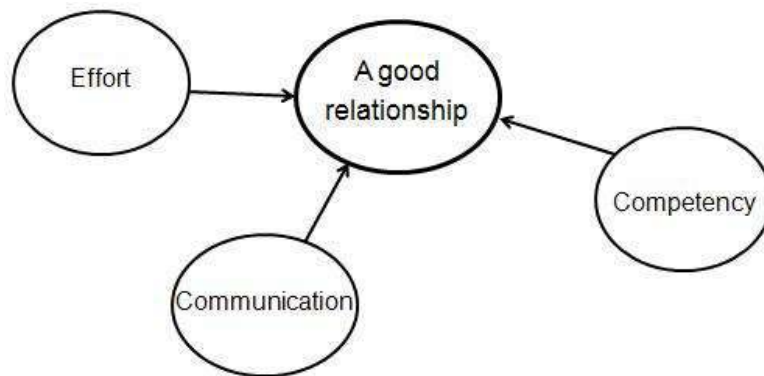
Hotel I9: If one thing comes to an end, we go on to the next product which is in season and so a lot will depend, say vegetables ,what he's [the name of his supplier] growing, he'll tell us what he's got and we'll build our menu around it.

Hotel G12: The vegetables suppliers are very good. Because they ring up every night so I don't forget - very friendly and they talk about the quality of the products which makes it easier if you want to order something a bit different.

Hotel G12: [it is good] if you know someone who is able to tell you when is the season or I've got a very good lamb coming in tomorrow I've got some good fish coming in tomorrow

The quotes from Hotel G17, I9 and G12 indicated that knowledge about product availability together with price and quality from suppliers was used to feed into the process of menu writing. It can also be seen as collaboration between hotels and their suppliers with regard to product development and revenue generation. It is clear that the collaborators in this case were fresh produce suppliers.

So far the concept 'a good relationship' has been discussed and the relation of the concepts, 'a help', 'a new chef', 'a rescue', 'a favour' and 'knowledge' to 'a good relationship' have been shown. These related concepts were situational in nature. Next other factors that contributed to 'a good relationship' are examined. By asking the hotels 'what makes the relationship work?' another two concepts emerged: 'communication' and 'competency'. Figure 5-2 illustrates these three properties of the concept 'a good relationship'.

**Figure 5-2 A good relationship concept and their properties**

Source: Author's fieldwork

Another property of 'a good relationship' was 'communication' with dimensions of 'frequency' and 'manner'. Suppliers that were described by hotels as the ones with a good relationship with them, appeared to communicate with hotels often in a friendly manner. It was found that the mode of communication preferred was often face to face. Here are some answers to the question, what makes relationships work?

Hotel G18: probably to communicate, talk to somebody rather than dealing with the computer

Hotel I7: ah communication

The above respondents explained that they got along well with a particular supplier because frequent communication both by means of telephone and face to face. Other respondents talked about suppliers they regarded as having a good relationship with:

Hotel G18: I probably say [name of supplier] because they supply us six days a week we speak to somebody six days a week, you know, [therefore we have a good relationship with them]



Hotel G12: 'they [supplier] ring up every night so I don't forget. [they are] very friendly

As can be seen from hotel G18 and G12 quotes, 'a good relationship' concept so far comprises 'effort', which can come in the form of 'favour' or 'knowledge', whilst 'frequent personal communication' also related to the concept 'a good relationship'. Two more quotes below show another property of 'a good relationship', i.e. 'communication'. The property 'communication' also worked as a means hotels and their suppliers used in order to build and maintain 'a good relationship'. Hotel I7 explained how he was satisfied with his vegetable supplier with regard to communication and supplier responsiveness.

Hotel I7: my veg [vegetable supplier] coming here to see me so we just talk if they asked to come to see me they come straightaway

Hotels highlighted meeting their suppliers face to face when they talked about their good relationship with them. The same is true with hotel G18, mentioned above, where human contact was preferred to dealing with suppliers via computer. The quote from Hotel SG1 below also highlights face to face communication as a contributor to 'a good relationship'.

Hotel SG1: 'he [a supplier] comes in, has a chat, makes sure that everything is alright ..good.. good strong relationships there

The quote from Hotel G18 added another property of ‘communication’ with regard to ‘a good relationship’ which was ‘frequency’. From the quote above, the value of ‘frequency’ can be said to be ‘often’ as the respondent explained that he met his suppliers 6 days a week.

So far ‘a good relationship’ has been associated with ‘effort’ which is closely related to the concept ‘a help’, and ‘communication’. Although hotels seemed to be satisfied with the relationship with their suppliers, because suppliers made an effort to be ‘a help’, and responded to the ‘favour’ hotels required. However, if we look closer into the data we can see that the foundation of ‘a good relationship’, which is considered the main constituent of the concept, was suppliers’ ability to do their job properly. This means supplying hotels with the ‘required’ products at a ‘sensible’ price, getting the delivery done ‘properly’; getting the order correctly, regarding type, quantity, size of each item, and delivery at a certain time the hotel required. All of these things that contribute to the ‘doing their job properly’ concept were named ‘competency’. Here are some quotes that describe the supplier’s competency when ‘a good relationship’ was mentioned.

Hotel G18 : ‘(relationship is) very good, obviously they got into a situation where they know what produces are what we use, what price I’m looking for, delivery is good fourteen months and I never had a product that I had to send back to them, because the consistency of the products has been good

Hotel G18 pointed out the product, price and delivery the supplier with a good relationship provided met his expectations. The delivery aspect was further found to be associated with the quantity in terms of size of food items.

Hotel SG1: ...the head chef will speak to them to make sure that we are getting the containers in the right size that we should get them.

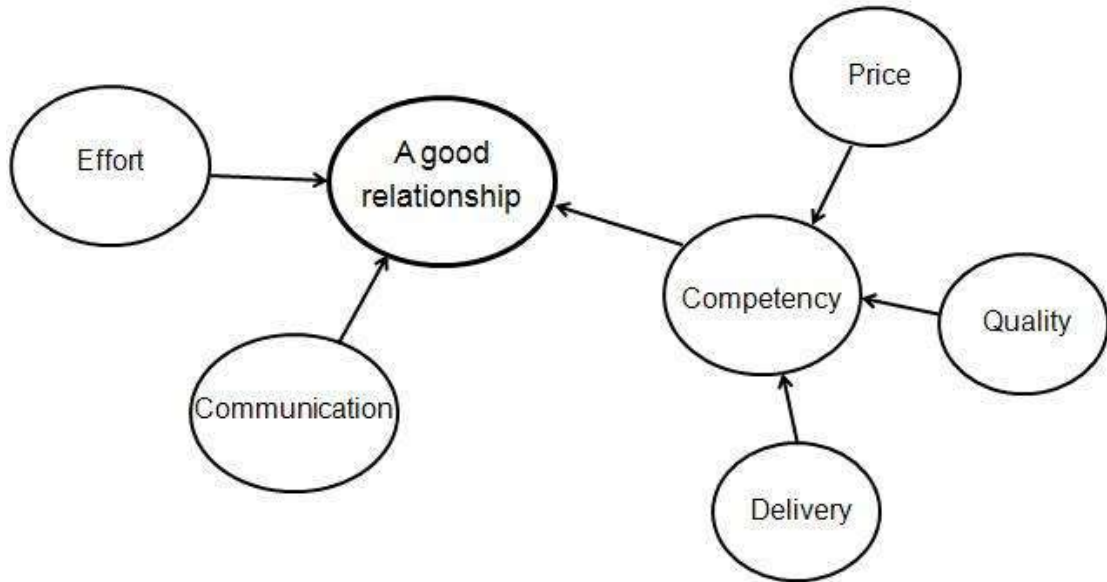
What is more, delivering at a certain time was also part of what suppliers were expected to do. Hotel I6 explained how he arranged his suppliers to come in at certain times in the day. The quote below shows that certain delivery times were important to how the hotel managed their food supply and therefore delivering at certain times was logically interpreted to have an effect on how suppliers were considered competent.

Hotel I6: Normally the way it works is you try to set your supplier to come in at certain times, when you're happy, so they don't come in all at once. Certainly my fish comes in early in the morning between seven or eight in the morning. I have my fresh veg normally come between eight and nine .. and my meat will come in nine or ten and I get my dry store and frozen after ten so it will not have contamination and you can manage your store that coming in.

The quotes above from Hotel SG1 and hotel I6 were about aspects of delivery, although they were not in the context of 'a good relationship' in the interviews, they enhanced the understanding of other aspects associated with delivery which related to the concept 'competency'. Moreover, another two properties of the concept 'competency' were 'price' and 'quality'. As can be seen from the quote of Hotel G18 above, 'price' was mentioned in association with 'a good relationship'. Another property, 'quality', was derived from the Hotel SG1 quote shown on page 131 and 'everything' mentioned in the quote was interpreted to be 'delivery', 'price' and 'quality'. Therefore, 'a good

relationship' properties included 'effort', 'communication', 'competency' and its properties as shown in Figure 5-3 below.

**Figure 5-3 'A good relationship' and 'competency' concepts and its properties**



Source: Author's fieldwork

The concepts 'price', 'quality' and 'delivery' were not only properties of the concept 'competency' but they themselves in the end formed the third category of this study, 'three elements to worry about' which now are looked at in more detail.

#### **5.4.4 Three elements to worry about**

The three aspects that kept coming up in the data with regard to food sourcing were price, quality and delivery. Evidence for these components was found in the five stages of strategic sourcing. The three elements of this category are described in relation to these strategic sourcing stages in order to put the concepts 'price', 'quality' and 'delivery' in the strategic sourcing context. It began with the first stage, menu writing, and carried on through to the final stage, adjustment.

Price, quality and delivery aspects were involved in every stage of food sourcing, but not all of them appeared to be of equal importance. At the very first stage, menu writing, price and quality of products were the main aspects taken into account. Price of ingredients contributed to the gross profit, GP, and for this reason products were chosen by the chef with profit in mind. Chefs may portray their beliefs in local food sourcing, but the main aspect had to be there, the price of products had to allow them to meet their profit goal. Quality of produce also influenced menu writing and was the main cause of menu changing. Food seasonality was the main cause mentioned by the respondents for the change of menu. As seasonal food contributes to the quality of food, a connection between quality of fresh food and menu writing was made and therefore quality as well as price influenced the first stage, menu writing.

At the second stage, supplier sourcing, price and quality were again the main criteria, with delivery pattern, delivery days and time, as a condition if anyone were to become suppliers. Sourcing suppliers was not always a difficult task for all because of the competition among the suppliers themselves and hotels often had their alternative suppliers at hand, the chefs are often aware of suitable alternative suppliers that could be used, were it necessary; although these companies may not have become actual suppliers to the hotels, they have passed the search for supplier stage. From the data, three major channels of information about suppliers were a) existing suppliers at the hotel b) suppliers that have become known to hotels by means of introducing themselves to hotels c) hotels actively searched for suppliers via different means and sources of information e.g. the internet, trade shows, printed material, chefs in other hotels or restaurants and local suppliers. Suppliers that could supply the required

product at the sought after price and fulfil the delivery requirement were selected and have become hotel suppliers in stage three.

Stage three was taking suppliers on board which may include a trial period. At the beginning of using a new supplier, hotels may have a trial period, by placing small orders and monitoring the quality of products and services received from the supplier. Once satisfied with the performance of the supplier, the volume of orders increases and the trial suppliers became hotel suppliers. At this stage, all three elements were monitored especially 'quality' and 'delivery'.

All three elements were again considered in stage four. Not only price and quality were considered, but delivery was found to be as equally important as the first two elements when reviewing suppliers. Supplier reviews did not always take place regularly and could happen only when there was a problem. The result of reviewing was stage five, adjustment. Hotels may adjust price and/or quality with their suppliers or they may discontinue using the supplier and take other suppliers on board. In a process of replacing the supplier, hotels may have to go back to stage two where price and quality played an important role.

**Figure 5-4 Elements considered important at each stage of strategic sourcing**

<b>Price</b>	x	x	x	x	x
<b>Quality</b>	x	x	x	x	x
<b>Delivery</b>			x	x	x
	Menu Writeing <b>Stage 1</b>	Supplier Search <b>Stage 2</b>	Supplier Selection <b>Stage 3</b>	Supplier Review <b>Stage 4</b>	Adjustment <b>Stage 5</b>

Source: Author's fieldwork

Figure 5-4 demonstrates elements considered important at each stage of sourcing. Although some elements were regarded as more important at certain stages, all were continually used throughout the sourcing process. Hotels kept an eye on price and quality changes and the reliability of delivery. They expected price not to change often and consistent product quality as well as delivery of the right food with the right specifications at the chef's preferred delivery times. Anything that was not up to their expectations would lead to a problem which in turn led to a review. Three elements have now been discussed in relation to the strategic sourcing stages. Next the focus is on problems with suppliers which could be found in the last two stages.

Problems with suppliers were grouped into two types: minor problems and major problems. Any problem that led to changing suppliers was considered major and the rest were minor problems. Again the three elements appeared in the data when the respondents were asked about what led to changing suppliers. Hotel I7 below pointed out two criteria that led him to change supplier: quality and delivery. An association can be drawn from the quote below that quality was a problem relating to *fresh* produce, in this case - vegetables, and delivery problems were found with *dry* food. The quote also supports the information in Figure 5-4 where price, quality and supplier's delivery time, were all considered when it came to the review of supplier stage.

Interviewer: You said that some of them [suppliers] are new. Why did you change?

Hotel I7: 'The quality of the products was poor all the time. I changed the veg [vegetable] man because that was shit...the quality of the product it was rubbish so I had to change.'...'[I changed the dry food company] because the company was unreliable. crazy every time, mixed the

orders, wrong quantity, complete mess ...wrong order, delivery time doesn't fit me.. and in that case you just changed.

Conditions gave rise to the problem related to any of these three elements and it could be a combination of them. Price alone could cause hotel to review and change as Hotel SG2 explained below.

Hotel SG2: the particular suppliers were robbing the place, just charging what they wanted because no one's checking those people and got rid of them

Other participants mentioned other criteria that caused them to change suppliers. Hotel I6 suggested two main elements that he looked for and if suppliers did not have those elements, quality and price, he would change.

Hotel I6: If you're not happy with the suppliers and then you want to change ...you're after the quality, the prices, I mean pretty much stick with that.

Quality was also mentioned by Hotel SG1 in combination with other aspects including delivery as what led them to change suppliers.

Hotel SG1: Inconsistency, poor quality, non delivery of items, health and safety, due diligence and rudeness.

The quotes above, Hotels I7, SG2, I6, SG1, described major problems related with the three elements where there could be only a single element or a combination of them that



led to a change of supplier. We have learned from Hotel I4 that if the mistake was important, the supplier would be changed if it happened just once.

Hotel I4: If they mess up and it's a very important thing yeah, that's it but generally if they, for example, if their lorry is broken down they generally send people from the lorry.

Problems, however, not always started as major ones but the occurrence of minor problems can lead to changing suppliers. The participants described problems or mistakes that could be rectified and if they were satisfied with the rectification they would not discontinue using the supplier. Hotels G12 and I7 explained below.

Hotel: G12: It depends how they rectify it as well; if they rectify it really quickly then it's fine we forget about it. If me and the (head) chef get the same problems with the same company then they go quite quickly.

Hotel I7: 'The veg[etable] man, I hadn't been happy for a while, the quality of the peppers, the bananas, lettuce was not nice at all; I told him a few times that he has to fix me on that...I say you change it now because I tell you twice that I'm not happy so you change it now and they say they can't do anything for me so I changed the company forever.

The discussion above has shown three significant elements in a context of five stages of strategic food sourcing and the significance of the elements in relation to problems with suppliers.

### **5.5 Chapter Summary**

This chapter has discussed hotel food sourcing practice by looking at the categories and concepts found in the data. Hotel food sourcing was found to be about sourcing for productions of fresh food for immediate consumption serving multiple outlets which involved the use of suppliers for different purposes. The head chef was the person who had an influence on food sourcing as well as food production; the degree of their influence was however affected by the hotel food sourcing strategy. The hotel food sourcing strategy was found to have three models for affiliated hotels; chef-centred sourcing, centralised sourcing and flexible-centralised sourcing, and two models for independent hotels; chef-centred sourcing and chef and owner sourcing strategy. What is more, it was evident that price, quality and delivery were the three main elements involving all strategic food sourcing stages. Regardless of food sourcing strategy, the head chef was the person who performed both push and pull productions of hotel food service. It was found that food service productions relied on the chef's experience both in the industry and at the hotel.

It was also found that the type of hotel had a great impact on hotel food sourcing strategy which affects types of sourcing activities carried out by individual hotels. Independent and small group hotels were associated with chef-centred sourcing while group hotels had variants of company-centred-sourcing strategies. The number of hotels in a group was found to be related to the sourcing strategy where large hotel groups were likely to adopt company-centred-sourcing with tightly controlled strategic sourcing. Furthermore, the data showed a group hotel in the high-end market had chef-centred sourcing despite company-centred sourcing practice within the hotel group.

The next chapter explores the impact that organisational characteristics can have on the management of the supply chain of hotel food service, as well as looking at supply chain network structure. These SC network structures are a consequence of their sourcing strategy. The chapter examines types of supplier in relation to food types and presents the SC network structure of each type of food used by hotels.

