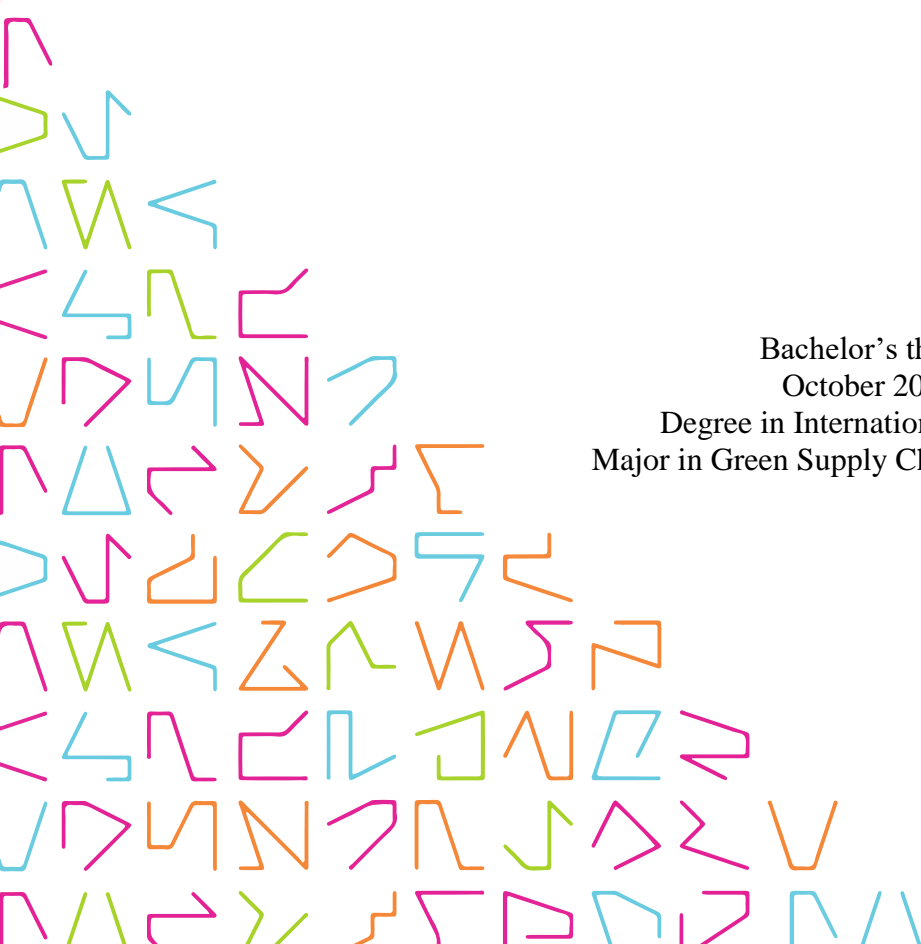


# **LOGISTICS PRACTICES IN THE SERVICE SECTOR**

**The Case Study of New Fairmount Hotel, Zambia**

Alice Muwowo

Bachelor's thesis  
October 2016  
Degree in International Business  
Major in Green Supply Chain Management



## ABSTRACT

Tampereen ammattikorkeakoulu  
Tampere University of Applied Sciences  
Degree in International Business  
Major in Green Supply Chain Management

Alice Muwowo

Logistics Practices in the Service sector, the case study of New Fairmount Hotel, Zambia.

Bachelor's thesis 47 pages, appendixes 4 pages

October, 2016

---

Logistics practices have not been much emphasized in the hotel industry unlike in other sectors that deal with operational services, this can be because the hotel industry offers services, which are intangible.

The purpose of the thesis was to find out how logistics practices can be implemented in the service industry, taking new Fairmount hotel as the case study by focusing on how the hotel can create a competitive advantage through cost reduction. The research used a qualitative research method where data was collected using interviews via email and telephone calls. The interviews were conducted with one of the hotel manager, It took a look into how the management staff can use logistics practices for cost savings.

After conducting information and interviews, the findings indicate that the logistics terms in the service sector such as the hotel are not fully and well-practiced even though some logistics terms and tools have been existing in the business structure. Therefore, this thesis research will enable the hotel management to recognize the important roles logistics plays in improving a business.

---

Keywords: Logistics    Supply Chain Management    Information Technology  
Tourism    Suppliers    Hospitality Industry    Inventory Management

## Contents

1	INTRODUCTION.....	5
1.1	Background.....	6
1.2	Research problem .....	7
1.3	Objectives of the thesis.....	8
1.4	Research Methodology .....	8
1.4.1	Basic research method verse Applied research method.....	8
1.4.2	Qualitative research and Quantitative research.....	9
1.5	Data collection.....	11
2	THEORETICAL FRAMEWORK .....	12
2.1.	Tourism industry in Zambia .....	12
2.2	Definition of Logistics and Supply Chain Management concepts .....	14
2.3	Objectives of logistics management .....	15
2.3.1	Quality improvement and Price stabilization.....	15
2.3.2	Generating additional sale and reducing distribution cost.....	16
2.3.3	Improving customer service and rapid response.....	16
2.4	Current Practices.....	16
2.4.1	Procurement Management .....	16
2.4.2	Distribution Management .....	18
2.4.3	Inventory Management .....	19
2.4.4	Green Supply Chain Management.....	20
2.4.5	Information Technology .....	21
2.4.6	Lean.....	23
2.5	Reason for underutilization of Logistics practices in Hotels.....	24
3	THE CURRENT CASE AT NEW FAIRMOUNT HOTEL.....	26
3.1	Background of New Fairmount Hotel .....	26
3.2	Hotel's service quality .....	26
3.3	Purchasing Department at New Fairmount Hotel.....	27
3.4	New Fairmount Hotel's Purchasing cycle .....	28
3.5	Logistics model and Software used at New Fairmount Hotel .....	29
3.6	Results and Analysis.....	32
4.	RECOMMENDATIONS .....	34
4.1	Strategic Level.....	34
4.1.1	Right Information Technology system .....	35
4.1.2	Inventory Management .....	35
4.1.3	Top talent and Accountability .....	36
4.2	Tactical Level .....	36

4.2.1 Transportation and Warehouse solution .....	37
4.2.2 Creativity and Taking Risks .....	38
4.2.3 Visibility and Control .....	38
4.3 Operational Level .....	39
4.3.1 Cost of Inventory .....	40
4.3.2 Costs of Product procurement.....	40
4.3.4 Simplifying Complexity.....	41
4.4 Conclusion .....	41
References.....	43
Appendix 1.....	48

**GLOSSARY**

CSCMP	Council of Supply Chain Management of Professionals
FNDP	Fifth National Development Plan
GDP	Gross Domestic Product.
GSCM	Green Supply Chain Management
NFH	New Fairmount hotel
PMS	Property Management System
RFID	Radio frequency identification
SCM	Supply chain Management
SKU	Stock Keeping Unit
WTTC	World Travel and Tourism Council

## 1 INTRODUCTION

A lot of logistics research and practices have been done in a manufacturing industry to determine all the activities aimed at ensuring a correct purchase order how materials are moved from one place to the other. Unlike the service industry, they are having difficulties to improve operational efficiencies and effectiveness to minimize cost without having a negative impact on its customers. Most ways in which the service industry finds reliable to cut down cost is by cutting down payrolls and other employee associated costs such as reducing their salaries, reducing bonuses or hiring freeze. However, the logistics area is usually left out as one of the efforts of cutting down costs. (Ghiani & Laporte, 2013, p. 1)

In today's changing business environment, there is need for company management to focus on factors that will boost their business in a positive way, they must be able to offer quality products and services while keeping low costs. They should concentrate on factors that will deliver value to the customers at the cheapest possible costs.

Thus, the Thesis is about logistics practices in the service sector using New Fairmount Hotel Zambia as the case study. It will focus on identifying and describing how some of the logistics practices such as inventory control, supply chain management and information technology can influence the hotel's service performance. It will also outline and explain the benefits of logistics practices and how it can minimize costs and gain a competitive advantage.