## **6 The Impacts of Organisational Characteristics on Hotel Food Supply Chains**

### **6.1 Introduction**

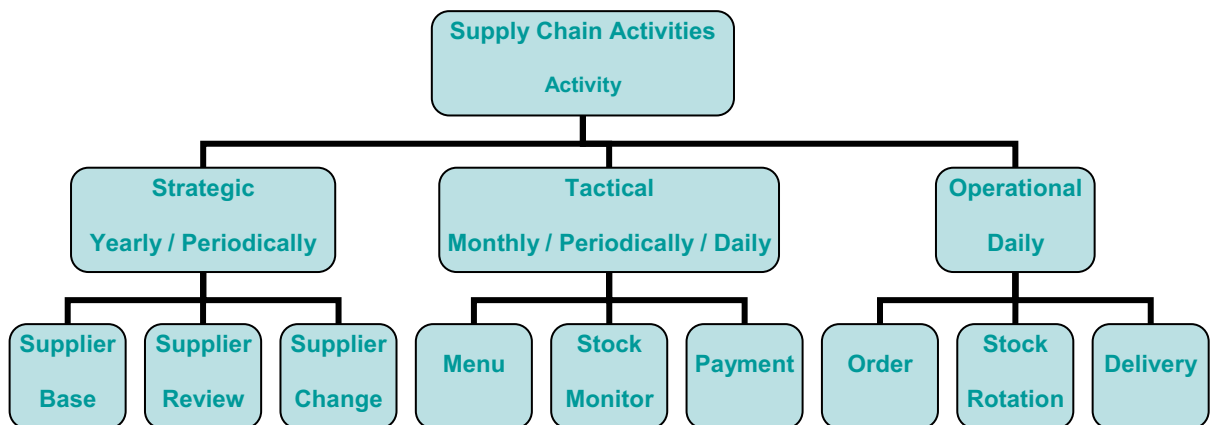
The previous chapter described and explained the management of the supply chain of hotel food service in response to the first research objective. The focus now is shifted to the differences among hotels in terms of their characteristics and their management of the supply chain – in order to respond to the second research objective – i.e. to examine the extent to which hotel characteristics have an impact on hotel food sourcing practice. Despite large interest in the literature in supply chain topics, there has been a significant lack of research into hotel supply chains, let alone supply chains of different types of product. The chapter shows results from the analysis of the interview transcripts and identifies the factors that have an impact on the management of the supply chain of hotel food service. It also illustrates the SC network structure of each type of food and the likely impacts that organisational characteristics can have on the pattern of SC network structure. The chapter is organised into two main parts. The first part focuses on organisational characteristics and their relation to the management of the supply chain while the second part concentrates on the SC network structure and the differences between the SC network structure of different types of food as well as the change factors that affect the pattern of the SC network structure.

## **6.2 Supply Chain Activities of Hotel Food Service**

According to the data from the interviews, a range of activities related to food supply chains were different in many respects, e.g. the frequency of the activities undertaken and the length of time taken to achieve relevant goals. Three groups of activities were used to help facilitate our discussion. It has to be noted that these groups of activities are artificial and work as indicators to distinguish the nature of activities regarding the frequency of their occurrence and their nature in relation to the purpose and hierarchical levels of management. These three groups of activities are strategic, tactical and operational as seen in Figure 6-1. Some of the activities can be viewed in the light of other groups of activities. For example, reviewing suppliers could be a daily task and could be viewed as operational activities in terms of the frequency carried out. Hotel chefs in the study revealed they informally reviewed their supplier everyday by judging the quality of the produce they received from the suppliers. This informal reviewing contributed to the decision whether or not to continue using these suppliers. By the same token, menu changing could also be a daily task and therefore the activity can also be viewed as tactical as well as operational. Additionally, menu changing also has a strategic purpose attached to it when the degree of change was great and related to the hotel business strategy. To create a more detailed picture, the purpose of activities had to be taken into account in order to classify an activity under a more appropriate group. Take the previous example of menu changing, the purpose of changing the menu on a daily basis had a different purpose to changing the menu according to business strategy e.g. to attract a certain type of customers or to generate income. While changing the menu daily could be classed as operational or tactical activities, changing the menu in

accordance with business strategy was classed as a strategic activity. Menu changing could therefore be classed as strategic, tactical or operational supply chain activities, depending on the purpose of the task. Although some activities e.g. setting up a supplier base can be viewed as strategic in nature, other activities are not so straightforward and therefore context has to be taken into account when deciding whether a task is operational, tactical or strategic.

**Figure 6-1 Hotel food service supply chain activities**



Source: Author's fieldwork

In order to give more details of the relationships shown in Figure 6-1, detailed activities are discussed. The *strategic activities* of food supply chains involved setting-up a supplier base, i.e. a set of suppliers needed to supply food to the hotel, reviewing suppliers and changing suppliers. The second group, *tactical activities*, entails activities with shorter term goals than the first group; these activities were associated with menus, stock monitoring and payment. The activities in the last group, *operational*, were those carried out more often than the first two groups and were often routine activities. These operational activities were ordering, dealing with delivery and rotating stock. To facilitate the rest of the content in this chapter, these three groups of activities are referred to as *supply chain activities* which can be classed as strategic, tactical or

operational activities. Having described activities associated with food service supply chains, how these activities were carried out is discussed next under sourcing strategy topics

### **6.3 Organisational Characteristics and Food Sourcing Strategy**

It was found that three factors have a direct impact on the supply chain of food service in hotels. These factors are affiliation, market segment and service level. These three factors affect the management of the supply chain in various areas, starting from a strategic level, hotel food sourcing strategy, the type of suppliers they buy from and the degree of risk with regard to demand uncertainties. First, the relation between hotel affiliation and strategic sourcing strategies is discussed.

The sourcing strategy refers to the way strategic food sourcing was carried out within an organisation. Sourcing strategies with variations were found in the study within the contexts of independent hotels and group hotels. Among independent hotels, strategic food sourcing was done by either the chef alone, *chef-centred sourcing strategy*, or the chef and owner working together – *chef-owner sourcing strategy*. As for group hotels, three sourcing strategies were present: *chef-sourcing strategy*; *centralised-sourcing strategy*; and *flexible centralised-sourcing strategy*.

In a *chef-centred sourcing strategy*, the head chef was responsible for strategic and operational sourcing all the food as well the operation of food service. A chef-centred sourcing strategy was found in all types of hotel but most often found in independent and independent group hotels. The other sourcing strategy found in independent hotels was a *chef-owner sourcing strategy*. It was found that this type of strategy has two

different varieties in terms of type of food in relation to the person responsible for sourcing. These two varieties are *split-sourcing* and *joint-sourcing*. In a split-sourcing strategy, the chef and owner source different types of food. It was found that the chef was often responsible for fresh food and the owner sources dry food. Hotel I4 owner gave a reason for him not to source all types of food as time constrains. The owner did not have time to do daily sourcing for fresh food as he described in the quote below.

Interviewer: Why the head chef in charge of food sourcing for fresh food?

Hotel I4: That's something that needs to be done on a daily basis and I don't have the time for that.

The other variation of a chef-owner sourcing strategy is *a joint sourcing strategy*, the chef and the owner work together to source their food supply. Hotel I11 owner explains that the decisions to change food supply, a strategic sourcing activity, were made by both herself and the chef.

Interviewer: Who make the decision [to change suppliers]?

Hotel I11: Both, me and my chef, joint decision.

Group hotels sourcing strategy was commonly found to be *centralised-sourcing*. (see Table 6-1 Hotel Sourcing Strategy). However, *a flexible centralised-sourcing strategy* with various degrees of flexibility of strategic sourcing at the property level was also found in many hotels in this study. At a group hotel, a supply base was generally set by the head office of the hotel group company. Suppliers that group hotels are allowed to use are called *nominated suppliers*. These nominated suppliers can be suggested by the



chef at the property level. Hotel G16 explains that the hotel food suppliers were given to them by their head office.

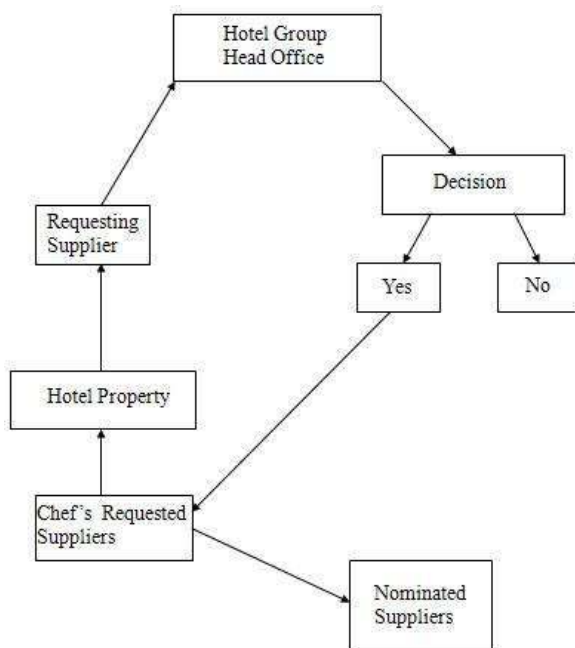
Hotel G16: That [decision to select suppliers] comes from Head office. We get told what suppliers we have to use. The [hotel group company's] purchasing manager will tell me I have to use this supplier for your vegetable and this supplier for your meat.

He went on explaining his lack of control over the choice of suppliers. The chef revealed that sometimes he was allowed to use his requested suppliers.

Hotel G16: If I want to use a different supplier I beg please give me the supplier and sometimes they will. I have no control over that.

The procedure of requesting suppliers at group hotels is shown in Figure 6-2 below.

**Figure 6-2 Requesting Supplier Procedure**



Source: Author's fieldwork

The practice was similar in other group hotels in terms of requesting suppliers but the flexibility was noticed to be varied from hotel to hotel. The first quote below was Hotel G12 sous chef explaining two types of suppliers, in terms of the level of control the hotel head office had over each group hotel's strategic sourcing. In the following quote, Hotel G12 head chef explained what he had to do when he wanted to use a supplier that was not a hotel nominated supplier.

Hotel G12: we have local suppliers that we're allowed to use but then national suppliers that we're expected to use.

Hotel G12 "From my point of view, if I want to start to use a new supplier what I do I come to fill out a form and saying who this supplier is and why do I want to use them you know it might be this supplier is specialist type of meat or it's organic fruit and vegetable supplier I want to use I will send that to this chap , the purchasing director, and then he will say yes or no, normally it's always yes, but as far as ordering I'm allowed to order or buy whatever I want to buy, there is no restriction on what I'll buy."

From the quote above, it was evident, at this particular hotel, that an approval for requested suppliers was nearly always granted. The quote below shows an example of the procedure of requesting a supplier and the flexibility the hotel head chef has regarding strategic sourcing.

Hotel G12: "just people bring samples in, you know, like someone came in the other day with some wild mushrooms, some very good quality mushrooms, and I want to use

them very soon so. What I do now I fill a form out, you know, new mushroom supplier and I'll give that in and they [the hotel group purchasing director] will say yes or no and obviously is a yes, you know.”

Hotel G16 displayed a different degree of strategic sourcing allowed at the property level. The head chef revealed below that there was one supplier that he requested and allowed to use and he was not always allowed the suppliers he wanted. When asked about the suppliers, the chef pointed out one supplier he nominated, requested and had an approval from the head office.

Hotel G16: Yes, that's the one that we have to fill in the form I have to request to get.

Interviewer: Do you have to do that often?

Hotel G16: Not really. We stick with these companies [nominated suppliers]. Only for specific things I want but I can't get from these suppliers then I fill in the form request it form Head Office and they'll come back to me and say whether I can use them or not.

Interviewer: Is it normally a yes or a no.

Hotel G16: Normally no.

Other group hotels, Hotel G14 and G15, with a centralised sourcing strategy explained a *centralised-sourcing strategy* used by the hotel group with their attitude.

Interviewer: Can you tell me who is involved in food sourcing here?

Hotel G14: All through the company. We don't have any control at all over that sort of thing. The company allocates us nominated suppliers. They say to us “you will buy your meat from this butcher, your vegetables from this company, you'll buy your milk from this company, and so on.

Hotel G15: With a big company you are given suppliers to. You don't really deal with suppliers. It's the head office F&B manager of the company will look for suppliers and they set up your supplier base and you buy from him, end of story. That's big company you don't have choice really you are given nominated suppliers and you have to deal with that.

A negative attitude of the chef at Hotel G15 towards the centralised sourcing system was clearly noticeable from the following quote.

Hotel G15: ...with nominated suppliers it's pretty hard to get local product really.

Interviewer: so are you happy with the supply that you get from the suppliers?

Hotel G15: [It] could be better, honest. All they [the hotel group company] are looking at is, say, fish how much it will cost at the end of the year. That's all they are looking at. They aren't really looking at the quality or things like that. So it's good for them [the hotel group company] from one side but it's bad for us on the other side. All they looking at is how much it is, how much they can save, end of story.

The Hotel G15 chef expressed his concern over the origin and quality of food supplied by the nominated suppliers. It was clear that he was not in favour of the sourcing strategy at the group hotel nor the choice of suppliers he was given.

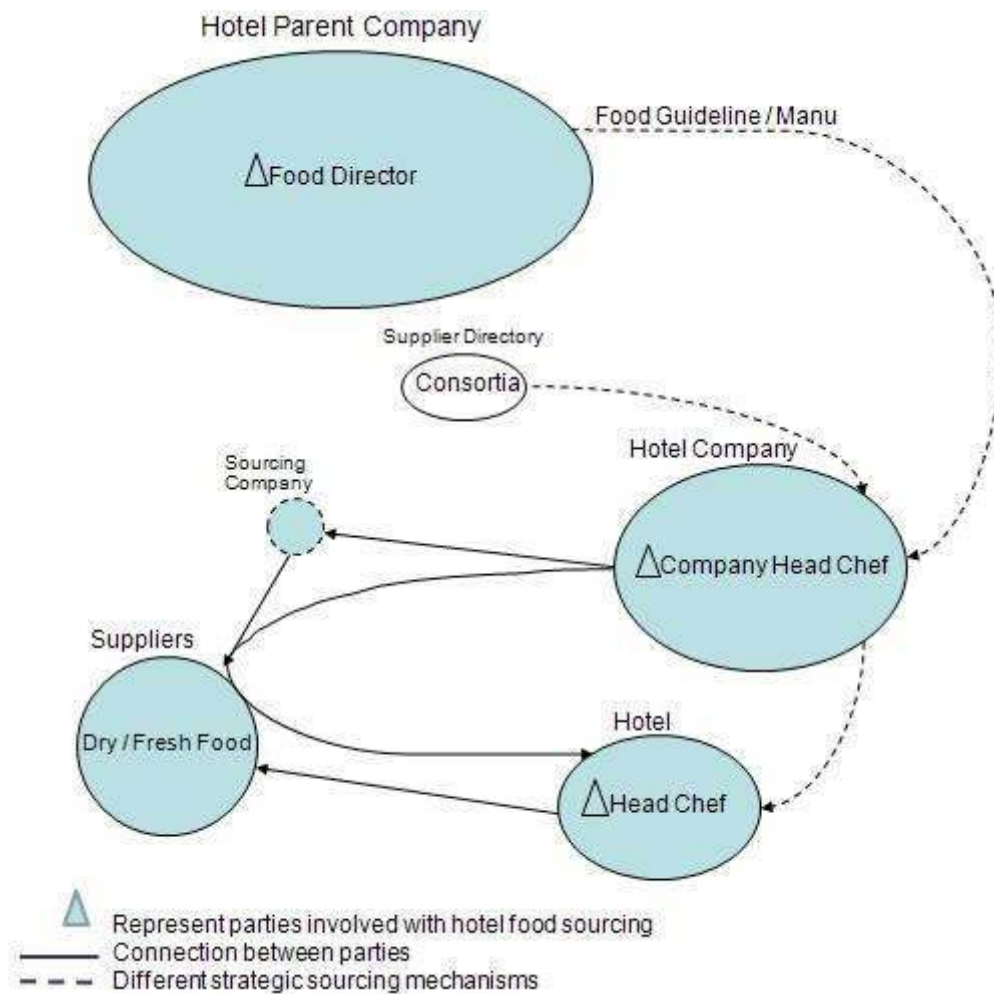
Hotel G16 also implied a similar opinion towards the hotel nominated suppliers.

Hotel G16: If it was up to me I wouldn't use any of these [nominated suppliers].

The chef at Hotel G16 implied the quality of the food supplied by the nominated suppliers was not up to this standard. The rest of group hotels in the study also had nominated suppliers.

The parties involved in group hotel strategic sourcing could include head chef, the hotel company, the parent hotel company and a sourcing agency. Figure 6-3 shows these parties and their connections with other parties with regard to strategic food sourcing, involving decisions on the selection of hotel supply base, of independent hotel with affiliation and group hotels

Figure 6-3 Parties Involved in Strategic Food Sourcing of Hotel with Affiliation



Source: Author's fieldwork

The number of parties involved in strategic food sourcing for an individual hotel depends on whether the hotel had any type of affiliation. In the study, the affiliated hotels were those either having an affiliation with a hotel group company or an independent hotel with an affiliation with a consortium. In affiliated hotels, there was at least one person responsible for food sourcing from the parent company. The person may be called Executive Chef, Food and Beverage Director, Purchasing Director or any other title, but the main responsibility for the person was to carry out strategic sourcing for the hotel group company. The person was responsible for strategic sourcing activities, setting-up supplier bases, reviewing suppliers and changing suppliers. There

were also one or two persons from the hotel itself who were responsible for strategic sourcing activities according to the flexibility of control of *the sourcing strategy*. The strategic food sourcing of a hotel was influenced by its parent company food guidelines, guidelines which provides a range of food to cater for guests' different dietary needs and preferences. Hotel group parents may provide their own menus – standardised menus- for every hotel in the group as found in Hotel G14 in this study. What is more, an independent hotel within a consortium was provided with a supplier directory by the consortium. The hotel had a choice of purchasing from the suppliers in the consortium's directory where discounts can be obtained or using other suppliers; food guidelines and supplier directories provided by parent hotel companies or hotel consortia was not compulsory. However, hotels with standardised menus were expected to be used by every hotel in the hotel company. According to a hotel in the study, which had an affiliation with a consortium, the directory was not mentioned as a source of suppliers.