The thesis is divided into four chapters, the first chapter will show the brief background about the concept of logistics management and hotel management in general, it will continue to explain the research problem and what are its main objectives. It will further outline what research methodology will be used for the study and how the data will be collected. The second chapter will explain in details the theoretical framework in relation to the study of logistics management in service industry, it will show how it has been applied and address the importance of the concept in the hotel industry.

The third chapter will explain more about the case study, its background, the service it provides, the hotel's current performance, what are their limitations and what areas needs to be improved and the supply chain practices used. The last and final chapter will be to state suggested recommendations on how the hotel can minimum cost with the use of logistics practices and to state some of the logistics practices that can help the hotel manage its business smoothly and gain a competitive advantage.

## **1.1 Background**

Logistics management and supply chain management are known to be an important element within the hotel and catering industry. The hotel industry consists of a broad category of fields which includes; lodging, restaurant, facility maintenance, direct operations (servers, housekeepers, porters, kitchen workers, etc.), management, marketing, and human resources

The hotel industry is known for being a billion-dollar industry that mainly depends on the attainability of the income to be spent and the free leisure time available. Many people around the world spend a lot money on travelling and lodging in a hotel for days, therefore it is the duty of the hotel management to provide the best services possible. It is also the staffs' duty to build a steady relationship with suppliers and conduct work in a well ordering manner with a good system to improve the service level to their customers (Gardetti and Torres, 2016)

Supplier partnership and relationships are very essential in hotel logistics and supply chain management as they build a long-term partnership which helps the hotel and its suppliers gain a lot of benefits through their direct, trusted long-term union, planning together and problem solving. The strategic relationship benefits both the suppliers and the hotel business, as they will share the success of one another and keep their customers. It also allows the hotel to differentiate themselves from other hotel competitors, maintain loyalty to their suppliers and customers and provide the best services. The

strong relationship will help to improve customer satisfaction and work together to reduce inefficient time and effort (et al, 2016).

In Zambia, the tourism industry is considered the third largest employment sector after the agriculture and mining industry. It is estimated that tourism contributes about 3.0% of the country's GDP. According to the WTTC, the country's tourism based on its GDP ranks at number 148<sup>th</sup> out of 181 countries (Commonwealth network, 2016).

In today's economy, there is a sharp decrease in corporate, group and leisure travel demand due to the global financial crisis, and hotel occupancy rates have fallen in properties around the country. Zambia receives significantly fewer tourists than what is mostly expected given its fundamental endowments. Despite the country having strong nature tourism attractions, it trails many competing nations in the number of visitors, average length of stay and average visitor expenditure. Neighbouring countries have around three times the number of visitors that Zambia has. Zambia's average visitor stay has declined almost every year. (Morris ,2011, p. 4)

## **1.2 Research problem**

The main purpose of this research is to evaluate how logistics practices can be used as a competitive advantage in the service sector. How the hotel management can focus not only on marketing their services but also managing logistics practices such as their inventory control, lean and green supply chain management, information technology and, procurement and distribution to increase the hotel's business and minimum costs. The fact the hotel industry offers services that are intangible, their main concern usually are how they get good ratings and how they would market their business to reach out many customers. However, very little is being focused on how they can use logistics principals to gain a competitive advantage and reduce costs. This research will suggest and recommend some ways in which the hotel industry can use logistics practices to minimize costs.



I chose New Fairmount hotel for my research because I worked there as an intern for three months. The research will prove that with the focus on several logistics practices, the hotel can reduce cost and gain a competitive advantage.

### **1.3 Objectives of the thesis**

The main objective of this research is to identify how logistics practices can be used in the service sector such as New Fairmount hotel to reduce costs and gain a competitive advantage. Considering the fact that not so many researches has been conducted in identifying how logistics practices can influence cost reduction in hotel industry.

The research will identify the current logistics implementation at New Fairmount hotel, what strategies they use to minimize cost, what are some of its challenges and how they make their decisions concerning procurement and distribution of items within the hotel. This will help to detect which areas needs further development and what suitable recommended strategies can be used.

## **1.4 Research Methodology**

There are different types of research methods, it can either be basic research method or applied research method; or qualitative research method or quantitative research methods. The thesis will outline the research methods, explain them in details and state which methods will be used.

### **1.4.1 Basic research method verse Applied research method**

According to Hevner and Chatterjee (2010, p. 2), Research can be defined as a process through which the researcher uses to collect data to answer particular questions about a particular problem or situation. Johnson and Christensen (2012, p. 9) further explains that the type of research that is usually conducted in universities, firms and corporations are mainly basic research and applied research. The two research can be differentiated

based on the main basic point that basic research aims at expanding man's knowledge, in a way that it will generate fundamental knowledge and theoretical understanding about basic humans and other natural processes. Applied research on the other hand is designed to solve practical problems rather than acquiring knowledge, it aims at answering practical problems to provide solutions.

TABLE 1: Difference between Basic research and Applied research

<b>Basic research</b>	<b>Applied research</b>
Driven purely by curiosity and desire to expand human knowledge	Used to answer a specific question that has direct application to the world
Research mainly contributions towards social science	Research is used in fields like medicine, education, agriculture and technology
Results need not have immediate or even clear implications for practice	Results must have immediate and clear implications for practice
Results relate to general theory or general field of knowledge	Results are not necessarily related to a general field of knowledge.

Source: Johnson and Christensen (2012)

In the case of the research, the applied research method is used, considering that it aims at solving a particular problem as to why logistics practices are important in the hospitality industry, and how they can improve the industry and help to minimize costs.

#### **1.4.2 Qualitative research and Quantitative research**

Qualitative research methods are primarily exploratory research which are generally subsumed under the heading ethnography. Other headings and names include case studies, interview studies, naturalistic inquiry, grounded theory, observational studies, document studies, field studies and descriptive studies (Newman and Benz, 1998, p. 9). This means that the research studies things in their natural setting, attempting to make sense of a phenomena presented. Qualitative research method is used to gain an

understanding of vital reasons, ideas and desires. It involves the researcher describing the insights of a particular problem, kinds of characteristics of people and events without comparing events in terms of amounts or measurements. It works well with small and medium size samples (Thomas, 2003, p. 2).

Quantitative research methods on the other hand falls under the category of systematic empirical studies. It is based on numerical measurements of specific aspects of phenomena. The researcher observes and measures the data without contaminating the research with personal involvement (Thomas et al. 2003). Researchers mainly view quantitative research as positivist or realist which means that what the researcher does is to uncover the truth, be detached from the research and use the methods that maximize objectives and minimize personal involvement (Muijs, 2004, p. 1)

TABLE 2: Summary of the difference between Qualitative research and Quantitative research method.

<b>Qualitative research method</b>	<b>Quantitative research method</b>
Non-numerical data: uses a lot of text	Based on numerical data analysed statistically
Researchers are viewed as subjectivist: describes a problem or condition from the point of view of those experiencing it	Researcher are viewed as realist or sometimes positivist: provides observed effects (interpreted by researchers) of a program on a problem or condition
Can be valid and reliable: largely depends on skill and rigor of the researcher	Can be valid and reliable: largely depends on the measurement device or instrument used
More in-depth information on a few cases	Less in-depth but more breadth of information across a large number of cases
Time expenditure lighter on the planning end and heavier during the analysis phase	Time expenditure heavier on the planning phase and lighter on the analysis phase
No statistical tests	Statistical tests are used for analysis

Unstructured or semi-structured response options	Fixed response options
Primarily inductive process used to formulate theory or hypotheses	Primarily deductive process used to test pre-specified concepts, constructs, and hypotheses that make up a theory
Methods include focus groups, in-depth interviews, and reviews of documents for types of themes	Surveys, structured interviews & observations, and reviews of records or documents for numeric information

Source:

[http://www.oraui.gov/cdcynergy/soc2web/content/phase05/phase05\\_step03\\_deeper\\_qualitative\\_and\\_quantitative.htm](http://www.oraui.gov/cdcynergy/soc2web/content/phase05/phase05_step03_deeper_qualitative_and_quantitative.htm)

The type of research method that was used in the thesis is qualitative research, considering that the research is an exploratory research which will focus its findings on one particular hotel.