### **6.3.1 Strategic Food Sourcing Stages**

In the first stage of menu writing, ingredients were identified. After a menu had been written, suppliers for the ingredients were sought. The third stage was taking the desired suppliers on board. Before taking those suppliers on, hotels may go through a trial period in order to see if the potential suppliers were up to their required standard. The fourth stage involved reviewing suppliers which results in the last stage, adjustment. The consequences of the last stage could be adjustment on price and/or quality, or a change of supplier.

These five stages may or may not occur sequentially and the second stage to the fifth stage may occur in a cyclical fashion after the first stage had been completed. The

historical sequence of these five stages emerged when sourcing food from scratch in a chef-centred sourcing system. However, there were situations where each of these stages could occur without following the prior stage or some stages could be missed. Therefore, how these stages occurred depended on particular conditions as well as, what we refer to in this study, as the sourcing configuration.

At group hotels, strategic food sourcing could be in one of these three strategies: *centralised sourcing*, *flexible-centralised sourcing* and *chef-centred sourcing*. In centralised sourcing, the hotel company carried out the tasks in all strategic sourcing stages. Despite the hotel company performing strategic sourcing there was flexibility for the hotel head chef to perform strategic sourcing activities. The hotel head chef could request their own preferred suppliers from the hotel company and the request may be granted. All hotels could report to the hotel company with regard to supplier performance. Table 6-1 illustrates the type of food sourcing strategy each hotel in the study employed. It shows the differences between different types of hotel as well as among hotels in the same category. These differences are explained in more detail below.

**Table 6-1 Hotel Sourcing Strategy**

Hotel/ Sourcing strategy	Chef-centred sourcing	Chef and Owner sourcing		Centralised sourcing	Flexible-centralised sourcing
		Joint sourcing	Split sourcing		
SG1	/				
SG2	/				
SG3	/				
I4			/		
I5	/				
I6	/				
I7	/				



I8		/			
I9	/				
I10	/				
I11		/			
G12					/
G13				/	
G14				/	
G15				/	
G16					/
G17				/	
G18					/
G19					/
G20				/	

Source: Author's fieldwork

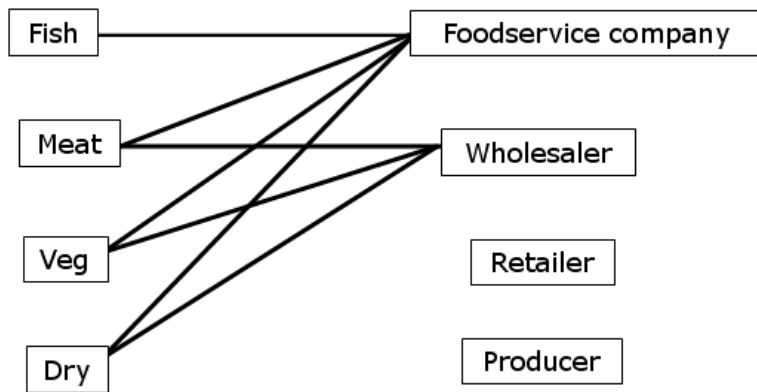
### 6.3.2 The Food Sourcing Configuration

The food sourcing configuration refers to how supply chain activities related to food sourcing in hotels are designed to function. There were no standard configurations tied to any particular type of hotel but certain patterns were discovered from the data. In the context of group hotels, two ends of a spectrum, in terms of freedom the hotel head chef had regarding strategic food sourcing were represented by two types of food sourcing strategies; centralised sourcing and chef-centred sourcing. In centralised sourcing, the hotel company controlled strategic sourcing activities of individual hotels in the group by only allowing them to use *nominated suppliers*, i.e. suppliers that the head office of the hotel group have instructed their hotels to use. Between the two extremes, there was a flexible centralised-sourcing system where there were different degrees of freedom regarding whether hotels were allowed to use the suppliers they wanted to use. Requests to use their preferred suppliers were considered by the hotel company on a case by case basis. It was found that the flexibility towards the requests by hotels in the group varied from hotel group to hotel group and within a hotel group the requests varied according to hotel market segment. Three of the hotels in the study had a flexible centralised-

sourcing system, however, Hotel G18 and Hotel G19 had more flexibility than Hotel G16 and were allowed to use their requested suppliers at times. Hotels with centralised sourcing, G13, G14, G15, G17 and G20, can only use their nominated suppliers. What is more, despite Hotel G12 being part of a hotel group with nominated suppliers, they were allowed to use any requested suppliers and for that reason Hotel G12 strategic sourcing was almost similar to the practice of a chef-centred sourcing strategy. Furthermore, the sourcing strategy discussed so far was in a context of hotel primary suppliers. It was found that every hotel had secondary suppliers which may be regarded as 'back-up' suppliers. With regard to these back-up suppliers, all hotels operated using a chef-centred sourcing strategy.

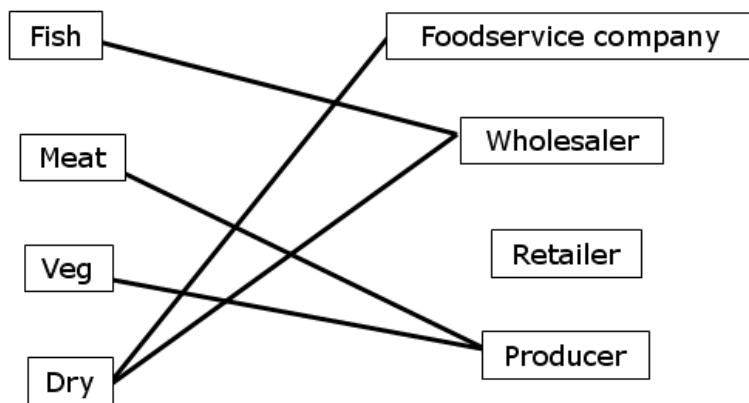
The discussion so far has been the relation between hotel affiliation and strategic sourcing strategy, the attention now switches to the type of suppliers hotels buy from, as a result of their sourcing strategy. Even though, hotels had different sourcing strategies as a result of their affiliation, independent hotels, small group hotels and group hotels had similar patterns related to the type of supplier. By analysing the type of food and type of supplier each hotel used, patterns of supplier use emerged. Figure 6-4, Figure 6-5 and Figure 6-6 show suppliers of group hotels, small group hotels and independent hotels respectively. It must be noted that not every hotel in the same category has exactly the same type of supplier of each type of food as illustrated in the following figures. However, these figures show the patterns of the types of suppliers used in relation to food categories by the majority of the hotels in each group. The figures were constructed using data provided by the hotels at the time of the interviews as well as data from a search for more details in order to identify the category of each supplier.

**Figure 6-4 Suppliers of group hotels**



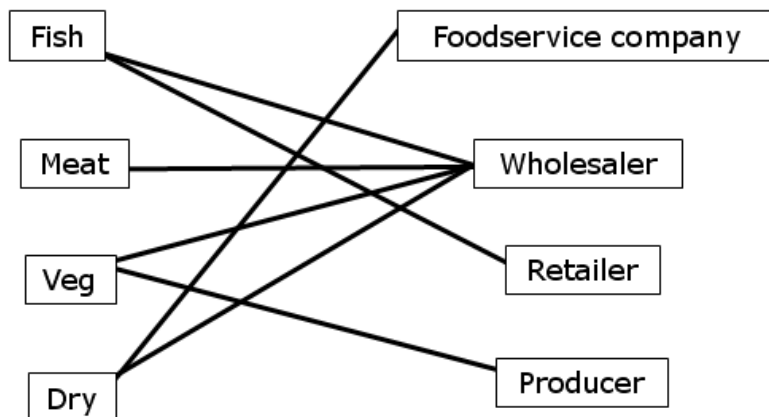
Source: Author's fieldwork

**Figure 6-5 Suppliers of small group hotels**



Source: Author's fieldwork

**Figure 6-6 Suppliers of independent hotels**



Source: Author's fieldwork

It was clear that the food of group hotels was supplied by foodservice companies more than any other type of hotels, (see Figure 6.4). In fact, they used foodservice companies for all types of food. Group hotels did not use retailers or producers to supply them with any type of food. Exceptions were emergency cases where hotels had to buy from supermarkets. These cases occurred when hotels ran out of food, or food was not delivered from their usual suppliers. Hotel G15 described these two situations below.

Hotel G15: All you have is your nominated suppliers if you run out the only suppliers you have would be Tesco or Sainsbury's that's your only back up that's Tesco basically

Hotel G15: [when the delivery did not arrive] you reorder but if really you need you go to Tesco you try to talk to them [purchasing department] please I need it today make an exception.

Suppliers of small group hotels were distinct from suppliers of other types of hotel as small group hotels used producers more than other types of hotel. Wholesalers were used for specialities when they needed extra quality food. Independent hotels used a wide variety of types of supplier than other types of hotel; (see Figure 6.5): concentrating on wholesalers. Independent hotels with upscale hotel restaurants used producers to supply them with fresh food. Moreover, the type of dry food supplier was very much dominated by foodservice suppliers for all types of hotel.

Type of affiliation had an impact to a great extent on the strategic sourcing strategy, which in turn dictated the type of suppliers a hotel could have. The sourcing strategy of the independent hotels and the small group hotels was found to be chef-centred sourcing

with a few variations where owners were involved. Small group hotels, which were first thought to have a sourcing strategy similar to those of group hotels, were found to have chef-centred sourcing strategies. Group hotels, on the other hand, were tied to centralised-sourcing with some flexibility with regard to the use of head chef's preferred suppliers. Hotel G12 was as an exception and market segment was the factor that explained why Hotel G12 sourcing was similar to a chef-centred sourcing strategy, despite being in a large group hotel company. This hotel was a 5 star flagship of the group and the types of food required were not always similar to the rest of the hotels in the group, and therefore the head chef had a great amount of freedom regarding food sourcing, type of supplier and type and quality of food he could use. The hotel was found to be unique in relation to the rest of the hotels in the study in terms of having the centralised sourcing for food but with the head chef being allowed to source from non-nominated suppliers.

So far, a link can be made between several factors: affiliation, sourcing strategy and type of supplier. Hotels with chef-centred sourcing including, upscale hotels of all types, were likely to buy their fresh food from producers. What is more, dry food was predominantly supplied by foodservice companies to all types of hotel. Independent hotels had the most varied types of suppliers, however, they were more likely to buy from wholesalers.

Having discussed how organisational characteristics have an impact on the management of the supply chain, as well as type of supply base that hotels have, another factor related to organisational characteristics – food services offered are now examined. As mentioned in Section 5.3.1, type of food production in hotels was classified into two

types: pull production and push production. These productions served different types of food services. Food services provided by hotels in this study, served both hotel guests and non-hotel guests; an exception was Hotel I4 where food was only offered to its guests. Hotel food services included restaurant, bar, room service, conferences and functions. Restaurant, bar and room service were associated with push production while conferences and functions, inclusive breakfast, breakfast which is included in the room rate, related to pull production. It must be noted that restaurants were places that food was served and it could be food for functions and conferences, but generally they were open for food on demand and serving breakfast for hotel guests. However, restaurant food service here referred to food on demand which excluded conferences, functions and hotel breakfasts and other services where payment was arranged in advance. These pre-arranged food services were classed as pull production.

Food productions related to a degree of uncertainty and this depended upon the extent to which hotels were dependent on the head chef for menu writing (except hotels with standardised menus) and food demand forecasts. As we can see from the second theme of the management of hotel food service supply chain described in the previous chapter, head chef as creator, memory and processor, the head chef played important roles in supply chain activities especially in push production. Their experience and attitude influenced their strategic food sourcing from the first stage – menu writing, to the last stage – adjustment. Food services that related to push production, therefore, relied on the head chef to make a profit by creating product offerings to attract customers, using their experience with regard to food ordering, managing stock and operating the production to contribute to GP.

**Table 6-2 Food services in ‘push’ and ‘pull’ production contexts**

<b>Food Services</b>	<b>Demand</b>	<b>Amount of Food</b>	<b>Wastage</b>
Pull production	Certain	Known	Relatively low
Push production	Uncertain	Estimates	Potentially high

Source: Author’s field work

Table 6-2 shows food services in relation to demand and productions. In a pull production, demand was viewed as relatively more certain resulting in greater knowledge of requirements for food. The amount and types of food required by customers were known to the head chef, with an exception of hotel breakfast with regard to types of food, and therefore the risk of food wastage, in relation to profit expected, was relatively low. On the contrary, push production relied on the head chef and with the uncertainties regarding the amount and type of food to order, the risk of wastage could be high.

An investigation was carried out on the numbers of supplier per type of food in order to see the difference between different types of sourcing strategy and types of hotel. Table 6-3 illustrates the numbers of suppliers each hotel had. It was clear from Table 6-3 that hotels did not have many suppliers for each type of food. It was found that hotels have more than one supplier for three reasons: to make suppliers compete with each other (see Section 5.4.3), to use suppliers to supply different kind of products and to compare prices and buy from suppliers that offer the cheapest prices. Hotel I4 had 4 dry food suppliers for the latter reason. It must be noted here that Hotel G13 did not offer restaurant services and only used food that did not require prior cooking before serving therefore they did not have fresh suppliers.

**Table 6-3 Numbers of supplier per type of food**

Hotel / Type of food	Fish	Meat	Vegetable	Dry
SG1	1	2*	1	1
SG2	2*	2	2	1
SG3	1	3*	1	2*
I4	n/a	n/a	n/a	4
I5	1	1	1	1
I6	2	1	1	1
I7	1	1	1	1
I8	1	3*	1	2*
I9	1	3*	1	1
I10	1	1	1	1
I11	1	1	1	2
G12	2	2*	2	1
G13	0	0	0	1
G14	1	1	1	1
G15	2*	1	1	1
G16	1	1	1	1
G17	1	1	1	2
G18	1	1	1	1
G19	1	1	1	1
G20	1	1	2	1

\* suppliers supply different sub-type of food

n/a = no information was provided

Source : Author's fieldwork

An explanation as to why hotels have a small number of suppliers for each type of food was found in the context of hotels with a chef-centred sourcing strategy, where the head chef was also responsible for supplier payment. The amount of paper work associated with suppliers could put off sourcing from a number of suppliers. Hotel I8 and Hotel SG2 explained that taking more suppliers on board could mean more work for them and for this reason they only have a small number of suppliers.

Hotel I8: ...at the end of the day when you have too many suppliers you ..on paper work you have too many people coming in.

Hotel SG2: The trick sometimes is you have like five pages of different suppliers one evening you know you don't want to have too many because it's



confusing you've got too many coming in, too many to pay so you have to try to be careful.

According to the respondents from Hotel I8 and Hotel SG2, the reason why they were not willing to have a large number of suppliers was the payment administration involved. This pattern of small number of suppliers was evident across all types of hotel where the majority had only one supplier per each type of food.

## 6.4 Operational Sourcing

### 6.4.1 Supplier delivery system

It was evident that hotels could have their fresh produce deliveries on every working day and less frequent deliveries for dry foods. The exceptions were related to the delivery of one particular type of food - fish, the amount of dry foods hotels used and location of hotel. Hotels had their fresh produce delivered to them from Monday to Saturday but fish was not always delivered on Saturday. See Table 6-4 for food delivery patterns.

**Table 6-4 Supplier food delivery patterns**

Delivery days / week	Type of Food			
	Fish	Meat	Vegetable	Dry / Frozen
Every working day (Mon-Sat)	SG1, I6, I8, I9, I10, I11, G15*, G19, G20, SG3*	I6, I8, I10, I11, G15, G20	I6, I8, I10, I11, G15, G20	G14*, G15*, G20
3 times	-	G14, G20**	-	G12
Once or twice	-	SG3	SG3	SG1, I4, I8, I10, I11, G17, G18, G20

\* = Mon-Fri \*\* Different type of products

Source: Author's fieldwork

As can be seen from Table 6-4, fresh produce; fish, meat and vegetable, was mainly delivered 6 days a week. See the quote from Hotel I9 who could get fish delivered 6 days a week below,

Hotel I9: We don't normally get fish men on Sunday because usually Friday's fish has been caught so he can't get hold of it you know?

There were hotels that only had their fish delivered 5 days a week. See what these hotels explained about their fish delivery.

Hotel SG3: ...fish we won't get at the weekend because people go out fishing on the weekend for the fish will be on Friday and we won't get it until Monday.

What is more, Hotel G15 explained that his fish supplier was not based locally and had to travel a long way to deliver his fish and therefore they did not deliver everyday.

Hotel G15:some of suppliers I think the fish it's in (name of a place) I know for him from (name of a place) to come all the way here it's quite a long drive he can't do it everyday.

Although supplier delivery days were found to vary according to type of supplier for certain types of food and hotel, it cannot be generalised that foodservice companies delivered less often than local companies, because their delivery days found in this study varied from hotel to hotel even for the same type of food delivered by the same company. For example, Hotels G15, G19 and G20 had the same food supplier but they had their fish delivered on different days despite the fact that all of them were located

within proximity of the city centre and had similar characteristics in terms of size. What is more, hotel location was the case for fewer delivery days for hotel SG3 due to its location in the countryside. Although Hotel SG3 had their fish delivery from Monday to Friday, it only received its meat and vegetable deliveries once or twice a week. Once or twice a week delivery service was not found for meat and vegetable anywhere else, only in Hotel SG3. The head chef explained how often he had his deliveries below,

Hotel SG3: [I get my vegetables] two days a week either place orders on Sunday for Monday and place order on Tuesday or Wednesday for Thursday and Friday.

Furthermore, we can see from Table 6-4 that hotels had fresh produce; fish, meat and vegetables, delivered every working day and less often for their dry and frozen foods. Nonetheless, frozen foods were used more at certain hotels: G14, G15 and G20 had their frozen food delivered as often or more often than their fresh produce. Both hotels G14 and G15 had a pub style restaurant where food was served over extended hours. Below is a quote from Hotel G14 where food was served 11 hours a day.

Hotel G14: I have a frozen food delivery everyday – Monday through to Friday.  
I have fresh meat delivery 3 times a week, fresh milk and dairy everyday, grocery items 3 times a week.

Supplier delivery days also reflected power relationships between hotels and their suppliers. A small group hotel, a hotel with more than 50 bedrooms and a well-known restaurant, explained how its delivery days were chosen:

SG1: can they supply them [food] on a weekly basis and can they deliver on a certain days as well... he can't come in and dictate to us how he's going to deliver it.

Unlike the small group hotel above, smaller hotels were given delivery days by their suppliers. Hotel I4 below explained that its delivery days were given by its suppliers.

Hotel I4: when we're dealing with the suppliers they give us which day they can deliver on and I have to make sure that I order my product in time for those deliveries.

Delivery days played an even more important role in strategic sourcing for these smaller hotels like Hotel I4 as they did not choose delivery days themselves


















Hotel I8: I have daily delivery but some suppliers [deliver] two or three days a week which restrict my availability I don't order

Hotel I8 described above that he did not order food from suppliers that were not willing to deliver food to him daily. This was assumed to be the case with fresh produce which the hotel needed on a daily basis.




#### **6.4.2 Supplier and hotel ordering channels**

This section will look at ordering services provided by suppliers and ordering channels used by hotels.

**Table 6-5 Supplier ordering channels**

Ordering systems Suppliers	Online ordering system	Telephone	ASM* Fax	In person
Foodservice company				
Catering trade wholesaler				
Wholesaler				
Retailer				
Producer				

\* Answering machine

 Main ordering channel Secondary ordering channel Not available in all suppliers

Source: Author's fieldwork

Table 6-5 shows the ordering methods offered by all five types of supplier mentioned above. Foodservice companies and catering trade wholesalers have online catering systems as their main ordering channel. Wholesalers and producers rely on answering machines to take most orders and retailers use the telephone as the main means for receiving orders.

The differences between the ordering channels lie in the direction of communication and the initiation and confirmation of the communication. Online and answering machines are one-way communications where the senders may not receive a response or be sure that the orders that they place will be processed. It is evident to the respondents, as described in the previous chapter, that there are problems associated with online ordering. Below are quotes describing online ordering systems by group hotels.

Hotel G15: Everything is [done by] computer. It's [the computer software is called] EBP you will find every supplier products on the system everything is grouped together, you can go on a computer and you'll find that same I can come here or go to Scotland will be the same thing on the computer when you order you go straight to suppliers and the head office.

Hotel G15: When you get your list (of what to order) you go onto a computer login and everything and you type everything has a code every product has a code if you know if something you order everyday the same thing you remember the code so you put the code and the products will come, click and put how many you need like if it's milk, ten put on my shopping cart it's like shopping on the internet basically but you don't need to find suppliers and when you shopping cart is done with one supplier you just click order it sent to supplier and you move to the next [supplier].

Hotel G17: [I order] most things by computer. So they go through the Head Office to the suppliers.

Hotel G12: Because we're a large company we have a central distribution we have a company which is just a carrier all they do.

Hotel G12: We have an online system so we can order and purchase through that. It's a computer online purchasing system. We go online three times a week, we can order from the nominated suppliers with that.

Hotel G12...because it's all online purchasing so they ring up maybe the day before and say there is not something coming other than that I don't have to speak to them at all. ...most of the time but they ring up the

night before and say they haven't got something. We haven't got any bread.. How can you not have bread? It's impossible!

On the other hand, the telephone allows both hotels and suppliers to have a two-way communication. Foodservice companies do use the telephone to inform their customers regarding ordered items that will not be available. While online systems and answering machines can only wait for orders to be placed, telephone communication can be initiated by either end. Catering trade wholesalers and wholesalers not only use the telephone passively but they actively call hotels every working day to inform their customers of products available as well as asking if the hotels wish to order from them. The quotes below describe how telephoning is used regarding ordering and the different means of ordering that are used with different suppliers:

Hotel G17: I contact certain companies for the meat and the vegetables, some things by telephone... most things [I order] by computer. Some things I need most of these people (meat and vegetable suppliers) just deliver once or twice a week the other ones they are the ones I order for the next day so I use the telephone.

Hotel I6: It's a company they have their telesales, they might phone you up and say like would you like to place an order today.

Hotel G14: [I use] a telephone record list of nominated suppliers, the ones I need to use, and I telephone through the order possibly every day. Every day I'm ordering food... Everything is done down the telephone. I will telephone suppliers everyday.

Interviewer: How do you place orders with them?

Hotel SG2:.. um..most of them I fax the night for the large orders and we have a telephone ordering pad we just write down what ordering by telephone.

Hotel I4: The orders are placed by telephone in some instances, by fax in another.

Interviewer: How do you communicate with them [your suppliers]?

Hotel G20: Normally by telephone. I get lots of calls from them asking if I need anything for the next day or I call them.

As can be seen from the quotes above, faxing is also used in ordering food. Sending orders by fax is similar to leaving a list of what the hotel wishes to order on an answering machine. It is a one-way communication. During the study there was no mention of incomplete or incorrect orders when they were placed by phone or fax; however incomplete or incorrect orders were mentioned.

The last method used to ordering food is in person.

Interviewer: How do you communicate with them [your suppliers]?

Hotel I10: By telephone and by person like the butcher and the vegetables they actually deliver themselves because they're such a small company they have to, they don't employ loads of members of staff and have big delivery.

Hotel I11: We go up to the green grocer and butchers also go up to pick up if we need any extra we go into choose things and get what we want and see what's on offer.



From the quotes above, two ways of ordering in person can be identified: ordering on the spot and visiting shops. Ordering on the spot is possible with small producers and retailers. These suppliers take orders when delivering food to hotels. Another form of in person ordering, similar to the general public buying food from retail shops, is by going in person to the shops and choosing what to buy from them. Although suppliers offer more than one ordering channel there is often a main channel preferred by suppliers, which is usually online ordering. Therefore the hotels are indirectly forced to use the main channel. It has been possible to identify patterns of linkages between hotel types, suppliers and their ordering channels. Foodservice companies and catering trade wholesalers offer both online ordering services and telephone ordering and both channels are used by all types of hotels. However, it appears to be only group hotels that use online ordering systems (which are linked directly to their head offices where the orders are processed before going out to suppliers).

**Table 6-6 Hotel food ordering channels**

Hotel/ Ordering channels	Online	Telephone	Fax	In person
SG1		/		
SG2		/	/	
SG3		/		
I4		/	/	
I5		/		/
I6		/		
I7		/		
I8		/		
I9		/	/	
I10		/		/
I11		/		/
G12	/	/		
G13		/		
G14		/		
G15	/			
G16		/		
G17	/	/		
G18		/		
G19	/	/		
G20		/		

Source: Author

Both single and combinations of ordering channels are used, but it is clear that telephoning is the only channel used by all of the hotels. Table 6-6 shows the means of ordering used by all of the hotels. In every type of hotel there are hotels that only use the telephone and these hotels make up around half of all those interviewed. The rest of the hotels use a combination of telephoning with other channels. Group hotels combine telephoning with online ordering, although online ordering is their main channel accounting for as much as 75 percent of all orders made. Small group hotels and independent hotels either use only telephoning or a combination of telephone and fax or telephone and ordering in person. Hotels that order in person are small sized ones with less than 35 bedrooms. Some of these small hotels let themselves run out of food before they actually go and restock.

The only hotel that did not use telephone ordering was a group hotel, G15, which only used online ordering. The head chef at Hotel G15 expressed his frustration using the online ordering and gave his preference to telephone ordering. He described his previous work place ordering system and compared it favourably with the online ordering system he was using at the hotel he was working for, at the time of interview.

Interviewer: It was a chain hotel but everything (was done) over the phone only.

It was much better. Here if I want to order all my frozen and dry the vegetables fruits dairy ten minutes you phone to everything the same day I need at least two hours minimum.

Interviewer: to?

Hotel G15: to spend on the computer to click click to buy stuff.

Interviewer: How long would it take you to if you order by phone?

Hotel G15: By phone you probably do in half an hour maximum.

As can be seen from the quote above, the head chef described how telephoning was preferred. The amount of time spent on ordering was mentioned as well as the fact that he did not know whether he would receive what he had ordered.

Hotel G15: You buy but you don't know if it's going to come the next day. Is it in the stock? You don't even know.

Again, quotes from Hotel G15 implied a lack of certain skills required to operate online ordering in an efficient manner.

Hotel G15: On the computer you can only click one item at a time click click click and the program is running fast running low it take a long time with the computer.

Interviewer: Are you familiar with the program?

Hotel G15: Not really it's new so could be a reason [laugh] if over the phone to be honest half an hour it done honest, with computer it's just a waste of time. You have to spend your day in the office ordering it's not something you enjoy doing it not as much as a phone.

The technological skill issue was present in the quote above. Additionally, the interviewee's attitude towards using a computer for ordering food was not a positive one as using computer was not seen as an enjoyable experience compared to using a telephone.

With telephone ordering by contrast all information required by the chef can be given instantly. Additionally, lead time of telephone ordering was less than online ordering. It was found that telephone was used for next day delivery while a few day advanced ordering was required in the case of orders placed online.

### 6.4.3 Hotel Ordering Systems

Hotel food ordering systems were found to be related to type of food rather than any other factors. Two different systems found were *next day ordering* and *advanced ordering* where head chefs across all types of hotel used these two ordering systems with their fresh food and dry food respectively. The quotes from group hotels below help explain how its next day ordering worked.

Hotel G16: I order that (food for function) on Friday, it will come in on Saturday, but you have to work a day before to get your food in. The company will deliver the next day.

Hotel G19: We order every day. The par stock for milk is 4 cartons and we'll go through 3½ in a day, so the next day I've got to get another 4.

A small group hotel also had the same practice for ordering its food. From the quote below the interviewee meant fresh food that he ordered daily.

Hotel SG1: Interviewer: Do you order things weekly?

Interviewee: No, daily for food.

Independent hotels, below, added more details regarding how food was ordered. They described when food was ordered in order to get next day delivery.

Hotel I11: We get everyday, we in the night, we put our order into our local green grocer, butchers and fish monger they will deliver in the morning. It's on a daily basis.

Hotel I9: ...at the end of the day we do our list and order it in the evening which coming in the next day.

Hotel I9 said he received phone calls during the day from suppliers asking if he would like to place an order but they would not order until they knew what and how much to order at the end of service.

Hotel I9: Usually (orders are placed) the last thing at night although some of our suppliers phone up during the day to see if we need anything. Our fishmonger generally phones up in the morning and often we say well we'll phone you this evening because we don't know until we sold tonight.

Similarly, a small group hotel placed his order at night.

Hotel SG2: most of them ..fax the night for the large orders and we have a telephone ordering pad we just write down what ordering by telephone.

Another independent hotel, Hotel I10, explained that next day ordering was the best way with regard to forecasting food required.

Hotel I10: I do ordering for the next day that's the best way of doing it.

Although later Hotel I10 pointed out that last minute ordering was also used because the uncertainty of food required.

Hotel I10: You can't always get things in. You can't always pre-order your ingredients the next day because you don't know how many you're going to be doing the next day... so you just order at the last minute.

The above next day ordering system was mainly used with fresh produce. As Hotel I6 described below,

Hotel I6: your meat suppliers deliver everyday, if fresh fish you get everyday, if fresh vegetables you get everyday, mainly depends on when you want to buy your fresh produce. Frozen you don't really want to worry about and your dry store you can keep as well. It's the main fresh vegetables, fresh fish and fresh meat.

The exceptions for next day ordering for fresh food found in a remote location hotel, Hotel SG3. Furthermore, next day ordering also applied with frozen foods at certain hotels, Hotel G14, G15 and G20. As explained earlier, these three hotels used frozen foods on a regular basis and required daily delivery for this type of food.

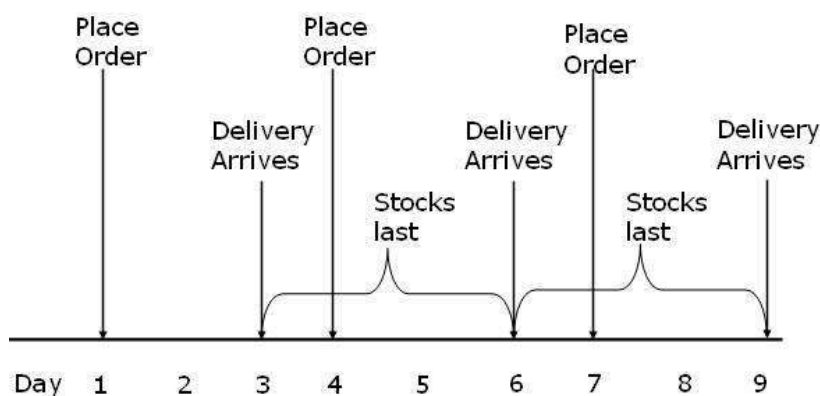
The other ordering system found in hotels was advanced ordering. This system was primarily used with dry foods and fish, in the case of weekend ordering. See Hotel G12 explained how this system operated below,

Hotel G12: Our procedures, day one to day three so whatever comes in... Our fish comes in on Friday for the weekend and then on Monday usually we just sell out.

One of the reasons for ordering 2 days in advance was they could adjust in case the hotel did not get their delivery as expected.

Hotel G12: It's about planning really, like you try to order food in like a day or two days before you need it. It gives you a day or two days to adjust if you can't get it from our supplier.

**Figure 6-7 Advanced Ordering System**



Source: Author's fieldwork

Figure 6-7 illustrates day 1 to day 3 advanced ordering system used by Hotel G12.

The example given below, shows the hotel had their food delivered two days after the order had been placed.

Hotel G12: if we've got a function say on Saturday we order the food on Thursday.

An independent hotel also used a similar system. See the quote below,

Hotel I4: I'm ordering three times a week so in a space of three days.

Other than the advanced ordering system, day 1 to day 3, hotels also ordered food on a weekly advanced basis. A weekly ordering was found to be done on a certain day of the week. Hotel SG1 explained how its weekly ordering was done below,

Hotel SG1: For function as well function sheets like these, tell us what we need to order. For example, Christmas party we know that we've got 48 turkeys there, mushrooms.. that will be what we need to buy in.

Interviewer: Is this also done on a daily basis?

Hotel SG1: This is done on Thursday so we know what we need to buy in for next week for food and beverage.

Other hotels that reported receiving once or twice a week deliveries also mentioned an overlapping system. Although the details of how Hotel I8 operates its overlapping system was not available, it was assumed to be similar to the one described by Hotel



G12 above but less often, as orders were only placed once a week. The head chef at Hotel I8 described his ordering system below,

Hotel I8: I order in bulk large amount and then work out what I need for the following week. I use an overlapping system here.

The advanced ordering system was mainly found to be associated with dry foods and food for pull production (see Chapter 5) but only the remote hotel, SG3, was found to be using this system with its fresh food also.

Hotel delivery patterns and ordering systems as we have seen so far, are related closely to the type of food more than any other factors e.g. type of hotel, type of supplier. The relations between delivery patterns, ordering systems and type of food where fresh produce was delivered more often than dry and frozen foods. What is more, hotels used next day ordering system with fresh produce, but advanced ordering with food that had longer life: dry and frozen food. We have also discussed exceptions to these relations and pointed out hotel characteristics, location, and type of food mainly used by certain hotels that did not have the same relations as the majority of hotels in the study. Furthermore, it had to be noted here, that variations of relations between delivery patterns, ordering systems and type of food were also found.

One variation of delivery frequency is now discussed, as it related to the efficiency of hotel food production. The variation of delivery frequency and type of food was found in Hotel G20 where its beef supplier did not provide a daily delivery. The supplier was based in Scotland and supplied fresh produce to the hotel twice a week. The hotel said that they have had beef shortage on Sunday because beef was sold more than expected

on Saturday. The solution the chef came up was to keep more stock. He described the situation below,

Hotel G20: That only really happens on a Sunday when on the Saturday you did more than was expected. But we've overcome that problem, we tend to freeze more, we buy a bigger batch and freeze. So you get 2 deliveries a week rather than one every day because it didn't work like that, so you get a big order twice a week.

Although the beef shortage happened once, the practice of keeping beef inventory had changed. This example has shown the relations between delivery days, supplier location and hotel food inventory. In other words, the further a supplier's location is from the hotel the less frequency its delivery would be and as a result hotels tend to encounter either food shortages or overstock. From the example above, it can be seen that the hotel intended to keep a larger quantity of food in a frozen condition and this translated into hotel food costs.

This section has given an explanation of how different types of supplier offer varying frequencies for their delivery service, it cannot be assumed that there is a rigid pattern of delivery by type of supplier, but rather delivery patterns varied according to hotel characteristics: type of food they used and hotel location. What is more, delivery service is also reflected in the power relationships hotels had with their suppliers. On the one hand, larger hotels with restaurants dictated when and how they had their food delivered. In contrast, small hotels were told by their suppliers what days they could get their deliveries. As a result, the delivery aspect has become more important for small hotels with regard to one of their strategic sourcing activities: selecting suppliers. The

amount of food ordered also related to delivery services offered by suppliers. What is more, the 'favour' concept explored in the previous chapter has shown that a good relationship between hotels and suppliers allowed the hotels to gain favours from their suppliers with respect to special requests; the most often mentioned request was emergency delivery. The 'favour' hotel received was often found to be associated with smaller suppliers.