### **1.5 Data collection**

The research used the qualitative method as the main research method which results will be based on interviews from one the hotel manager via phone calls and emails, the researcher's personal observation during the three months training at NFH and by undertaking an extensive literature search via internet research and academic knowledge. During the three months training, areas which need development were noted based on how the hotel is currently performing mainly in the purchasing department.

## **2 THEORETICAL FRAMEWORK**

The aim of the chapter is to review theories and concepts that are relevant to the study. The chapter will first start by reviewing the operation of hotel industry in Zambia in order to understand what its characteristics are, and in what social surrounding the industry evolves. Then, look at the role of logistics practices in general and in relation to the hotel industry.

### **2.1. Tourism industry in Zambia**

The tourism industry is known to be one of the fastest growing sectors in Zambia. Notable improvements were recorded in the tourism industry during the Fifth National Development Plan (FNDP 2006-2010) period, as evidenced by higher tourist numbers and greater private sector investment. It is one of Zambia's major contributor to socioeconomic development as it provides employment and brings in foreign exchange into the country. There are so many tourism attractions which include: The Kariba Dam (one of the largest man-made lakes in the world); and the Kalambo Falls (one of the deepest falls in the world). The country has about 19 National Parks, with Kafue national park being one of the largest in the world; and 34 game management areas and 23 million hectares devoted to the conservation of a spectacular variety of wild animals and bird species. It has one of the largest concentrations of game in Africa (Mutale, 2016).

According to the Fifth National Development Plan (2006-2010) period, Zambia has had over 793,999 international tourist arrivals over the targeted 736,450 during that period. The hospitality industry also grew extensively, from 500 establishments in 2005 to 940 in 2009 and from 10,900 beds to 19,000 over the same interval. Tourism earnings increased from an average of US174.00 million dollars in 2005 to US200.0000 million dollars in 2009 against the targeted value of US304.00 million by 2010. The rate of employment has also increased from 25,860 in 2009, 57,337 in 2013, about 94,000 in 2015 and it is estimated to grow to 300,000 jobs by 2016. The tourism industry's contribution to the GDP stayed firmly at 3.1 percent (et al, 2016).

According to the World travel and tourism council (2016, p 6) Zambian tourism is expected to grow from 3.0% of Gross domestic product to 4.2% in 2016. This is mainly generated from the hotels, travel agents and other transportation services. From the country's GDP about 51.7% are foreign visitors spending and 48.3 are from domestic spending.

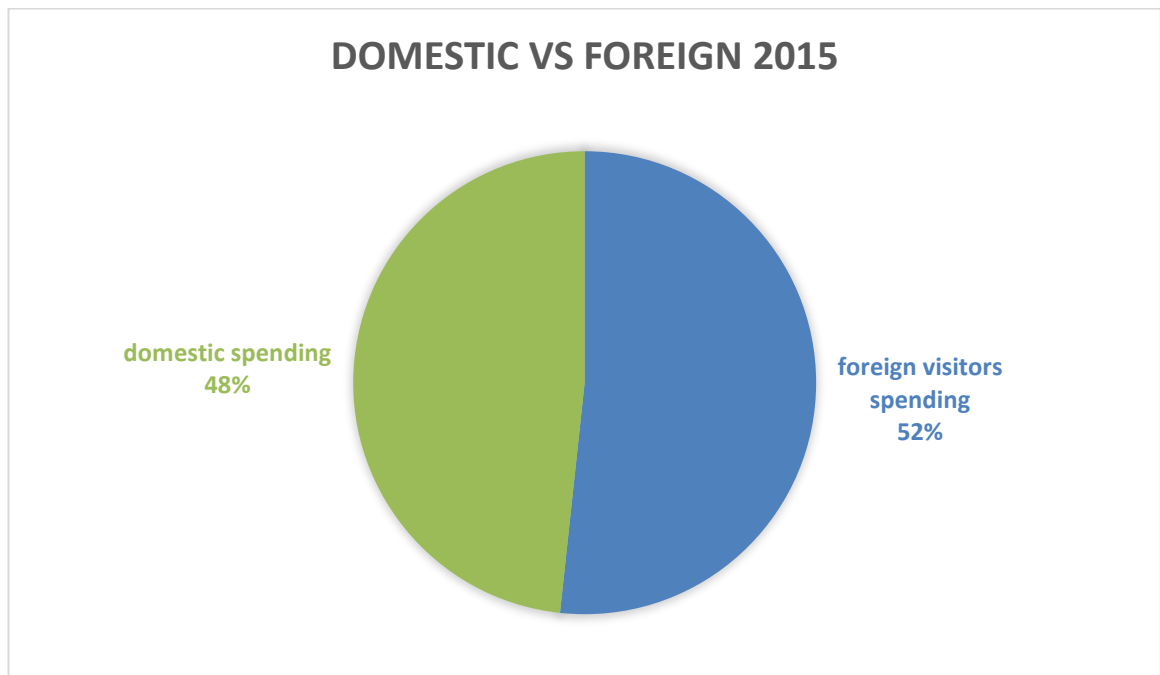


FIGURE 1: Travel and Tourism contribution to GDP 2015.

Source: World travel and tourism council, 2016. Travel and Tourism Economic impact 2016 Zambia.

This shows that the country receives more visitors from abroad as compared to the local visitors. To some standard it shows that the hospitality level the country offers is not mainly local but also intercontinental wise. Many visitors that visit the country are visiting for business purpose, it is estimated by the WTTC 2016 that about 60.4% of travel and tourism GDP was generated from business travel spending as compared to 39.6% for Leisure travel spending. With that in mind the industry needs to deliver the best services as the majority of its visitors are business people

## 2.2 Definition of Logistics and Supply Chain Management concepts

A number of definitions have been proposed as to what logistics means. The concept is used in almost every industry, be its operations, management or service industry. According Ghiani & Laporte (2013, p 4), Logistics is defined as a discipline that studies the functional activities determining the flow of materials (and of the relative information) in a company, from their origin at the suppliers up to delivery of the finished product to the customers and to the post-sales service.

Logistics management is also a part of supply chain management that plans the implementation, controlling and planning the storage of goods, flow of information and services to meet customers' requirements. It is considered as an integrating factor that coordinates all of the logistics activities as well as integrating activities which involve marketing, operation management, and finance and information technology (CSCMP, 2011).

From the definition, the basic idea of logistics is to meet the customers' needs by effective movement of goods and services within the firm. Some of the logistics management activities typically include; inbound and outbound transport management, sourcing and procurement, three levels of SCM, supply-demand planning and inventory management, planning and scheduling, packaging and assembly and customer service. Despite the increasing understanding and knowledge of logistics management, firms still face a lot of problems in managing their businesses because they consider logistics practices as a separate operator from their daily business operations (Taylor, 2008, p.2).

The concept of supply chain management was introduced in the 1980s, and today there is a significant number of changes, it has continued to change and evolve to fit the needs of the growing global supply chain. Since the 1980s, computer technology use has advanced at such a remarkable rate that it is currently far ahead of the ability of the supply and logistics field to adequately apply the new technologies. Supply chain management covers a broad range of disciplines, consequently the definition of what supply chain is can be unclear. Many time, the definition of supply chain management can be confused with the definition of logistics management. (CSCMP, 2016)

According to Taylor (2008), supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. It is beyond just buying and selling; supply chain management helps a firm to maintain the competitive advantage over other companies. In essence, supply chain management integrates supply and demand management within and across companies.