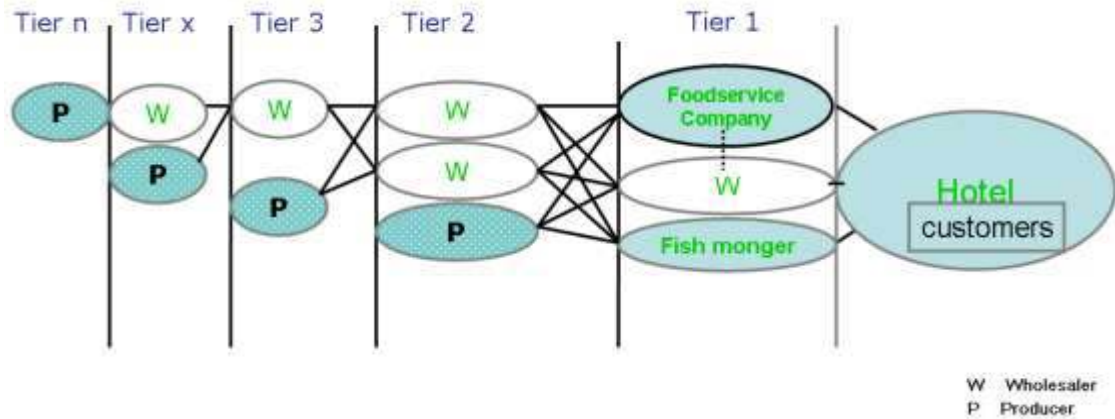
### **6.5 Supply Chain Network Structure**

This section will examine the SC network structure for each type of food: fish, meat, vegetables and dry food as well as explain the dynamics of the structure in relation to strategic sourcing strategy and operational sourcing. First, the patterns of the SC network structure of each type of food will be described, followed by the factors that lead to changing patterns of SC network structure.

As we can see from the previous section, there were varieties of supplier for each type of food used by different types of hotel. These suppliers were classed as 1st tier or tier 1 suppliers and were used as a starting point to model 2nd tier to <sup>n</sup>th, suppliers. These models of SC network structure were extrapolated from information about tier 1 suppliers received from the hotels interviewed. A combination of SC network structure and the possibilities of who would be tier 3 to tier <sup>n</sup> suppliers were then derived. Figure 6-8, through to Figure 6-11 show SC network structures for fish, meat, vegetables and dry food respectively. To facilitate the construction of hotel supply networks, an assumption was taken that hotels used at least one product line from the suppliers in the networks. The picture of supply chains of the same type of suppliers in tier 1 can be said to be the same from tier 2 backwards. As a result, the pictures of the hotel supply

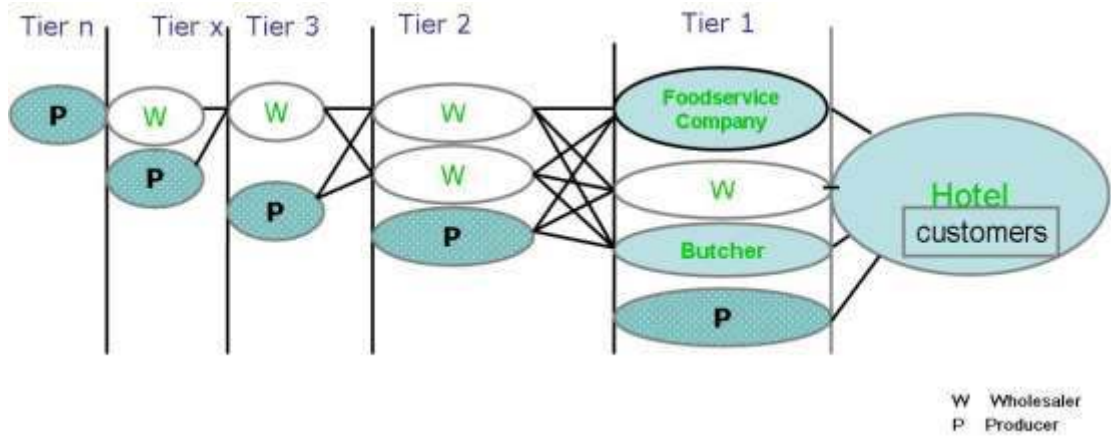
networks can be used to portray the similarities and differences between SC supply networks as a result of hotel sourcing strategies.

Figure 6-8 Fish supplier chains



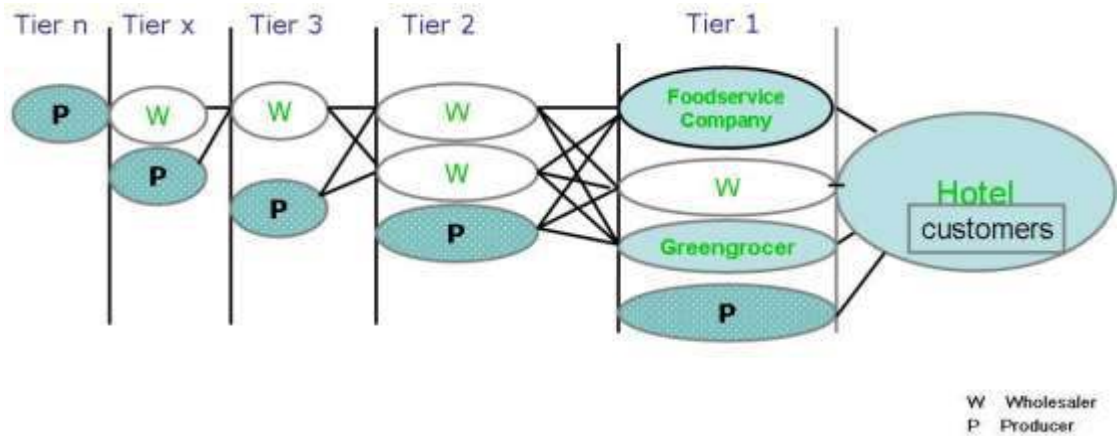
Source: Author's fieldwork

Figure 6-9 Meat supply chains



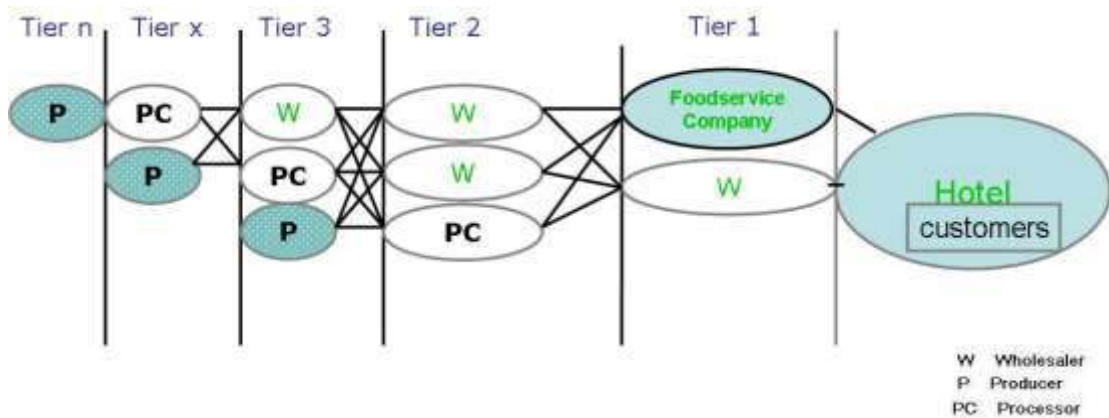
Source: Author's fieldwork

Figure 6-10 Vegetable supply chains



Source: Author's fieldwork

Figure 6-11 Dry food supply chains



Source: Author's fieldwork

As can be seen from Figure 6-8 to Figure 6-11 above, 1st tier suppliers of each type of food were different in terms of supplier type. However, from tier 2 backwards to the producer, the differences may not be clear. 2<sup>nd</sup> tier suppliers could be any of the possibilities of the supplier types depending on the tier 1 supplier as well as the product bought from that supplier. Because suppliers of a tier 1 supplier can be more than one supplier depending on the product they supply to the tier 1 supplier. For example, a hotel SC network structure for fish can be wide and vary in length depending on the

type of fish used by the hotel. As a result, SC network structures depended on the type of supplier the hotel used as well as specific items of food used by the hotel.

Hotel fish SC network structures may look like Figure 6-8. Tier 1 suppliers were the fish monger, a wholesaler or a foodservice company. Suppliers of Tier 1 suppliers can also be anything from a producer, processor or wholesaler. An interview with a fish monger, one of the fish suppliers of a hotel in the study, revealed that they had 5 suppliers. These 2<sup>nd</sup> tier suppliers were 2 wholesalers, 1 processor and 2 producers. The fish monger used different suppliers to supply him with different types of fish as well as varying quality of fish. In this regards, the use of 2<sup>nd</sup> tier suppliers by the 1<sup>st</sup> tier supplier mirrors how hotels used their suppliers.

One of fishmonger's 2 wholesalers was a South West fish merchant who operated a 1 day boat system, a system where a fishing boat went out to sea and came back on the same day (the shorter hour/day system, the fresher the fish quality). The other wholesaler was a fish merchant who also imports fish as well as selling fish caught within UK waters. The two producers who supply the fish monger were a specialised fish farm based in Scotland and a fisherman in the South West who operated a 5 hour boat system. The last tier 2 supplier was a processor who supplies crab meat.

Figure 6-9 and Figure 6-10 show the meat and vegetable SC network structures respectively. These two types of food had similar patterns of SC network structure, with foodservice companies, wholesaler, retailer and producer being in tier 1 and the possibilities of wholesaler and producer being the suppliers in tier 2 and beyond. Meat and vegetable SC network structure had possibilities to be the shortest SC network

structure among all types of food due to the fact that they were more likely to have producers in the 1st tier. Conversely, SC network structures for dry food could form the longest supply chains, but could also be the narrowest compared to other types of food. However, if the number of suppliers was taken into account, 2<sup>nd</sup> tier suppliers of dry food would form the widest supply network as national foodservice companies were likely to have the highest number of suppliers.

Next the overall number of food suppliers used by hotels in this study is examined. It was found that certain types of food had a smaller number than others. As a result, hotels used suppliers who also supplied to other hotels. Despite some hotels having only one supplier per each type of food, suppliers did not dedicate their supply to any one hotel in particular. Table 6-7 shows the number of fish and dry suppliers was around half the number of meat and vegetable suppliers. The number of fish suppliers, in particular, was reported by the respondents to be limited. The small number of suppliers used among hotels means there were more hotels sharing the same fish suppliers than any other type of food. In fact, a foodservice company dominantly supplies group hotels, three independent hotels used the same fish monger, and one fish wholesaler supplied five hotels: two group hotels and three independent hotels.

**Table 6-7 The overall number of hotel food suppliers in the study**

Fish	Meat	Vegetable	Dry
6	17	13	8

Source: Author's fieldwork

Considering that all hotels use these 4 main types of food and all tier 2 suppliers can supply any tier 1 supplier, the food SC network structures of all hotels may be assumed

to be the same. However, the use of suppliers by each type of hotel was not always the same. Therefore, hotel food SC network structure could look similar in terms of width of SC network structure but the length of a specific supply chain depended on the products ordered by the hotel. The food items ordered by hotel, and the dynamics of supply chain network structures are discussed next.

### **6.5.1 Dynamics of Supply Chain Network Structures**

Changes in SC network structures can occur at 2 levels: supplier change and food item change, which can result in an altering of the width and length of SC network structure. According to the two ends of the spectrum of strategic sourcing strategies described earlier, chef-centred sourcing and centralised sourcing, supplier change can be influenced by either the hotel group company or the head chef at individual hotels. In this section, change by the hotel company and change by the hotels will be considered separately.

A radical change of SC network structure can be affected by the change of suppliers by the head chef in chef-centred sourcing strategy. The change of suppliers in turn can affect the SC network structure as a whole. Both the length and width of a SC network structure can be affected by the change of supplier base which often happens when hotels have a new chef.

A new chef of an independent group hotel explains how he radically changed his fish suppliers. In fact, the new chef reduced the number of the fish suppliers from three to one.



Hotel SG3: When I came here, when I look at the list I have thirteen different suppliers here and for the fish I got 3 different suppliers for the fish, it's quite unlikely to get different fish from different people and we don't know what sort of standard they're providing so I got [Supplier name] from Brixham which is quite good and it's local from here.

The change of fish suppliers from 3 to 1 narrowed the fish SC network structure of the hotel. A radical change of supplier base is also shown by Hotel I10 and Hotel SG2.

Interviewer: How many suppliers that you stopped using and how many that you carried on using?

Hotel I10: probably about eight suppliers.

Interviewer: How many did you keep?

Hotel I10: One [laugh]. That was a fish company that based in Exeter and they are called [a supplier's name]. They can maintain good standard and they were good in price and the quality is second to none really.

Interviewer: How about the rest of them?

Hotel I10: Some of them were delivery times. I think delivery times, the standard and the quality of food that wasn't getting satisfactory to my level. I think that's the best way of putting it really because it wasn't the kind of ingredients and the kind of quality that I would expect from paying the price that I was paying.

Hotel SG2: When I got here... I kind of axed it all I got rid of half of the suppliers. The suppliers were robbing the place - just charging what they wanted because no one's checking. I kind of saw who those people were straightway and got rid of them and just started fresh, started again.

It is clear from the quotes above that the width of SC network structure of Hotel I10 and Hotel SG2 were changed soon after new chefs arrived. The reasons given by the chefs for changing and reducing suppliers were that the existing suppliers were not up to their standard with regard to price, quality and the delivery times did not suit them. The chefs kept the supplier(s) that meet their expectation. These three factors were explained in detail under the theme *three elements to worry* about in the previous chapter. One of the reasons for reducing the number of suppliers was that more suppliers would add extra administrative (work as explained earlier in Section 6.3.1 Strategic Food Sourcing Stages.)

In the case of changing frozen food suppliers, it may or may not affect the hotel supply chain structure. If the new supplier(s) is/are the same type of supplier and has the same amount of suppliers then there will be no change, however if the new supplier is closer or further away, for example, from the potato grower(s) in the chain, the effect would be on the length of the SC network structure. Furthermore, if the number of suppliers of the new frozen chips supplier was larger or smaller than the previous one, the width of the frozen food SC network structure and therefore food supply chain would change. The same applies with changing the suppliers of other types of food.

Unlike the change of suppliers, hotels can change the food items they use regardless of the hotel sourcing strategy. The only exception was a group hotel with centralised sourcing and centralised menus. The hotel decided on neither suppliers nor products to buy. They only make sure the kitchen functioned according to the company's guidelines and therefore had no influence on changes that can affect the hotel SC network structure. The rest of the hotels in the study had their head chef design the menus and

select produce themselves. Therefore the head chef was another main agent of SC network structure change by changing the menu and/or selecting the ingredients required. They may do so without realising the change of the supply chain structure because their lack of knowledge of 2<sup>nd</sup> tier suppliers.

Interviewer: Are your fish coming from imported companies?

Hotel I10: No, I would have thought they would be local things.

Interviewer: Can you trace the fish back?

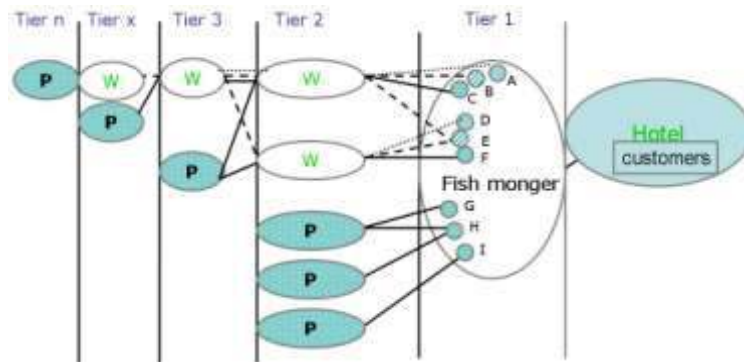
Hotel I10: No, not usually.

Interviewee: What about vegetables?

Hotel I10: Vegetables are all locally grown, West Country. I don't know where they (the supplier) get ...whether they've got their own ...(reading the information from the supplier's brochure).. it doesn't really say that.

Having looked at the main party, the head chef, who had direct influence on the change of food items, the attention is now on illustrating an example of the change of food items within a 1<sup>st</sup> tier fish supplier.

This study did not intend to perform a detailed analysis of how a change of food item can affect the entire supply chain. However, looking at Figure 6-12, it can be seen that the tier one suppliers have supply chains of various lengths and complexities; hotels making a change in food items purchased from the same supplier cannot assume that they keep an unchanged length of supply chain. Therefore the change in food items ordered from non-producers in the 1<sup>st</sup> tier supplier can affect the structure of the whole SC network structure. Figure 6-12 illustrates the fish items offered by one supplier, which in turn were supplied by 5 different suppliers with different fish supply chains.

**Figure 6-12 Fish items and their supply chains**

Source: Author's fieldwork

A fish monger has 5 suppliers: 3 producers, 1 fish merchant and 1 fish importer. What hotels get from the fish monger is a price list of different fish for the chef to choose from. Hotels' fish supply chain structure, length and width, will be different if hotels order fish items B, E and G. The possibility for the longest supply chain is of item B and the widest supply chain is item E and the shortest one is item G. Head chefs may be able to guess the type of suppliers of his/her fish supplier by the type of fish ordered but it did not seem to be in the chef's interest to find out who their 2<sup>nd</sup> tier suppliers are. As can be seen from the quote below, the lack of 2<sup>nd</sup> tier supplier knowledge was evident. Despite knowing which type of fish was local, the chef did not know whom his fish supplier acquired the fish from.

Hotel I10: Fish is all locally sourced you know from Brixham. Obviously if you want something different like Lemon sole it's gonna come imported. They [the supplier] can supply, they got quite a good range they do..[a list of types of fish!] if I go for Sardine it's local, Cod is local and Haddock. The more exotic one like John Doris will be imported. The more common fish will be locally caught.

As food items can be changed everyday, hotel SC network structures can therefore be different from one day to the next.

## **6.6 Chapter Summary**

This chapter has sought to provide knowledge of hotel food supply chains and further explain hotel food sourcing practice. Hotel food supply chains were complex and hotels were not aware of their supply chain members beyond their 1st tier suppliers. What is more, changes of hotel food supply chains occurred at both strategic and operational levels where sourcing configuration dictated change at the strategic level. It was found that chef-centred sourcing hotels had a radical change of suppliers when a new chef arrived. Moreover, supply chain network structure change happened more often on the operational level due to regular changes of food items at the property level where the head chef was the main influential person. This change took place in every hotel regardless of their sourcing configuration though the change varied according to the degree of central control from the hotel group. It was also found that chefs were not aware of the suppliers of their suppliers and little attempt was made by hotels to control their food supply chains. It was apparent from the analysis that the type of supplier used by hotels related to the type of food and hotel characteristics and in turn type of supplier used by indicated hotel food replenishment patterns. The power relationships between hotels and their suppliers can be viewed from the fulfilment of hotel requirements by suppliers regarding price, quality and delivery services. It was found that large suppliers were willing to negotiate the frequency of delivery service with large hotels but dictated their delivery service in the case of small hotels. Furthermore, examination of hotel ordering channels has shown that telephoning, which was reported to be widely used a decade ago, was still dominating hotel food ordering despite the adoption of online

ordering technology by group hotels. It was also shown that the use of telephone ordering had advantages over other channels and that this method of ordering was preferred by chefs. Hotel catering was criticised to be slow to adopt new technology in its operations and this was found to be the case due to 'human bandwidth' as well as attitude. The chapter also pointed out problems and concerns related to online ordering. With regard to operational sourcing, food type was found to be the dominant factor that determined how operational food sourcing functioned. Other factors were found to be sourcing configuration, pull and push productions, type of supplier and hotel characteristics.

## 7 Conclusion

### 7.1 Introduction

This research has set out to explore management of the supply chain in an attempt to explain various aspects of the supply chain and the practices employed among different types of hotel. The research also intended to understand hotel food SC network structures. Consequently, this research has taken a qualitative approach and utilised data from interviews as the main material to be examined, revealing the characteristics of the hotel food supply chain and SCM practices as well as the impact organisational characteristics had on the management of food supply chains. The research also revealed hotels' first tier primary suppliers and constructed SC network structures of four main types of hotel food supply and explained the factors that have an impact on the dynamics of hotel food SC network structures. The thesis, therefore, has provided a comprehensive overview of the management of the supply chain with special reference to hotel food service, the factors affecting the supply chain of hotel food supply and the food SC network structures. This chapter reviews the main findings of the research relating to the research objectives, presents research implications, and outlines some of the research limitations, as well as providing recommendations for further research pertaining to supply chain management issues in the hotel industry.

Following this section, the chapter is organised in five sections. First, it starts with key research findings where the literature and key research results are revisited. These results are presented in relation to the research objectives and relevant literature. Second, similarities and differences among practices of the management of food supply chains are described. Third, the study implications are expressed in three areas; research

community, the hotel industry and hotel food suppliers. The last two sections in this chapter are research limitations and further research.

## **7.2 Summary of Key Findings**

SCM studies mainly base their experiences in the manufacturing industry and it was noted that there was a lack of research into the practices pertaining to the flows and transformation of tangible products in the service industry. This research was designed to fill this apparent gap and aimed at the outset to explore the management of the supply chain of food in the hotel industry, and examine the impact that organisational characteristics have on the practices pertaining to the supply chain. Activities and organisations within the supply chain, as well as the management of the supply chain were identified and examined. The following sections summarise and discuss the key findings in light of the concept of SCM before discussing the methodological implications for researching SCM issues in hospitality organisations.

The findings regarding the main role of managing food supply chains in this research have emphasised the fact that supply chain management is product- and industry-specific, and they challenge the assumption widely portrayed in the SCM literature that purchasing department staff are supply chain managers. The research has shown that in hotel food supply chains, the head chef played a crucial role in managing the supply chain which spans over a range of responsibilities involving all three levels of the decision hierarchy; strategic, tactical, and operational. Despite the fact that some of the hotels in the study employed a *centralised-sourcing strategy* for strategic sourcing, head chefs, still had substantial influence on the efficiency of food supply management and production, as well as on meeting customer requirements. With regard to supplier



relationships, this research has found evidence of long-term, cooperative relationships between chefs and suppliers in high-end hotel restaurants. Similar findings of the existence of close relationships between chefs and suppliers were reported in the study by Murphy and Smith (2009). The difference between the findings from Murphy and Smith's (2009) study and this study is the intensity of the relationships. In Murphy and Smith's (2009) study, closer, more collaborative relationships were found where chefs worked closely together with their suppliers to develop the required produce. This level of collaboration was not found in this research.

The research has shown a high degree of involvement of head chefs, in managing the supply chain of hotel food service; it also showed that chefs' job mobility was also high. Considering the high job mobility among hotel chefs, it was surprising that there was a lack of knowledge retention within individual hotels. This study has shown that a new chef had to start from scratch using a trial and error approach to figure out the level and type of food required.

### **7.2.1 Hotel Characteristics and Supply Sourcing Practices**

The results show that the characteristics of the organisation have a great impact on strategic sourcing practices. Group hotels employed *a centralised-sourcing strategy* to manage their strategic sourcing activities. *A flexible centralised-sourcing strategy* was also found in various degrees among group hotels. Small group hotels and independent hotels relied on head chef, *a chef-centred sourcing strategy*, for various supply chain activities on every level of management: strategic, tactical and operational. An interesting result was that the SCM practices varied in relation to type of food. What is more, a high-end level of food service was found to relate to one sourcing strategy,

*chef-sourcing strategy*, in particular. Fresh food supply to hotels at the high-end of the market restaurants was sourced by the head chef at the property level regardless of the hotel organisational characteristics. An exception was an international hotel, which has a strict company-centred sourcing policy despite being a high-end branded hotel. One explanation is the hotel location and the target market of that particular hotel. Fresh food sourcing at high-end hotels also has a direct effect on hotel food SC network structures. In this study it was found that most upscale restaurants sourced their fresh food directly from producers and therefore they had short fresh food supply chains in their network structures, typically with only tier one suppliers.

With regard to e-procurement, despite the benefits suggested in the SCM hospitality literature (Sigala 2006; Kothari *et al.* 2007), the adoption of e-procurement systems was found to be low. This should be considered in context regarding hotel organisational characteristics. Furthermore, problems pertaining to the use of online ordering were evident in this study and chefs did express their preference of the telephone over e-procurement systems.

This study has revealed the use of the Internet in certain stages of strategic sourcing, such as product development, supplier search and to a lesser degree, online purchasing, especially among small independent hotels. The predominant use of telephones for ordering by the catering industry has been pointed out by Eastham, Sharples and Ball (2001:17). Although the results shown here bear witness to the use of telephones across all types of hotel and the fact that some use it as their sole channel for ordering, the major means of ordering may change to online ordering considering the growing number of group hotels. Evidence of hotel groups continuing to expand despite the

recent recession is reported widely in the industry press. Accor group, one of the top ten largest group hotels in the UK (BHA 2007:60) aims to have 300 hotels in the UK by 2015 (Druce 2010:10). Whitbread, the largest hotel in terms of room number (BHA 2007:60), is targeting an expansion to 55,000 rooms of their Premier Inn brand with adjacent own restaurants and bars in the UK by 2015 (Stagg 2010). Not only large companies are expanding, small group hotels and hotel consortia are doing the same. For example, Small Luxury Hotels of the World (SLH) is looking to expand its portfolio of properties in the UK including properties in Devon and Cornwall (Caterer&Hotelkeeper 4 March :8). In short, group hotels are still expanding although the rate and scope of expansion is less than they had planned before the 2008 recession. The increasing presence of group hotels will lead to more structured supply chain activities, with implications for strategic and operational supply sourcing (e.g. supplier selection, buying processes, ordering channels) and in turn, type of suppliers.

### **7.2.2 Hotel food supply chain network structures**

The results on hotel food supply chain network structures exhibited a similarity in structures of SC networks across different types of hotel in terms of width but a difference in the length of supply chains. The hotel food SC networks vertical structures, appear to be narrow due to the small number of suppliers in hotel food supply bases. SC supply networks tend to stay narrow over time, and for some hotels, this is a result of the practicality of supply delivery logistics and administration work involved. The length, and horizontal structure, of SC networks, however, can be different from one day to the next, depending on the materials purchased. These changes in supply networks often happen without hotels realising or being informed. The exceptions are hotels, regardless of business format, targeting high-end markets

where the source of produce was taken into account. The hotels with an upscale restaurant in this study had relatively short, less deep, supply chains than other hotels. What is more, among the hotels in this study, small group hotels have the shortest SC networks thanks to the sourcing approach of the head chefs. These small group hotels have similar business models, boutique or upscale hotels. It can also be said that hotels at the high-end of the market and those with high a level of food services tend to have a short fresh food supply chain structure. It was interesting to find that the hotels of different characteristics had similar supply chain width due to their similar amount of suppliers used. (See Chapter 6, Table 6-3).

### **7.2.3 SCM Practices in the Hotel Industry**

A number of authors (see for example Houlihan 1988; Spekman 1988; Storey *et al.* 2006) have identified distinct characteristics of the SCM concepts when compared to traditional management with regard to two main management aspects: logistics and supply base. The logistics view of SCM (see Section 2.1.2) is described by pull (demand-driven) production; seamless flows of materials and information; from suppliers through to end user; and shared information among supply chain members via an IT enabled supply chain. The supply base view of SCM fosters long-term, co-operative relationships, with a small number of suppliers in the supply base where suppliers work with the buyer to improve the performance of the supply chain. Theoretically, all members in the supply chain share risk and rewards as a result of the chain performance. Traditional management, however, views business entities operating in isolation where information is not shared due to lack of trust between trading partners. Buyer-supplier relationships are characterised as being adversarial, where risks and benefits are not shared outside individual firm boundaries. Traditional management

assumes that suppliers are indifferent with regard to their ability to provide products/services. As such, suppliers are encouraged to compete so that the buyer firm can gain price concessions and continuity of supply.

The results of the study show that the management of the food supply chain in hotels displays some of the characteristics portrayed in the concept of SCM. However, to a large extent the management practices found were similar to traditional management. Areas of management showing the characteristics of the SCM concept were found in both the hard and soft elements. Three characteristics of the hard elements were hotel food pull production, the use of a dedicated team to manage the supply chain, and the use of information technology. Three other characteristics pertaining to the soft element of the SCM concept were supplier base, buyer-supplier relationships and product development. As mentioned earlier, hotels appeared to have a small number of 1st tier suppliers for all types of their food supply and as a result hotel food SC network structures have a narrow 1st tier supplier profile. The reasons for this narrow 1st tier of the SC structures, however, were found not to be for developing long-term, co-operative relationships with suppliers as suggested in the notion of SCM; but rather it was found to be the practicality of the operational management of SC activities that resulted in a small number of suppliers for each type of food supply. The second characteristic of the soft element was supplier relationship. Long-term, co-operative relationships were found to exist, but were present at the personal level rather than at the organisational level. This means hotels with a chef-centred sourcing strategy tend to conform to the type of relationship advocated in the SCM literature with regard to the period of time they have been working together. The last characteristic was product development. It is important to note that these characteristics of the SCM concept appeared in the

management of supply chains in hotels to varying degrees. The presence of SCM practices is associated with the type of organisation, food sourcing strategy, SC configuration, type of supplier and type of food supply.

With regard to management across supply chain members, hotels had little knowledge of the suppliers beyond their 1<sup>st</sup> tier suppliers, let alone the ability to manage them. This finding shows an absence of characteristics of the SCM concept among hotels regarding SCM with a whole chain end-to-end perspective. This finding coincides with the report of SCM practices among manufacturing corporations from a study carried out by Storey *et al* (2006), which revealed that SCM is at best emergent in terms of practice. They affirm that few practitioners were able, or even seriously aspired, to extend their reach across the supply chain in the manner prescribed in the literature. This finding also resonates with the statement made by Chen and Paulraj (2004a) that both academic researchers and practitioners are far from mastering SCM.

### **7.3 Discussion of the Main Findings in Relation to Objective 1**

In the next three sections, the significance of the results for each objective will be discussed. First of all, objective 1 is examined. This was to describe and explain the management of hotel food supply

#### **7.3.1 Characteristics of hotel food supply chains**

Hotel food can be classified according to its function or outlet (e.g. breakfast, restaurant, bar, meeting and conference, function and event, and room service); or the level of service (e.g. fine dining, traditional restaurant, and pub style/brassiere). The hotels in

this study offer one or a combination of these food outlets or service types. Generally, a hotel food supply chain consists of producers, wholesalers/distributors, retailers, hotel and consumers. Consumers of hotel food can be hotel guests, accommodation customers, and non-hotel guests. The hotel sleeper:diner ratio (a proportion of hotel guests that are also its food consumers) depends on each hotel's business strategy. Only two hotels in this study serve food exclusively to its guests. The rest of the hotels have both hotel guests and non-hotel guests as their food customers. The hotels located in towns (i.e. urban areas) tended to have non-hotel guests as their restaurant customers more than those located further away from town centre. Food suppliers can be divided according to their geographical service coverage: local, regional and national. They can also be classified in relation to the type of food they supply. In general, hotel suppliers that are chain members closer to, or at the beginning of the food supply chain (i.e. pig farmer, vegetable grower) are more likely to be identified with the product the suppliers supply. On the other hand, suppliers further down the hotel food supply chain tend to supply a variety of food and related products/services.

### **7.3.2 Food SCM practices for hotels**

Unlike most manufactured products and grocery food products, hotel foods are characterised by the fact that the finished product is made just before it is consumed. As such, all hotel foods may be viewed as *made to order* products and, from a supply chain point of view, this made-to-order process can be regarded as a pull supply chain. However, the pull process does not extend beyond the firm's boundaries. In fact, raw material for production is pulled from the hotel inventory. It is, therefore, more appropriate to view hotel food supply chains from the raw material point of view instead of the finished product point of view as in manufacturing supply chains.

As explained in Section 5.3.1 about pull/push productions, the type of services offered at a hotel dictates the type of the food production and therefore the type of supply chain. A pull supply chain is characterised by the production of food associated with pre-booked and/or pre-paid services such as conferences, meetings, functions, events and breakfast. A push supply chain, on the other hand, relates to food production for restaurant guests, bars, and room services. It is evident from the data that SCM practices as well as SCM performance of push supply chains are highly dependent on the head chef (see Section 5.4.2 Head chef as creator, memory and processor).

Common characteristics of the hotel food supply chain as revealed by the interview data, included:

- low exploitation of information technology and involvement of a high degree of **manual-based** supply chain activities
- low level of implementation of **supply chain initiatives**
- under utilisation or cultivation of **consumer usage information**
- high level of dependency on **the head chef** regarding supply chain performance
- traditional arms-length **buyer-seller relationships**
- low level of **co-operation** between buyer and supplier

Despite evidence of some use of technology (e.g. the Internet in the process of product offering planning), overall supply chain processes involved low technology and comprised of mainly **manual-based activities**. Pen and paper were main tools for product planning. Demand forecasting in terms of business volume may be assisted by computer programme but it was ‘a guessing game’ with regard to demand variants.



What is more, the data also showed that raw materials stock checking is manually done by literally counting items in the inventory. Furthermore, online ordering channels were only used by some large group hotels, but the most commonly used means was telephoning. The reasons by which this is so widely used in the hotel sector were the shorter time, for ordering and suppliers' lead times as well as the fact that telephone is a two-way communication system through which the availability of products can be discussed.

Despite a Vendor Managed Inventory (VMI) initiative used in a hotel reported in the study by Barlow 1995 (cited in Towill 2001:156) and just-in-time (JIT) approaches practiced by hotels to manage their beverage inventories (Barlow 2002), these initiatives were not found in this empirical research as a means to manage food supply. Instead, the main replenishment device for hotel food supply chains was actual inventory not information. The explanation for hotels not exploiting information in their **inventory replenishment** may be that there were no finished products to be stored or individually identified and, therefore, to be monitored by information obtained at the point of sales. What is more, most main raw materials were not individually controlled and were used across various product offerings. As such, raw material inventories were not easily monitored in a real time fashion, although point of sales of 'finished products' information was more routinely kept on a system. Hotel roles in the food supply chain were akin to both 'manufacturer' and retailer. However, unlike processes in a food manufacturer, the food production in the hotel sector was highly humaned where errors and imprecision are likely. The interviews revealed that raw materials may be used more than required due to errors made by new staff. As a result, point of sales

information could not be accurately used in an automatic sense as indicator for the amount and type of food that needs to be replenished.

The level of utilisation and cultivation of **customer usage information** in hotel food supply chains was very low compared to the practices employed by retailers in the grocery sector (see Blanchard *et al.* 2008; Gopalakrishna and Subramanian 2008). While information was not used as replenishment device, customer usage information (e.g. food requirements) obtained from hotel guests offered a possible alternative. However, food demand forecasting was often based on accommodation bookings which may help in the estimate of the business volume, but not in the precise identification of demand variables. Sales history-aided forecasting was commonly used by head chefs; however, this information was acquired mainly through experience of **the head chef** at the property. Sales history information retention for the purpose of product planning at an organisation level was rare and was evident only at one group hotel in this study. At this establishment, point of sales information was kept and utilised by the hotel group company for designing product offerings.