Taylor (2008) further explains that Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology.

### **2.3 Objectives of logistics management**

The overall objective of logistics management is customer orientation. It effectively and efficiently moves the supply chain to an extend desired level of customer service at the lowest cost possible. Apart from this, there are other objectives that help achieve a good logistics system. These include quality improvement, price stabilization, generating additional sale, reduce total distribution cost, improving customer service, rapid response, creating time and place utilities and movement consolidation (Saudalaimuthus and Raj, 2009; p12)

#### **2.3.1 Quality improvement and Price stabilization**

Total quality management should be obtained at all levels. The products must be usable from the time it is costumed to the end of its designed life. The need for stabilizing the price can be achieved by regulating how the products flow to other markets by using the



most economical form of transportation, the cheapest form of packaging and lowest cost of inventories

### **2.3.2 Generating additional sale and reducing distribution cost**

The only way a business can attract more customers is by offering better services at a much reduced cost possible. By economically using modes of transportation and lowest cost of inventories can help a firm achieve large market share.

### **2.3.3 Improving customer service and rapid response**

Delivering of products at the right time, in right condition and to the right customer helps to build up the strong relationship between the supplier and the customers, as a result there will be continuous buying. The quick response to customers' needs is very important. The use of information technology in logistics management has made response quicker and easier.

## **2.4 Current Practices**

Besides supply chain and logistics, there are other aspects that hotel/service industry needs to take into consideration as a way of cutting down costs and gain a competitive advantage. These include; procurement management, distribution management, inventory management, green supply chain management, information technology and lean

### **2.4.1 Procurement Management**

According to Zaman (2011, p 3), Procurement management refers to the efforts, processes and procedure undertaken by an organization to deal with purchase of goods and services from external suppliers. It focuses on how the purchasing is done, the

receiving and approval of deliveries, how the payment is conducted to the suppliers, reviewing and approving the items received from suppliers and building relationships with suppliers so as to ensure level of service and managing the procurement process by identifying opportunities and managing internal operations. Therefore, it is very important for the entire management team of a firm to implement a good procurement system to ensure maximum value in terms of cost savings and efficiency in time. This will reduce costs during purchasing which leads to the best costs and value to the end users. As it is in today's procurement environment, the performance of the procurement team determines the success of the whole project. In today's procurement environment, importance has been placed in almost every firm when it comes to buying and selling, as they aim at reducing costs. For instance, hotels such as intercontinental hotel Lusaka who purchase their products straight from the manufacturer tend to build a strong relationship with the suppliers and they can negotiate prices much lower and making sure that no other company is purchasing the products at the same price. New Fairmount hotel is also one of the hotels that at times get to purchase some of their products straight from the manufacturer and in some case they produce the products themselves.

For an effective implementation of procurement management, there should be changes in personnel, technology and attitude. There should be a good relationship with the suppliers as this will help make a big difference in the availability of resources when needed. Therefore, there is need of the firm to train its employees in procurement management and hiring experts as this will help make a difference in the performance of the project. There are several processes used in procurement management which includes; plan purchasing and acquisition, plan contracting, request seller's responses, select seller, contract administration and contract closure. It cannot go without saying that a good planning results into a good and improved business flow. Planning purchasing and acquisition are an effort to complete determined items to be acquired or purchased so as to complete a project. It helps in making a careful and accurate determination of the time to purchase and acquire items needed. Building of contracts with the supplier makes it easier, saves costs and makes it fast for the company to have their goods right on it. NFH has purchasing contracts with many suppliers which makes it easier for them to acquire their orders (Terry, 2007)

In the case of Hilton hotel, they changed their strategy in procurement by incorporating its buying and its national contracts of its many brands by using local providers where it makes financial sense. The hotel makes sure that building a strong relationship with its suppliers is of a paramount importance for good deals now and in the future, and also make changes internationally by focusing on bringing their international procurement together so that they can control the whole supply chain (et al, 2007)

## **2.4.2 Distribution Management**

Distribution management plays an important role in the sales system. It refers to getting the right goods or services to the right customer at the right time. The system of distribution may vary from company to company. It is used as a company strategy to minimize transportation cost and by helping the company to increase the reach of goods from its network to various regions or markets in the country of its suppliers to the company for consolidation, before being sent to the customer. Today hotel companies have a lot of indirect distribution channel they can take. The main point hotel companies need to take into consideration is to plan a distribution strategy which will cut down distribution costs such as transportation costs, one with appropriate rate distribution management and have one which will improve the company's revenue. It is not an easy task to provide the customers with everything they need just as it is that the hotel cannot be everything to every customer. Therefore, the hotel management needs to focus on supporting channels of distribution based on the customer they intend to cater for (Gupta,2005, p 371).

According to Global portal for hospitality professional (2014), the hospitality industry is known for being a competitive industry especially for hotels based in the urban areas. This demands that hoteliers need to keep a close eye on which channels brings the best returns, not only in room rates but also higher spending customers, in order to be able to determine the true costs affiliated with each channel revenue stream. Therefore, hotel management needs to critically examine the channel performance and contributions carefully just as they do with financial matters. Distribution management has a major influence on marketing strategies and the information technology required to manage the bookings and the hotel's purchases.

NFH's distribution management is done at hotel after suppliers and vendors transport goods directly to its store rooms which serves as warehouses for their own distribution centers. The hotel has about four storerooms which are small and made to fit only small number of products; the liquor storeroom, the dairy/cold storeroom, the dry foods storeroom and the hardware storeroom. Sometimes the hotel faces some challenges such as lack of space to store some of its newly purchased products, making them particularly vulnerable to stock-outs. In some cases, their dairy products tend to go bad due to poor ventilation and power system.

### **2.4.3 Inventory Management**

Inventory decisions are connected to warehouse decisions as they have the key to successful physical distribution. Saxena (2009, p 2) defines Inventory management as the process of managing the stocks of finished goods, semi- finished goods and raw material by a firm. The process starts as soon as the production begins, where one orders raw materials, or semi-finished goods or finished products from the supplier. Inventory management helps firms to decide in advance where their supplies will be stored. It is important because it helps firms to overcome the fluctuation of supply and demand. It is also very important for firms to keep their inventory control at low level possible so as to avoid paying more interest charge on capital which is locked up. The use of IT such as ERP has made inventory management easier and makes tracking of purchases and sales accurate. There are several activities involved in inventory that happen continuously at the hotel, such as room service, purchase of food, beverage and other durables. All these activities need to be tracked to avoid leakages, wastage and theft. A good inventory management helps the hotel to overcome the fluctuation of supply and demand and for management to predict the rate of supply and demand correctly and reduce or avoid the chances of errors and keep a tight control on profits.

The use of inventory management equipment called the bar code scanner has helped a lot of retail companies, for instance at Spar, Lidl, Sokos, Stockman, Ikea and many others use the bar code scanner to keep track of their products. The items are tracked immediately they arrive and can immediately accord with the order. Inventory

management also facilitates vendor management and provides them with information such as; vendor performance, order management and vendor accountability. In the case of vendor performance, the best vendor with good performance in time of delivery, cost effectiveness and delivering the right goods are the ones selected by hotel management. In order to prevent out stocking, overstocking of items and delivering the wrong products at the hotel, hotel managers need to accurately plan their orders and ensure a good vendor accountability. An inventory management system is therefore very vital to maintain a competitive advantage and it is a must for every hotel as it also allows smooth functioning of any property. With the use of right inventory software, it will allow access to efficiency reports and minimize theft. At every phase of a firm's logistics and supply chain, inventory exists and inventory costs to a firm are approximately between 25% to 40% of its value (Ruteri & Xu, 2009, p 73).

#### **2.4.4 Green Supply Chain Management**

Green supply chain management (GSCM) has driven the attention to so many businesses as the awareness for environmental sustainability has continued to grow. Companies around the world are not only focusing on internal matter and activities of their production, but they are also having the pressure to know how they can manage the complex environment afforded by GSCM as their activities poses a great threat to the environment in forms of industrial pollution such as carbon monoxide emissions, toxic materials, packaging material such as plastics which have been castoff and other forms of environmental pollution. GSCM aims at minimising wastage which are known to be hazardous to the environment. It is considered as an organisational innovation and technology. Thus, Green supply chain management has been and can be defined in a number of ways ranged from green procurement to combining supply chains flowing from the supplier to the producer, to the customer and reverse to logistics (Sarkis, 2014, p 12)

In hotel industry, GSCM can be seen in three different areas which are; manufacturing, procurement and distribution. A lot of global hotel chains are marketing themselves as green. The Hilton's double tree hotel in Portland has of recent years become a standard-bearer for eco-efficiency. Its energy consumption has dropped by 32% since 2006 and

37% of its waste. Oregon hotel on the other hand has saved the consumption of about 82,500 gallons of fuel by advising its staff to commute by train or bus. The hotel invests \$25,000 per year to subsidize public transport for its workers, it has therefore minimized the consumption of gas and has reduced its indirect carbon emissions. Going green is no easy task for a lot of companies as it is hard to influence suppliers and they can be a lot of abuse in monitoring programmes. However, over the past decade or more, global hotels chain and other companies have matured a myriad of techniques attempting to develop sustainable supply chain. They engaged the use of code of conduct, factory audits, monitoring programmes and multi-stakeholder. For instance, hotels such as the InterContinental Hotels Group (IHG) has implemented the use of vendor code of conduct. The code of conduct was put in place to cover a lot of issues relating to responsible business requirements, which did not only succeed the hotel but also encouraged vendors to exceed. The code of conduct expected the vendors to always record, monitor the performance on a daily basis, however this enforcement was considered difficult and not regularly. Auditing on the other hand is found to be a costly exercise and by no means a guarantee against non-compliance (Green Hotelier, 2011)

In the case of New Fairmount hotel very little is practiced concerning going green. The hotel tries to minimize the use of electricity more especially in guest rooms and in the kitchens. They advise clients to switch of lights when they are not in the room, and in the kitchens most of their cooking is done on a brazier. A brazier is stove where charcoal or wood is mainly used. However, the use of brazier has a number of negative impacts attributable to it such as indoor air pollution which contributes to lots of deaths every year.

#### **2.4.5 Information Technology**

Information is the key to for every decision making in a firm, therefore getting accurate information at the right time at the right place makes information flow easier and faster. Ray and Acharya (2004, p. 3) states that information technology is basically the technology of acquiring, storing, structuring and managing the information, it also compresses, transmits information, processes, accesses and interprets information. The use of information technology has influenced the relationship of suppliers and

customers; it has assisted the development of every firm in this present age. The internet has played a huge role in the growth of hotel industry today. Social networking such as Facebook, Twitter, Instagram, WhatsApp, Snapchat and many others are increasingly playing a major role in strategies of hotels all around the world. When clients and customer give their feedbacks and reviews on such social site, their reviews play a big role in popularizing the hotel's services. Today information technology has helped to make forecast of data, monitor inventory level and sale trend, quick order filling, time reduction and customer service improvement.

The use of online booking has become the most used form of making travel reservations and bookings. Hotel managers are accepting the fact the use of internet accommodates a good alternative to getting bookings, and create interest awareness of their business. The work flow at the front office has been made easier, all the information needed for the customer is available in the computer, from the time they make the reservation to the time they check-out. In order to achieve good results through the use of computer system, the hotel management needs to put in place the best systems, software and hardware. Most hotels use the software property management system (PMS), which comprises of both front and back clarification. The hotel needs to employ employee expertise in IT, one with good knowledge of the software in place, one who will be able to translate activity in measurable terms both qualitative and quantitative. All this should reflect in the customer's satisfaction and staff satisfaction. When choosing the system, hotel management needs to properly evaluate the PMS software in terms of its user friendliness, easy access to data needed, its possibility to customization of user level and various levels of security access (Shekhar, 2008)

One luxury five-star hotel in the lake of Geneva Switzerland has installed with RFID system known as the TouchPoint, which identifies the hotel clients as they approach the bar. This has helped employees to recognise the names of the customers and make them feel at home and more like VIP clients. The director at the hotel states that TouchPoint helps the hotel provide the best personalized service and make it easier for staff to recognise the names of the customers. The system consists active 433 MHz RFID tags assembled into hotel room key fobs of the client. When the hotel customer carrying the key fob approaches the bar, his/her ID number will be read and transmitted then forwarded to a gateway which will communicate with the cloud-based server. The

computer mounted behind the bar will display the information of the customer approaching the bar (Swedberg, 2013)

NFH may have computers and access to internet but not all departments have access to the system. One of the biggest challenges of information technology at New Fairmount hotel is the poor flow of information which at the end affects the hotel's supply chain in areas such as cost, delivery of goods, purchasing and service delivery to customers. The hotel lacks integration between departments and there is much use of paper work, which is costly, slower, time consuming and produces incorrect data. As much as in today's age a lot of companies are understanding the use of information technology and its importance in business and different parts of the supply chain, NFH rarely uses Information technology to its best ability, this costs lots for the hotel due to incorrect data flow from one department to the other.

#### **2.4.6 Lean**

Lean is an approach which makes organizations support the concept of continuous improvement, eliminate wastage activities from the supply chain in order to develop product flow and speed. Lean practice emerged from the manufacturing industry focusing on how they could reduce waste and help increase customer value and gain a competitive advantage. Most service organisations view lean practice as just for manufacturing industry, but the truth is that lean practice is a very important concept for both service industry and manufacturing industry. Lean is not only about manufacturing, it is about instituting the work processes to letting problems be seen and then develop a team of expertise to critically think of ways to solve the problems outlined and improve work processes (Ross, 2013).

The concept of Lean thinking was developed in the automotive sector by a Japanese pioneer in the 1950s. Lean thinking involves a constant cycle of seeking perfection by constantly relooking at the processes, eliminating waste and reducing non-value adding complexity. This process focuses on customer value and the end-user does not pay for the company's inefficiency and waste. The following principles help lean thinking provide the best services to the customers and achieve minimum waste;



1. By understanding exactly the needs of the customers (not the managers)
2. Understanding how well the demands will be fulfilled
3. Eliminate all unnecessary wastes so that the processes are efficient

Lean practice needs to be implemented in hotel industry because their day to day services need to provide best customer services. For instance, the serving of beverages and food at the restaurant, the hotel can think of ways to cut down costs by creatively trim items which are expensive from the menu by buying more seasonal products and be more creative in menu development with an eye towards savings (Gramm, 2014).

Retailers such as Amazon uses lean logistics to the benefits of its customers and themselves. The company aims at keeping customers happy by cutting costs and boosting margins. With some orders amazon has implemented the free shipping strategy on product costing \$99 and above. Amazon delivers high logistics and supply chain performance, and helps reduce waste and costs in operations. Amazon also designs their warehouse plan and simplifies the inbound and outbound flows with the use of industrial engineers, this maximizes efficiency and minimizes space shortages (Sandoval, 2002).

## **2.5 Reason for underutilization of Logistics practices in Hotels.**

From the theoretical review above, it indicates that the use of logistics and all practices surely helps save costs in the hotel industry. The concepts shows how some hotels that have implemented the use of logistics practices in their businesses have managed to reduce costs, focused on quality service, how they have reliable suppliers and fast and short delivery cycle. Hilton hotel is one of the hotels which has continuously implemented the use of logistics practices in its service and as a result it has gained a competitive advantage and stayed on the highest level of hotels. However, there are many reasons as to why logistics practices are underutilized in hotels. Many hotels are having resistance to change and do not have the skills required to take up the job. As a result, hotels have been using the old time approach where the vice president or the

managing director is in charge of managing the entire hotel functional area such as marketing, human resources, finance, operations, administration and research and development. The managers devoted 100% of their time to internal matter and everything happening outside is not considered relevant (Brik, 2008, p. 23)

### **3 THE CURRENT CASE AT NEW FAIRMOUNT HOTEL**

The chapter will look at New Fairmount hotel in detail; how it started, its performance in the hotel industry, how it implements logistics practices in its services and what are some of the challenges it faces.