High job mobility among hotel chefs and their tacit knowledge-oriented working approach together with the under utilisation and cultivation of customers' food preferences at property level found in this study implies hotels are prone to regression with regard to the management of food supply chain. The tacit knowledge of food supply chain management held by the head chef at each individual hotel can often be regarded as 'orphaned' knowledge, knowledge that is separated from other mainstream knowledge that is well recognised and well used (Caddy and Petty 2001:385). This orphaned knowledge needs to be searched for and recovered so that procedures and

techniques for efficiently managing food supply can be developed. Despite much of food service production knowledge being tacit, information regarding past product offerings, sales history, customers' food preferences, and level of inventory could be kept at property level. Such an application was suggested by Öztayşi *et al* (2009) where hotel services usage information, including eating behaviour and food preferences, can be kept for hotels to customise services to suit individual customers, together with any form of knowledge management system within organisations, are required in order to improve individual hotel food SCM performance. Such applications would allow a new chef to build on the previous knowledge of the food supply chains at the hotel without having to start from the beginning to understand the dynamics of the food supply chains which vary from hotel to hotel. What is more, a human resource management decision can have an important impact on recruitment of head chefs, with consequent impacts on supply chain performance. Therefore, hotels ability to retain this key supply chain person can contribute to less regression of the management of food supply chains. With regard to generating and using customer usage information, hotels were way behind their grocery retailing counterparts.

This relatively low level of technology adoption on the supply side was commented upon as partly due to technology skills in the industry. The participants of the 5th Annual Technology Think Tank (cited in Sigala and Connolly 2004) agreed that human bandwidth rather than network bandwidth is considered as the most critical issue regarding the technological leverage in the hospitality industry.

The level of information communication technology (ICT) employed in the hotels in this study to manage their food supply chains is surprisingly low compared to the

widespread use of ICT across the tourism sector suggested in the tourism literature (see for example Law *et al.* 2009). The finding from this study, however, mirrors the finding of a report by European Commission in 2006 that the level of usage of technology to manage supply in the tourism sector is low and e-procurement is significantly less developed than in other sectors (e-BusinessWatch 2006). The wide spread use of ICT projected in the tourism literature, therefore, only reflects the demand side of the industry (Dimitrios and Rob 2008; Zelenka 2009) but much less on the supply side. Reports on the widespread usage of ICT on the entire tourism supply chain are, therefore, at best naive and at worst misleading.

The SCM literature portrays the activities of managing supply chain to involve a high degree of information technology. Gunasekaran and Ngai (2004a) describes IT as a nerve system for SCM. In this study, however, it was evident that IT was not much used for the management of the supply chain within organisation, let alone across businesses.

Although long-term **buyer-supplier relationships** among chefs and food suppliers were found to exist, arms-length relationship characteristics were commonly found in this study. Fearne *et al.* (2001) suggested supply chain partnerships in the food industry were emerging at a pace, but in the hotel food service, this type of buyer-supplier relationship is still rare. However, an emerging area of long-term and co-operative relationships was found in an upscale hotel restaurant market. Similar practices of co-operative relationships were found in Murphy and Smith's (2009) study, although at a

much higher degree in term of co-operative activities and the intention of buyer and supplier to work together to improve product quality.

Furthermore, Telfer and Wall (2000) found a hotel that worked with their suppliers by providing them with materials and equipment through exclusive agreements; however, such arrangements were not found in any of the hotels in this study. It may be that this arrangement between hotel and supplier in Telfer and Wall's work was a result of the hotel's location, on a beach, in a tourist enclave, where agriculture capabilities were limited. In order to ensure the availability of products and quality at a reasonable price, the hotel had to work with local suppliers. The context is different in terms of food supply to the catering industry in SW England. Food supply and the number of food suppliers are great (see Table 3.2 Numbers of Suppliers in the Participant Hotel Locations). As a result, hotels in the area had no difficulties sourcing their supply and it was unnecessary for them to work with suppliers to ensure the availability of produce as there are likely to be alternatives as to type of products as well as suppliers.

### 7.3.3 Supply Chain Performance

In this study, push production relied heavily on the head chef in terms of supply main performance, in particular, in the areas of demand forecasting, inventory management, and meeting customer requirements. Pull production, on the other hand, was more straightforward, as the demand and customer requirements are identified before raw materials are sourced. In pull production, the head chef was responsible for designing product offerings as well as for managing the inventory. Despite an overall measure of the head chef supply chain performance, which is gross profit (GP), there were no other

systematic measures routinely employed by hotels with regard to inventory management performance. Furthermore, this matter was confused because hotel food stock was also used for staff meals and, as such, excess food inventory is not perceived as wastage by head chefs.

### **Inventory Management**

Hotels of all types shared similar SCM practices regarding **replenishment frequency**. Food was replenished as often as every day or every supplier delivery day, with suppliers' longest lead time of one week. Most suppliers, however, delivered every day and the lead time was less than 24 hours. As such, it was possible for hotels to keep low levels of food inventory and to have a high inventory turn around rate. However, the level of food inventory was not monitored in the same fashion as practices carried out in the grocery sector. Food inventory was managed using a common sense approach by the head chef. As such, inventory performance depended on the head chef's expertise and experience at the property.

Stock-outs were reported to be common happenings but instead of being recognised as a positive tactic or even a supply strategy, as employed by organisations in the fashion sector (see Ferdows *et al.* 2004), they were viewed as a problem and a lost selling opportunity by the head chef. According to the data, once chefs experienced a stock-out situation, they reacted by increasing the level of 'a minimum', safety stock level, for that particular type of food. In reality, customers typically order a substitute when the desired food item is not available. From an inventory management point of view, in theory and based on studies of other sectors, stock-outs can help increase inventory

performance with regard to inventory turnover of other items helping to keep the product offerings lively and vibrant.

### **Meeting customer requirements**

In push production, customer requirements are often specified just before the production starts and, therefore, the performance of meeting customer requirements in terms of product offering availability depend on the product design process. Hotel food can be customised to suit customer requirements due to the versatility of raw materials. Despite the restricted supply base at group hotels with centralised sourcing, various raw materials can be ordered and transformed during the production stage to suit customer food preferences. However, with the trend of increasing customer requirements for food, not only of a particular type but also using sustainable and ethical production and sourcing methods, hotels will need to align their sourcing strategy with these food consumption trends. The data in this study shows that hotels are well aware of local food sourcing practice as a value added factor, as perceived by customers and the practice of local food sourcing exists in most hotels. Despite some hotels using locally sourced food items as value added items, they also imported food items, despite similar, local source, items being available. It is understandable, however, that despite chef's personal belief in sourcing local food, they have to meet their expected gross profit (GP) or their salary may be deducted or their job may be at risk.

#### **7.3.4 Buyer-Supplier Relationships**

The low level of information technology used in the hotels also implied their low level of shared electronic information with suppliers. Although some group hotels used electronic data interchange with their suppliers, it was only for basic operational

purposes (e.g. ordering). The data showed that hotels hardly retained their point of sales information, let alone shared information with suppliers. Some hotels, however, worked closely with their suppliers with regard to the availability of produce, but this was on the basis of a more personalised one-to-one negotiation, usually over the telephone. The overall buyer-seller relationships were, however, characterised by **arms-length relationships**. The practice of using two suppliers per type of food and deliberately making them compete was evident, as well as the practice of sharing current supplier prices with potential supplier in order to receive lower prices. Supplier switching on the basis of price alone was practised. What is more, opportunistic behaviour of suppliers was reported to be one reason why hotels maintained arms-length relationships with their suppliers.

Most hotels had a small number of suppliers in their supplier base. In fact, many hotels in the study practice single sourcing or having two suppliers per each type of food. The reported reason for having only one or two suppliers was to reduce the administrative costs. Dyer (2000) provided a possible reason for the practice of single sourcing or employing a small supplier base, that is, because the administrative or transaction costs associated with managing a large number of suppliers often outweighing the benefits. Thus, firms reduce the number of primary suppliers and allocate a majority of purchased material requirements to a single source. Moreover, another benefit of single sourcing is reduced logistical costs (Bozarth *et al.* 1998) and these were also reported by the hotels. In the context of this particular study, logistical costs were associated directly with the time spent managing supplier deliveries. In many respects, the hotels surveyed in this research were identical in approach to Dyer's observations.



**Buyer -supplier relationship episodes** among hotels varied according to hotel sourcing strategy. In independent hotels and group hotels with a chef-centred sourcing strategy, relationships between the chef/owner and his/her suppliers were found to be extended over several years. Some reported to have known their suppliers personally or even regard their suppliers as their friends. One interesting finding was that a chef's supplier base 'travels' with them; that is, when they move posts they tend to use the same suppliers who practically 'migrate' with them. Although much of the literature (see for example Transaction Cost Analysis) suggests that the most proximate, accessible and hence lowest cost suppliers should be used, this was not necessarily the case in this research. Instead, chefs placed great value in those suppliers that they trust. Chefs tended to have their own supplier base and when allowed to choose their own suppliers, they tend to use their favoured suppliers. Thus, whenever hotels (that employ a chef-sourcing strategy) employed a new head chef they were likely to shift and/or restructure their supplier base. An examination of the food sourcing behaviour of responsible person in hotels was done in Telfer and Wall's (2000) study where they reported that a new manager or chef can have significant impacts on the food purchasing policy, however, to the best of the researcher's knowledge, chefs taking their suppliers with them, where possible, when changing job has not been documented. Long-term relationships were also found in some group hotels with centralised sourcing strategy. However, it was reported that change of suppliers can be based on price alone and can happen anytime.

Asymmetry relationships found among hotels and their suppliers. In general, hotels have negotiating power from order volume and the fact that competition among suppliers is high. Some hotels reported that they dictate conditions of food as well as

delivery schedule. These hotels are located in town area and have their restaurants that serve their own guests as well as non-guest customers. Smaller hotels and hotels which are located out of town, however, may be given a certain delivery schedule from their suppliers. Despite having to follow supplier delivery schedules, these hotels see themselves in a position where they can specify quality and price they require and discontinue using any supplier whenever they want to.

#### **7.4 Discussion of the Main Findings in Relation to Objective 2**

The second objective of this study was to examine the extent to which organisational characteristics have an impact on food sourcing practice. In this regard, through its empirical research, this study has identified two sets of major findings as they relate to sourcing strategy and how organisational characteristics relate to or impact on food sourcing practices.

##### **7.4.1 Sourcing Strategy**

The study has revealed that hotels of similar characteristics do not necessarily operate their supply chains with similar approaches. As shown in Table 7-1, SCM practices in terms of sourcing strategy can be clustered into three models for affiliated hotels and two models, one with two variations, for independent hotels. Chef-centred sourcing can be a sourcing strategy, for any type of hotel regardless of affiliation. This sourcing strategy, however, was most common among small group hotels and independent hotels. Group hotels, however, were more likely to employ a centralised-sourcing strategy with a degree of flexibility regarding supplier selection at property level. It was found that the higher the level of service, the more flexible the centralised sourcing strategy.

**Table 7-1 Hotel and Food Sourcing Strategies**

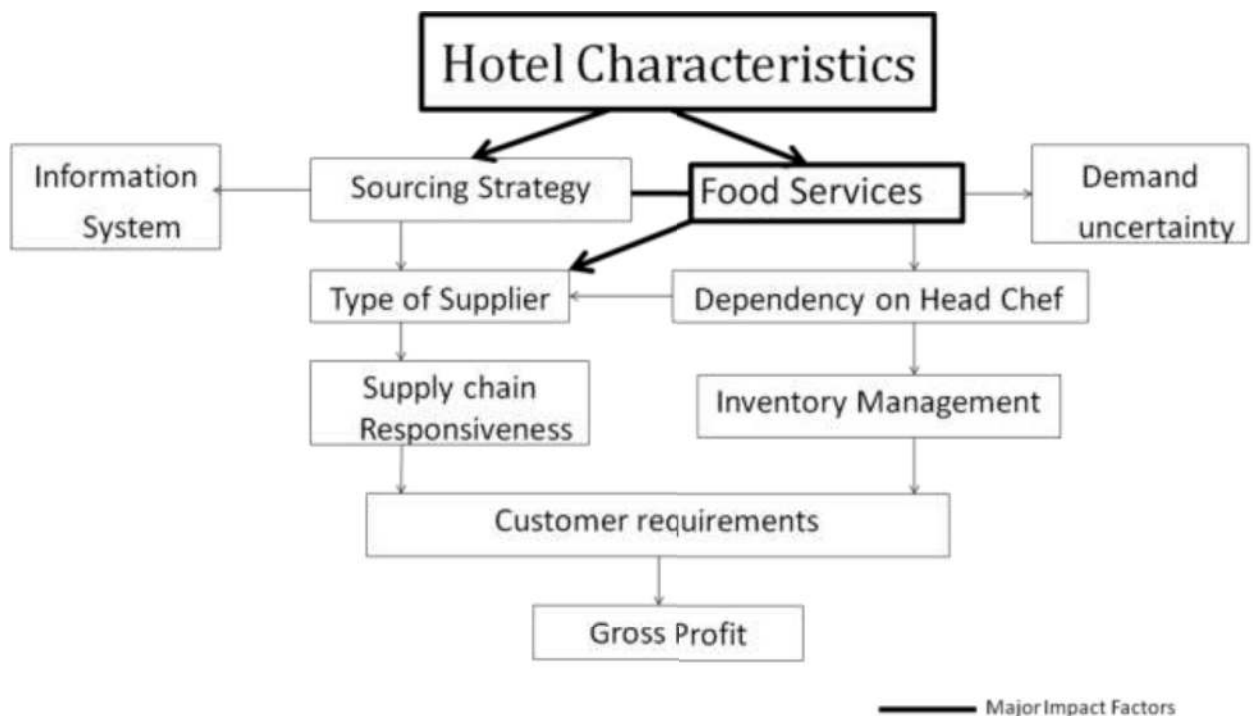
Type of hotel	Sourcing Strategy		
Affiliated hotel	Chef-centred sourcing	Centralised sourcing strategy	Flexible centralised strategy
Independent hotel	Chef-centred sourcing	Chef and Owner sourcing strategy	
		Split strategy	Joint strategy

Source: Author’s fieldwork

**7.4.2 Organisational Characteristics and Food Sourcing Practice**

The study has revealed that hotels of similar characteristics do not necessarily operate their supply chains with similar approaches. However, clear patterns emerged from the data.

**Figure 7-1 Organisational Characteristics and Hotel Food SCM Practices**



Source: Author’s fieldwork

As can be seen from Figure 7-1, hotel characteristics played an important part in food SCM including sourcing strategy, and in turn, level of technology usage. Some of the factors, however, had greater impact on hotel supply chains than others, the thick line in the diagram indicates these high impact factors as well as the factors that they impact upon. Hotel characteristics include business format, business model, food service level, size and location. The highest impact characteristics were business format, business model, and food service level. Location, size, and macro business environment also played a part, but to a lesser degree than the first three. It was found that affiliated hotels employed a higher degree of information technology than independent hotels. This finding coincides with Orfila-Sintes' *et al* (2005) study where they found that chain hotels have higher degrees of ICT usage than independently managed ones. ICT usage in this study, however, is limited to the area of routine food ordering.

#### **7.4.2.1 Business Format and Sourcing Strategy**

Group hotels employed a centralised-sourcing strategy. A chef-sourcing strategy was practised by all types of hotels but was most common among small group hotels and independent hotels. Two areas were found where hotels were outsourcing. One was strategic sourcing and the other was food preparation. A group hotel in this study outsourced its supplier selection decisions by using a partnership sourcing company. The practice of contracting out the strategic purchasing function has been mentioned as an emerging trend within the catering sector, mainly among chain restaurants in the last decade (Bamford 2001). Research in this area is still limited; however, Eastham (2000) posits the view that the contracting out of the purchasing is largely a practice of small catering and hotel chains. In this view, the practice has emerged as solutions both to the

fragmented nature of the buyer and the supplier sectors, and because the sourcing companies operate as independent central purchasing departments taking a percentage of the savings made through collective increased purchasing power (Bamford 2001:103). One hotel in the study recorded an affiliation with a marketing consortium. However, it was found that they did not use the suppliers in the purchasing alliance of the consortium to supply food. In fact, their food suppliers and SCM practices showed no difference compared to other independent hotels.

Food preparation was also found to be outsourced by the hotels with pub style restaurants where relatively higher volume of 'ready' frozen foods were used; instead of having in-house operations, certain types of food (e.g. bread) was bought in. By outsourcing part of the operational processes, the hotels reduced their operating costs as well as their dependency on chefs. Tansey and Worsley (1995) state that, while traditional craft-based approaches to catering remain at the top end of the market, middle ranking hotels in the UK increasingly buy in ready-prepared dishes from catering companies. But even in the highest status hotels, the evidence in this study would suggest that traditional skills are mixing with high-technology to produce profitable businesses which are run more on industrialised lines than may have been expected. With around a quarter of costs in a large five star hotel allocated to staffing, ways to cut staff costs (and staff) are being sought. One way is clearly to buy in services that would have been provided by full-time staff in the past (Tansey and Worsley 1995:137). It is clear from the data in this study that group hotels were also attempting, more than any other type of establishment, to manage their food supply chains by reducing demand uncertainties, operating costs and dependency on chefs, as a major source of staffing costs.

### 7.4.2.2 Business Format, Type of Supplier and Type of Food

In this study, group hotels with a centralised-sourcing strategy mostly used foodservice companies, national delivered wholesalers, as their suppliers. These suppliers' service coverage is nation-wide and as a group hotel supplier, they supply every hotel in the group especially with dry food. According to the results on supplier delivery schedules, it was found that large national suppliers were less frequent than small and regional or local suppliers. O'Connell *et al* (2006) also provided evidence of better supplier performance regarding frequency of deliveries and ability to perform emergency deliveries of smaller suppliers than larger ones. The ability of the hotel to accurately forecast the demand is imperative if supply is to be managed efficiently. As such, information regarding customers' food preferences and sales history has become even more important for group hotels because they are not likely to have the luxury of frequent or out of schedule deliveries from the suppliers.