#### **3.1 Background of New Fairmount Hotel**

New Fairmount hotel is a family owned hotel based in Livingstone, Zambia. It was founded in 1969 by Miss Mcneilege and later sold to Mr S.C Naidoo and family in 1985. At that time the hotel only had 4 guest rooms and one department, the administration office. Since then the hotel has been developing and now has 120 guest rooms which en suite with facilities and modern furnishing, 79 to 89 employees and 10 departments. The departments includes; the administration department, the purchasing department, accounts department, house-keeping department, laundry, restaurant, night club, security department, maintenance department and the Front office department. The hotel had one of the best casinos in town but was sold in 2013. NFH does not only offer accommodation but also offers the best Conference facilities in the region. There are three conference rooms, the largest accommodates approximately 270 delegates, another up to 100 delegates, and the third hall up to 80 delegates. The hotel has an Executive Boardroom situated in a convenient private location which has a seating capacity of approximately to 18 delegates and is ideal for executive board meetings, private discussions (J. Chikuswe, face-to-face communication, February, 2016).

#### **3.2 Hotel's service quality**

New Fairmount hotel values its services very well and aims at providing the best services. Its main value is to provide a 100% customer satisfaction guarantee. Their quality services all starts at the front office where the receptionist smiles to the customers as they walk in. By doing this, the customer feels welcomed and at ease already, said Mr Chikuswe. He continued on saying that the hotel staffs are well trained

on how to relate with customers and give well-presented assistant when needed, as a result work flows smoothly and faster. Before employment, the management makes sure that the person selected has got enough experience with customer care and has worked and dealt with customers before. A period for 3 to 5 years' experience in a hospitality industry is often requested before the person is employed.

When they have newly recruited persons who haven't had enough experience in dealing with customers, they place the persons under the care and training of the senior manager depending in which department they are employed. The new employee is trained on how to carry out duties and how to relate with customers, barring in mind the main value of the hotel. This is done to avoid mistakes which might cost a lot of damage for the hotel and its image. The seniors pay particular attentive to making sure that their staffs are well presented and know the work they are doing.

Bookings at the hotel are either done online via the hotels website, on phone or at the hotel. The customers are given full free English breakfast for the days they stay at the hotel and have free access to the hotels swimming pool. Unfortunately, wireless internet is not offered free but is paid for at the reception.

### **3.3 Purchasing Department at New Fairmount Hotel**

The purchasing department is one of the most important department at the hotel, as it is responsible of all purchases that come into the hotel premises. The department works in line together with the administration and the accounts department. Whatever decision the departments makes, it first has to be authorized by the administration office. The department is divided into four sections which are; the purchasing, the receiving, stocking and dispatching. It has four store rooms; one for dry foods, for liquid, hardware/maintenace storeroom and for perishables foods (also known as the cold room).

Besides playing the procurement role, the purchasing department is also in charge of selecting suppliers with the best favourable prices and good quality items. They continuously evaluate their prices in order to maximize profitability. NFH has signed

contracts with suppliers whom they can purchase items when needed and make payment at the end of the month via cheque. Supplier such as; C Van Dan Berg and son (provides the hotel with all meat products and dairy products), Spar Livingstone (provides them with assorted items such as spices, cooking oil, toilet paper and many more), Tapiwa farms ltd (provided the hotel with all fresh products) and Fallsway Timber ltd (supplies the hotel with liquid products).

Some of the suppliers the hotel usually purchases on cash from includes; Zambezi nkuku (supplies dairy product), Bhukhans brothers (they supply stationary items), Handyman paradise plc (supplies warehouse products), African supermarket ltd (supplies assorted items), Rivonia Farms product (vegetables and processed farm products such as cheese), National milling corporation plc (provides them with dry products such as sugar, salt and many others), Print shop (provides printing, laminating and all stationary services needed) and Checkers shop contractors provides hardware service in the case if the hotel's maintenance department cannot fix it.

### **3.4 New Fairmount Hotel's Purchasing cycle**

The purchasing cycle at NFH begins with the end user of the item or service. The supervisor or manager of each department raises a document known as an order or requisition which details what is needed. The order list is then taking to the managing director or the chief accountant who gives authorization of orders to be issued from the hotel's storerooms. The order list is then handed over to the purchasing manager who then check if that requested item is available in stores or not.

Before making any purchases, the purchasing manager asks for quotations from suppliers, from which the most economically favorable quote is chosen, the purchasing manager will then raise either a cash or cheque requisition which will show items needed to be purchased.

The cash requisition is made when orders are intended to be bought on cash while cheque requisition orders are made when orders are purchased from suppliers whom the hotel has contract with and the money is paid at the end of the month. The cheque req-

quisition orders are entered in the purchasing order book while the cash requisition orders are entered into the requisition book. Either it's the cash or cheque requisition, they are all sent to the managing director or chief accountant for authorization of the needed items to be purchased. When the cash requisition is approved, signed and stamped, it is later on handed over to the accounts department in request for immediate finance. The cheque requisition on the other hand, the managing director authorizes the issuing of the cheque at the end of the month.

After goods are purchased and delivered at the hotel, they are then audited by the hotel's auditor before entering the hotel. The invoices are checked to make sure that the money which was authorized is the same amount showing on the invoice. If there happen to be any extra remained, it is then returned to the accounts department. Auditing of items entering the hotel premise can also be done by the purchasing officer. The auditor personnel writes down and signs all items received in the book called "Goods received note" and later attaches the invoices and submits it to the accounts department for record keeping.

After goods have been audited and stored in the various store rooms, the only time they are issued out to departments is when they have been authorized by either the chief accountant or the managing director. The purchasing department has a stock control card for each item in every store room. Every purchase and dispatch from the stores is entered into the stock control card for record.

### **3.5 Logistics model and Software used at New Fairmount Hotel**

Unfortunately, the purchasing department does not use any software support logistic. There is much use of paper work throughout the purchasing cycle till the monthly report is given. The department only uses Microsoft excel when compiling the monthly report. All requisitions and orders from all departments at the hotel are taken to the purchasing department which are requisitioned on paper or in a requisition book. This even makes it more difficult, complicated and produces incorrect data when it comes to giving out a report at the end of every month.

The purchasing department makes a report at the end of every month to show which items were purchased the most and which items were issued the most in a particular month. The purchasing manager collects all stock cards for each item and enters all data using Microsoft excel showing how each item was issued or purchased. The report is then handed over to the chief accountant who later on incorporates it to the hotel's financial annual report.

The excel spreadsheet below shows the monthly report of June 2016 for the dry foods stores. Every month, the purchasing department compile a report to show the purchases which were made and how the items were distributed at the hotel. Every item in the dry storeroom is entered on an excel spreadsheet and at the end of the month, the item will show how many times it was requisitioned, what was the carry on from the pervious month and how much is in the physical.