It is evident that most group hotels, regardless of their sourcing strategy, had catering trade suppliers as their meat suppliers. Group hotels with a chef-sourcing strategy may use more specialised suppliers or producers to supply them fresh produce. Small group hotels in the study tended to have producers as their fresh produce suppliers and the reason for this may be due to their business model. Two of the three small group hotels were boutique hotels and one was a high-end country house hotel. Clarke and Chen (2007:298) pointed out that, for visitors, food is more than just food, it identifies a place to eat and 'a sense of place'. For this reason, hotels tend to select their fresh suppliers to match their strategic strategy.

### 7.4.2.3 Business Model, Type of Food and Type of Supplier

Business model also had a high impact on hotel food sourcing with regard to type of food sourced. High-end and boutique hotels sourced specific types of food (e.g. organic vegetables, specific breeds of animal, food from certain parts of the world). All of these hotels in this study employed a chef-sourcing strategy or a centralised-sourcing strategy with a great degree of flexibility for chefs at the property to source their food and select their suppliers. Types of food sourced were often associated with types of supplier. For instance, suppliers that delivered to such high-end and boutique hotels were specialised, high quality food suppliers and fresh produce was mostly supplied by producers. As such, the supply chain network structures of these hotels were shorter than other types of hotel in terms of fresh food supply. This finding coincides with Murphy and Smith's (2009) study of high-end hotel restaurants which reported a pattern of short supply chain network structure. High-end outlets look for quality supply to suit their higher level of hospitality and gastronomy. Chefs at these establishments seek to work with suppliers offering the freshest, top quality produce, despite relatively high price, suppliers (IGD 2005:18; Murphy and Smith 2009:217). Fortunately for them, their guests are usually willing to pay higher prices than guests of most other restaurants (Murphy and Smith 2009). Those group hotels with pub-style restaurants mentioned earlier did not source their food from producers but mainly from delivered wholesalers and wholesalers where more frozen food was used compared to higher service level restaurants.

Furthermore, there are clear patterns emerging with regard to food services hotels provide in relation to hotel business model. Most hotels provide services associated with both push and pull supply chains but there is one type of hotel which is a budget hotel that only operates pull supply chain services. Another pattern found is an independent

hotel in a seaside resort area only provides food services for their guests. It shows that location of a hotel relates to the type of food services provided. Due to out of town location, some hotels in the study concentrated on food services that associate with pull supply chains. Demand uncertainties associated with push supply chains and dependency on head chef can be minimised at these hotels.

In brief, organisational characteristics that have a great impact on hotel food sourcing practice and therefore food supply chains are business format, business model, food service level, location, and size. The first three are the main factors as they determine sourcing strategy, hotel food suppliers and supply chains. The main difference among hotels regarding business format is the use of IT in their supply chains. Only group hotels, in this study, practice online ordering using their own system or supplier online ordering systems.

### ***7.5 Findings on Hotel Food Supply Chain Network Structures (Research Objective 3)***

The final objective of the thesis was to understand first tier primary suppliers of hotel food supply chain network structure. Despite the differences between hotel supply chains discussed above, there were similarities found across hotel business formats. These related to the attitudes of head chefs on food sourcing. Regardless of the sourcing strategy of the hotel for which they work, a Chef's attitude towards local food sourcing was clearly evident. This is opposite to the chefs' negative attitude towards local suppliers reported in the study by Torres (2002) and the reason for this difference may be a geographical one. Furthermore, the chefs portrayed a commitment towards using local food despite their subjective definition of 'local'. The findings in this study



mirrored those in a study of chefs and suppliers in Canada (Murphy and Smith 2009) in so far as, while the chefs are aware of the popularity of, and the external level of interest in, 'local' foods, they had not explicitly thought about how to operationally define 'local'. In their study, geographical area was often used as a criterion to specify 'local' food as well as time, proximity, and distance from the origin of food to the property. In addition, the chefs suggested that if they had personal contact with the supplier, the product could be considered to be local. In this study, both geographical area and food distance were also mentioned, while proximity was expressed in terms of 'food miles'. Personal contact between chef and supplier, however, was not included in this study as a determinant of 'local'. 'Local' food from both studies is generally seen as a positive quality by both sets of the chefs—but is not rigorously defined. Even though, the term 'local' is subjectively used, at the high-end of the market, where chefs have freedom to source food from any suppliers, the first tier primary suppliers of these hotels are very often producers located in the SW of England.

### ***7.6 Food Supply Chain Management Trends for the Hotel Sector***

The factors that can have an impact on hotel food sourcing include the penetration of group hotel companies, which may lead to increasing supplier standards and operating procedures. However, due to the nature of hotel foodservice productions, it is unlikely that the procedures will be as stringent as practices employed in the grocery retail sector. As the number of group hotels increase, so will the level of information technology in the food supply chains of the hotel sector. As the findings show, most group hotels employ online ordering as well as Intranet systems that connect hotels in the group with the company head office. Following this trend, suppliers will have to provide online ordering facilities in addition to the traditional ordering channels or

become a member of supplier group which provide such facilities in order to have access into the group hotel market and be part of IT enabled supply chains. Chefs, in turn, will need to be able to adapt to the increasing level of information technology in the supply chains as online ordering and communicating via Intranet and Internet will become norm, at least within the group hotel sector. Despite the rise of budget hotels and the popularity of no-frills hotels during the recession, catering continues to be an important element of the hotel stay for many consumers (Mintel 2009). As the findings suggest, budget hotels tend to provide 'cold' breakfast and other pull foodservice supply chains because they are likely to be profitable and involve less demand uncertainties. Change of business model to budget hotel is, therefore, likely to change the hotel supplier base to distributors rather than producers.

The level of outsourcing in terms of food preparation is predicted to grow (Barrows and Giannakopoulos 2006). The reasons for this are likely to be a combination of the continuing trends towards deskilling in the production process and the availability of products and services that allow hotels to buy in prepared food instead of making their own from scratch. The process of food preparation can be time consuming and therefore may have high labour costs. With regard to outsourcing of the procurement function, again the trend is associated with group hotels. In order to benefit from the economies of scale and reduce the dependency on the head chef, hotel group companies may opt to outsource their strategic sourcing activities and utilise an independent consultant company. Rutherford and O'Fallon (2006) comment on the outsourcing supplier selection to an independent consultant, trends that such practices may not be warmly received by hotel staff or suppliers but the hotel policy and a demonstration of benefits will help to gain acceptance.

Hotel foodservice is affected by the overall food trends towards higher food costs and greater focus on sustainability. As the cost of commodities is rising, hotels may choose to buy imported food. However, as local food sourcing movement will continue to be prevalent, customers may question the origin of food. It is interesting to understand if food origin can contribute to their decision whether or not to eat in the hotel restaurant. As Telfer and Wall (2000) illustrated in their study the possibility for large scale hotels purchasing local food, it is likely that in large hotels will increase sourcing food locally especially hotels located in tourist destinations. As Clarke and Chen (2007) suggested that the visitors seem to increasingly seek a 'sense of place' and as such a policy of local sourcing may have a more far-reaching influence as it can help to develop a stronger sense of local identification. The practice of local food sourcing may challenge large branded hotels but they will increasingly have to accommodate the customers' requirements. High-end outlets, however, will continue to source fresh produce from producers and communicate the food source clearly to the customers using the ingredients and their supply chains as a source of competitive advantage.

What is more, due to limited fresh produce supply from local producers and the fact that producers may prefer to supply to manufacturers, retailers or distributors, and the best produce is being sought after by high-end restaurants across the country, the relationships between chefs and producers will become even more important with regard to securing required food supply. According to the findings, having good relationships with suppliers helps hotels to be aware of the availability of produce in the market especially for produce that a limited number of suppliers can supply, such as fresh local fish which produce availability can be unpredictable. Closer, more co-

operative type of relationships where buyers work closely with suppliers to secure the availability and quality of produce may be the way forward in the hotel food supply chain management.

### ***7.7 Methodological Implications***

Apart from the findings that this research has described and explained regarding the management of the supply chain of hotel food service, it has also provided valuable implications for studying SCM issues in future research. A failure to understand the intricacy of the supply chain of a particular supply chain in organisations of different characteristics would hinder all subsequent attempts to define the supply chain and to measure SCM practice meaningfully. Without an empirical inductive approach to identify activities and concepts pertaining to the management of the supply chain, it would be difficult to develop a more complete understanding of how these activities and concepts are related. The concept of SCM has several related sub-concepts and the component parts of these concepts need to be discovered in context-specific research. Deriving SCM sub-concepts and their components from the literature would not be appropriate, especially when there is a lack of literature in analogous contexts. Acquiring rich data is important for the understanding of different SCM phenomenon and comparison among studies would not be possible or meaningful without meaningful qualitative data.

### ***7.8 Contributions of the Research***

This research makes several notable contributions, the first of which is that the research has filled the gap between hospitality research and the SCM concept, using an

exploratory approach to examine the practice of the supply chain of service organisations. This study is among only a few studies that have taken the important concept of SCM, which has been of great interest among the research community but had long been overlooked by hospitality researchers, into the field of tourism and hospitality management. The second contribution is the examination of the meanings and the use of the terms *supply chain management* and *supply chain*, which provide an insight into the complexity within the growing SCM literature to researchers in the field of hospitality management. The third contribution is the framework for understanding the management of food supply chains in hospitality organisations. Due to the lack of a SCM framework for research into SCM practices in hospitality organisations, it is believed that this framework can serve as the foundation for future research into SCM issues in the hospitality industry. The research makes a fourth contribution in identifying factors that have an impact on the management of the supply chain and therefore the SC network structure. These factors were inductively derived from qualitative data generated by practitioners directly involved in the management of the supply chain and therefore they have provided valuable insights for future research to build on. Fifth, the research has shown how hotels with different organisational characteristics affect the management of the supply chain. The last but not least contribution is providing knowledge of SCM practices from business settings other than from the much researched organisations in the manufacturing industry; this helps to progress SCM theory building as well as asserting the need for building a version of SCM theory that reflects SCM phenomena in hospitality organisations.

### **7.9 Limitations of the Research**

The research project utilised a qualitative approach where a cut off point for data collection was determined by theoretical saturation as well as time limitations. Although additional data may have added marginal insight to the findings, it would have been interesting to obtain another set of data. As Miles and Huberman (1994) pointed out, there has often been an attempt to go back to the field and collect more data, but in reality a research project has a time frame. It is felt, however, that data obtained from the interviews, printed and online materials was enough to gain an insight for constructing strategies of food sourcing in hotels as well as to portray hotel food supply networks. However, if more time had been available, more hotels with a greater variety of business models and characteristics would have been included. These could have included budget hotels with full service restaurant, boutique hotels of different categories; group, small group and independent, hotels and different market hotel consortia e.g. high-end market consortium such as Small Luxury Hotels.

The findings presented in this thesis are neither representative of hotels in the South West nor the UK. Had time and money allowed, there would have been more data collected from both hotels and suppliers by means of interviewing, observation of food delivered by suppliers and examination of hotel documentations regarding food items ordered. Trade press may have been another good source of data to be examined. Richer data from various sources would have added both properties and dimensions of hotel food sourcing practice as well as allowing a map of supply networks to be more detailed. The representativeness of the hotels in the South West would have been ascertained if more cases had been included in the study, combined with a quantitative survey.

What is more, it would be interesting to compare the analysis of data from different sources. With the help of computer assisted qualitative data analysis software, data interigation would have brought different insight from different sets of data. At the same time increasing the richness of validity by triangulating data from different sources would be beneficial.

In terms of data analysis, a microscopic approach may have been employed more widely in the data and further concepts of sourcing practices and food supply management may have been discovered as a result. It would be advantageous with respect to providing information regarding the attitude of the parties involved in food sourcing in hotels. By looking at the data more closely, it would enable the researcher to gain a more detailed understanding of how respondents' attitudes have impacted on this practice. The use of 20 cases was almost too many as far as very detailed data analysis is concerned. A compromise had to be made between the breath and depth of the findings. Nevertheless, it is felt that the number of cases was right and the analytical approach was appropriate considering the insight gained from the data acquired.

### ***7.10 Implications for Further Research***

Food Supply chain management has continued to grow as a research area in various disciplines and as a result there is a lot of potential research opportunities for taking a different approach to food sourcing research and in advancing knowledge built by this study. As the emphasis of this research has been the structure and practice of hotel food sourcing vis-à-vis the efficiency of supply chain management, more research can be conducted from other perspectives, for example New (1997) alerts us to the 'justice'

aspect of supply chain management. This justice aspect of SCM can be in the areas of the ethical and environmental issues relating to hotel food sourcing. In advancing the understanding offered by this research, work could be done in the future by considering food sourcing activities and different types of hotels to see the extent to which the practices of food sourcing are influenced by hotel characteristics.

In terms of hotel food supply networks, it is important to collect detailed data regarding hotel food suppliers as well as the pattern of supplier change. An investigation of hotel food suppliers over a period of time could shed light on issues such as the sustainability of food sourcing in tourism destinations.

As stated in the previous section, time and resources permitting, it would have been useful to collect more data in the same geographical area to help put more ‘flesh’ on the ‘skeleton’ of food sourcing than has been possible in this research. This research has revealed evidence of the head chef role which still has a strong influence in terms of food sourcing for not only independent and independent group hotels, but also some group chain hotels. An investigation into the relations between head chefs and their suppliers from social as well as economic and political aspects would give more depth in our understanding of hotel food supply networks.



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## APPENDIX A

Web sites used in the sampling process

Hotels Confidential

Consortia <http://www.bestwestern.co.uk/>

Commercial web sites <http://www.hotel-data.co.uk/>

<http://www.itravelnet.com/directories/hotelgroups.html>

Association and organization <http://www.essentialdevon.com/>

<http://www.exeter.gov.uk/index.aspx?articleid=538>

## APPENDIX B



### *Interview Schedule*

Hotel: Interview location:  
Interviewee :  
Status:  
Date: Time start: Total interview time:

#### **A. Background**

A 1. To start out, I would like you to tell me about **a background** of the hotel and a bit of its history please?  
[Year established / opened, if taken over what sort of shape was it in when it was taken over?]

A 2. Can you tell me about the ownership of hotel please?

A 3. How about the **management structure**?

A 4. Is the hotel a member of any organisation or association?

A 5. What food service does the hotel offer?

A 6. Who are hotel restaurant's **customers**? Are they hotel's guests?

- A 7. Now can you tell me about **yourself** please? [Responsibility, what were your previous jobs?, where? how long?]

## **B. Food sourcing practice**

- B 1. How do you describe the **types** of food that the hotel offers?
- B 2. What is the **proportion** of hotel's business that made up by food ? [in terms of revenue]
- B 3. Can you estimate the **cost** of the hotel's food?
- B 4. **Who** is involved in food sourcing?
- B 5. **Why** are they involved/ in charge in food sourcing?
- B 6. Can you explain the **process** you follow when you source your food ?[ New items / routine items]
- B 7. **Anything** to help you in the process of food sourcing?
- B 8. What influence **change** in your food supply?
- B 9. How do you learn about your **customers'** food preferences?

## **C. Inventory management**

- C 1. How do you estimate the **amount and types** of food that will be consumed by your customers?
- C 2. How do you know that your food stocks are managed **effectively**?
- C 3. What **difficulties** are there regarding the efficiency of your food inventory?

## **D. Suppliers**

- D 1. **Who** are your food suppliers?

- D 2. How do you learn about your suppliers? (if not answered in Section B)
- D 3. Who are your **main suppliers**?
- D 4. **Why** did you **choose them**? (the main suppliers you're using now)
- D 5. Can you describe the **relationships** with your suppliers?
- D 6. How do you **communicate** with your suppliers?
- D 7. **How long** have you been using them?
- D 8. Who are your new suppliers?
- D 9. Why did you take them on board?
- D 10. What make the relationship **work**?
- D 11. How do you **maintain** the good relationship with your suppliers?
- D 12. **How** do you **review** your suppliers?

**Is there anything that you think this interview is missing?**

**Is there anything that you would like to talk about?**

**Thank you very much for letting me interview you.**



## APPENDIX C

### Official Letter



[Sender's Address]

[Recipient's Address]

[Date]

Dear Mr/Ms [Recipient's Name],

I am currently undertaking a postgraduate research on hotel supply management and the related aspects of this topic. As part of this research I am attempting to gather some initial information on how hotels source their food supply. The topics I am interested in are the structure of your organisation regarding supply management and types of food supply in your hotel as well as how they are managed.

I would really appreciate any help you could give me. I have contacted [name of head chef] on this matter, and if at all possible I would like an opportunity to meet him on [date of the interview]. He has indicated in the telephone conversation he is willing to discuss these issues.

I should explain that my work is entirely of a non-commercial nature and is just for my academic study. My research is sponsored by the government of Thailand and I am a postgraduate student in the School of Business and Economics at the University of Exeter.

I can be contacted at either the above address or telephone [contact number] or by E-mail at [E-mail address]. Of course, all information would be treated entirely confidentially. Thank you very much for your help.

Yours faithfully,

Supalak Akkarangoon  
Ph.D. Candidate in Management  
The Business School  
University of Exeter

## APPENDIX D

### Thank You Letter



[Sender's Address]

[Recipient's Address]

[Date]

Dear Mr/Ms [Recipient's Name],

Thank you very much for providing me with the opportunity to interview for gathering information on hotel supply management and the related aspects. All information from the interview will be treated entirely confidentially.

I hope you will be willing to help me with a short interview if more information is required. Once again I would like to thank you for your time and contribution to my research project.

Yours faithfully,

Supalak Akkarangoon  
Ph.D. Candidate in Management  
The Business School  
University of Exeter