**New Fairmount Hotel**  
**MainStores- Monthened Report June 2016**  
**Dry Food Stores**

	Item	Unit	Opening stock	Purchasing	Total	Req	Closing	Physical	Shortage/Surplus	Comments
1	Almond essence 300ml	each	10	0	10	0	10	10	0	
2	Arabic coffee 250g	each	20	0	20	0	20	20	0	
3	Aromat 73g/refil	g	0	4950	4950	600	4350	4200	-150	2 satchets
4	Asparagus 450g	each	0	0	0	0	0	0	0	
5	Assorted jelly 80g	each	20	14	34	6	28	25	-3	3 pkts
6	Assorted soups 50g	each	116	80	196	28	168	167	-1	1 sachets
7	Baked bans 410g	each	367	360	727	217	510	510	0	
8	Baking powder 50g/200g	g	4400	4000	8400	5000	3400	3600	200	1 pkt
9	BBQ sauce 5lt	each	0	0	0	0	0	0	0	
10	BBQ spice 1kg refill	g	3000	0	3000	0	3000	3000	0	
11	White whole pepper kg- spice	g	2680	500	3180	250	2930	3300	370	grams
12	Bicarbonate of soda 100g	g	100	0	100	100	0	0	0	
13	Bisto 125g	each	0	0	0	0	0	0	0	
14	Black whole pepper 1kg com	g	2400	0	2400	800	1600	2100	500	grams
15	Dessert cream 250g	each	4	0	4	0	4	4	0	
16	Black whole pepper ground refill	each	700	0	700	700	0	0	0	
17	Brown flour 1kg	each	0	0	0	0	0	0	0	
18	Cake flour 25kg	kg	53	250	303	170	133	132	-1	
19	Cashew nuts 1kg	g	0	0	0	0	0	0	0	
20	Castor sugar 300g	g	20000	15000	35000	21000	14000	14500	500	1 pkt
21	Roll paper towel	each	4	0	4	0	4	4	0	
22	Cheeky/hot chili sauce 2lt	ltr	16.56	40	56.56	8	48.56	48.56	0	
23	Chick peas/chana dal	each	4.5	0	4.5	0	4.5	4.5	0	
24	Chicken spice 1kg refill	g	250	1344	1594	833	761	1100	339	
25	Chicken sauce 2,7kg	each	3.5	0	3.5	0	3.5	3.5	0	
26	Citrus cocktail 425g	each	0	0	0	0	0	0	0	
27	Cling/lunch wrap	each	13	27	40	27	13	10	-3	
28	Coarse salt 50kg	kg	12	0	12	9	3	3	0	
29	Coco 3kg	g	1500	0	1500	250	1250	1250	0	
30	Coffee 250g	g	3750	17400	21150	3600	17550	26150	8600	
31	Coleman's mustard 170g	each	0	0	0	0	0	0	0	
32	Cooking oil	ltr	142	100	242	222	20	12	-8	
33	Corn flakes 500g/300g	kg	11	29.8	40.8	23.5	17.3	11.7	-6	
34	Corn Flour 500g	g	7000	18500	25500	20500	5000	4000	-1000	2 pkt
35	Custard powder 340g	g	1700	0	1700	340	1360	1020	-340	1 pkt
36	Desicated Coconut	g	1000	0	1000	1000	0	0	0	
37	Dijonaise creamy mustard 5lt	each	0	0	0	0	0	0	0	
38	Egg yellow 25ml	each	12	0	12	0	12	12	0	
39	Turneric 57g/100g	g	20785	0	20785	1550	19235	20100	865	
40	Fruit Cocktail 820g	each	0	0	0	0	0	0	0	
41	Fish sauce 750ml	each	0	0	0	0	0	0	0	
42	fish spice 1kg	g	8	0	8	5	3	3	0	



### 3.6 Results and Analysis

Even when in today information technology is the most important and integral part of almost every company and is considered to be the fastest way of communication in the business cycle, the hotel lacks this advantage and as a result there is no fast movement in hotel's decisions. The hotel uses so much of paper work especially when it comes to the purchasing and supplying of items around the hotel, this leads to incorrect data produced and in the end give inaccurate monthly report to the administration office. The way the hotel analysis its data is time consuming, and does not support cost reduction. This cost the hotel so much money, as incorrect flow of information on supply chain and the demand changes in areas such as distribution, transportation, inventory and the entire logistics management

Customer relationship with the hotel has received a lot of negative reviews, this includes their service performance and expenses. The hotels' motto of providing good quality services hasn't proven to be very effective lately.

Mr Vingrau Hanoi who was once a guest at the hotel gave his reviews via tripadvisor saying;

"The good location of the hotel is not good enough to compensate the disappointing room hygienic conditions, worn-out sanitary wares [to the extent that it is hardly workable], and the bad design overall. The trees seemed nice, but as the land area is small, the corridors must be small too so it makes people feel cramped inside. When it is dark, there is inadequate lighting in the premise. When it rains, it is impossible to avoid getting wet trying to go from the dining room to the kitchen to pick up the food. What a bad building design! Bad enough, the discotheque just next door makes it more miserable for people who don't want noise in order to sleep. And the following is ridiculous. The hotel provides Wi-Fi Internet to guests which doesn't work. It was not because the cable was down or signal was weak or something. It was because of their weird system. They gave to guest different Internet vouchers which contain individual usernames and passwords. They are all different and expire in one day. None of them worked. Our group tried some dozens different small pieces of paper with imprint Internet usernames and passwords and nothing worked. The receptionist told us to be

patient and to wait until the next day when the IT person would come and the problem would be solved. It was not true. The IT person came, printed out new Internet usernames and passwords and few of them worked for a while, most of them did not work at all and after a while, all of Internet logging-in credentials went wrong and became useless."

The hotels store rooms are not that well equipped and too small to accommodate all the items that are purchased at the very moment. Store rooms such as the cold room for perishables foods is not well designed and as a result most of their dairy product tend to go bad easily. They have a tendency of buying items even when they are not needed. These items are later stored in for a long period of time, which then go bad and the hotel has no choice but to throw them away. With such result, it makes the hotel spend so much on waste. Their forecasting skills always tend to be inaccurate and costs so much damage.

There purchasing operations are not clear, not accurate nor flexible. The way they plan their purchases and having them signed by the chief accountant may make the person taking the requisition book to go collect money alter with the book and include items which were not signed for. If only the hotel could adopt logistics practices and software, all this would be made easier.

## 4. RECOMMENDATIONS

A lot of different ideas have been developed to understand and learn how successful the implementation of logistics practice can be achieved. However, very few hotels have implemented the use of logistics and SCM to its business' advantage. In the case of NFH, its main concern is to provide customers with the best services and make sure that the goods needed are readily available for the end user. It can be stated that the hotel practices very little logistics management. According to Vincent (2012), regardless of which industry, the SCM is the main backbone of the company. Therefore, it is the responsibility of the executive management to make sure that right decisions are made when purchasing any materials or services needed to create the end product and continues until the finished goods are in the customer's hands.

The challenges NFH faces can be improved when they implement strategies that can not only minimize cost but also maximize profits. One way in which this can be achieved is by implementing the use of the three levels of supply chain management decision-making a bit closer. These levels include strategic, tactical and operational level. By doing so this will help create a much more systematic approach by focusing on how implementation of logistics practices will happen from a higher level, then linking that to long-term goals and finally how the results translate in the short-term. (et al,2012)

### 4.1 Strategic Level

This is where the effective supply chain starts from with a solid long- term decision making. Every decision made at this level will affect the entire supply chain process, from start to finish. Every Strategy level supply chain decision are usually the first step of developing a good process (Pak supply chain, 2012). Some of the strategic issues addressed at this level include;

- Choosing the site and purpose of business facilities
- Choosing suppliers, transporters, vendors, logistics handlers and other members of the supply chain

- Inventory and product management throughout its life cycle
- Long-term innovations and improvement to meet clients
- Require IT systems to make the process more effective

#### **4.1.1 Right Information Technology system**

At this level, it is important for managers to think and act in an innovative way so as to develop a clear vision which will help the entire company with the change process. They have to make sure that whatever plan they implement will benefit the company not only in a short period of time, but in the future as well. The adoption of supply chain software will be made at this level. After the software is implemented at this level, strategic decision making will be made very easier and it will also allow quick access to the information needed to make informed decision (Lee, 2014)

In the case of NFH, the use of IT would be very helpful to the hotel and minimize its cost spending in ways such as, information flows from the administration office to the purchasing department, how goods are requisitioned and issued within the hotel, and also how the purchasing department make their orders, communication with the suppliers on the right orders and requisition for money from the accounts department. NFH can adopt the use of ERP or property management system which will help track all purchase of food and beverages, the hotel's sales and room service more accurate. With the use of right information technology, it would make work easier, faster, less use of paper work, avoid revenue leakage, wastage, theft, incorrect flow of information and produce correct and accurate monthly report.

#### **4.1.2 Inventory Management**

Lee (2014), With the right technology and computer software are adopted, some inventories can be used to hedge against uncertainty and once they are managed well their efficiency will be of much benefit to the hotel. A good inventory management system helps a hotel forecast demand and supply rate with excessive accuracy and minimize the chance of error, this will help the hotel to access its business intelligence,

plan expenses and keep a tighter control on profit. Inventory management will help manager automate most of the works done at the hotel such as tracking which goods have been requisitioned/ordered, beverages consumption and as well as tracking rooms at the hotel. This will also mean less manual work, fast decision making on which supplier delivers what goods, the price of the goods, visibility and control of stocks.

#### **4.1.3 Top talent and Accountability**

This is very important in any hotel business to have employees who are expertise in the use of logistics software and the skill on how to implement them. This helps in minimising error, saves time and reduce costs. Hotel such as the Hilton recruits and retain the hotel's finest staffs and the top most talented graduates from top hotel schools in the world, who have great skills in Information technology in order to maintain and improve its finest services (Hilton worldwide, 2016). In the case of New Fairmount Hotel, the practice is highly seen when recruiting chefs and the accountants. Most of the hotel staffs are either family members of the owner of the hotel or they are outsiders with little or no experience.

#### **4.2 Tactical Level**

This level is defined as a less senior level when compared to the strategic level. It is involved with a much short-term planning cycle unlike the strategic level which is involved with long-term planning. General planning begins at this level, which includes the demand planning, supply planning and inventory planning. Tactical level plays a big role when it comes to controlling the cost and minimizing risks. There is much focus on customer demands and gaining the best end value (Pak supply chain,2014)

Some of the common concerns at this level includes;

- Procurement contracts for necessary materials and services
- Production schedules and guidelines to meet quality, safety, and quantity standards
- Transportation and warehousing solutions, including outsourcing and third-party options

- Inventory logistics, including storage and end-product distribution
- Adopting best practices in comparison to competitors

At this level it is very important that the hotel management gives their full executive support and have the right team in place who fully understand the great value of logistics management and supply chain implementation. The team needs to understand the benefits and profit of implementing the right plan in their services, thus it is the duty of the managers to take risks and put in their full creative and innovative solutions for the whole team to understand the importance of the plan before it is executed. Taking risks must be one of the manager's motto as it helps them challenge and critically analyse how they presently run their operations in logistic and supply chain management from a fresh perspective.

#### **4.2.1 Transportation and Warehouse solution**

One way the hotel can reduce cost is by planning their transportation and warehouse effectively, this helps in a quick and safety flow of products from its point of origin to consumption point. Rouse (2008) defines Transportation Management system as a software that facilitate interaction between an organisation's order management and its warehouse management system or its distribution center. Warehouse management is considered as an art of efficient operation of the warehouse and distribution system (Hompel & Schmidt, 2007, p. 6). Transportation management and warehouse management are connected to working together, the two cannot be separated in the sense that one cannot manage and control warehouse inventory without having the insight of how the products were delivered to the warehouse and how the products were taken out of the distribution center. For instance, if the manager at the distribution center has no information of the inbound products, this will be so difficult for him to plan the team to unload the goods. Therefore, the integrating Warehouse management system (WMS) and transportation management system(TMS) in hotels can enable real-time visibility and develop effective cross-departmental workflows throughout the supply chain, significantly improving supply chain execution and profitability.

### **4.2.2 Creativity and Taking Risks**

Being creative and taking risks is very important for every business as it focuses on being different from others, increase profits and minimize costs. Ismail (2014) identify companies three smart ways any business can take risks which are; they should be resist the urge to say no, never stop experimenting and reward insightful experiments. Companies such as Uber and Airbnb have distinctly different internal operations and this encloses everything from their business philosophies to how staffs interact with one another, how they measure performance (and what they value in that performance) and even their attitudes toward risk. Amazon on the other hand always takes risks by never stopping to experiment new ideas from different department. To track its innovativeness, the company keeps record of all risky experiment which were executed and what was the success rate. In hotels, management needs to challenge managers in each department to take creative risks on how they can improve to reduce costs on purchases, inventories and transportation from supplier to the hotel warehouse.

### **4.2.3 Visibility and Control**

In order to make great decision, it is very important that there is good visibility and control when implementing a particular decision. The use of good logistics IT make visibility and control of inventories much easier and faster. The NFH may have being doing well in the past even with no use nor practices of logistics, but at recent there has been so much competition in the hotel industry that the hotel has lost most of its trusted guests. It is noted that main decisions concerning the hotel are made by the owner of the hotel and there is poor control of purchases and inventories. The fact that the hotel uses a lot of paper work when it comes to distributing goods within the hotel, this creates a lot of room for theft and producing inaccurate data. It would benefit the hotel if all managers take staffs ideas when making decision and also the use of good logistics software such as ERP or property management system which will help track all purchase of food and beverages, the hotel's sales and room service more accurate and avoid errors.

### 4.3 Operational Level

The operational level of supply chain management is the current planning activities that happen day to day processes such as the decision making, schedules, production and monitoring the supply chain activities. It is noticed that the mistake most hotels make NFH included, is to jump right into the operational level without focusing on the strategy nor tactical level. In such case they happen to find that a lot of mistakes are made and there is a relatively huge leakage of revenue, wastage and theft. Therefore, it is the duty of the top executive management to make sure that the right order is tackled and that a lot of planning, innovative and creative planning is done unlike just making decisions based on a day to day process. An effective operational level processes are the result of strong strategic and tactical planning. The three levels always need to work together, one cannot do without the other, if one is affected the entire process will be affected (Lee, 2014).

Some aspects of operational level management are:

- Daily and weekly forecasting to figure out and satisfy demand
- Production operations, including scheduling and detailed management of goods-in-process
- Monitoring logistics activity for contract and order fulfilment
- Settling damages or losses with suppliers, vendors, and clients
- Managing incoming and outgoing materials and products, as well as on-hand inventories

At this stage, it focuses on how to implement the decision tackled at the strategic level and the tactical level, to obtain an effective and successful operation with minimum costs. It is very important for the hotel to always monitor the procurement cost used concerning the stocks that have a short life cycle and must be restocked frequently, since the hotel consistently purchases many stock keeping unit (SKU) for the same use. That's why it is important for the hotel to have suppliers that are dependable and have a good relationship with each other to help keep costs low.



### **4.3.1 Cost of Inventory**

The main objective for any business is to minimize their costs and maximize their profits. In terms of inventory control, the hotel can reduce costs with the use of just in time delivery, which will improve the hotel's return on investment by removing waste and enhance production quality. According to Investopedia (2014) JIT lowers inventory costs which results to a higher turnover ratio. High inventory turnover ratios are considered a good sign of operational efficiency, effective purchasing management, and productive use of advertising and promotional campaigns aimed at generating sales.

Nayab (2013) points out some of the benefits for using JIT delivery as a way of improving supplier relationship, reducing inventory cost and organisational efficiency.

- The method brings about sourcing the needed product for processing on demand, and organize the work placed on order or demand for the product. This proportion of supply with production, and production with demand develops a good flow of goods and minimizes the use for storage facilities.
- JIT improves the communication system between the supplier and the company. Being able to detail the exact product required, in distinct quantity and the specific time of delivery. This discards all sorts of misunderstandings or miscommunication.
- JIT's focus on removing waste from the production process leads to redesign of the workspace to ensure a smooth flow of goods or processes, eliminating redundant tasks, and minimizing transportation of the product across the workspace.

### **4.3.2 Costs of Product procurement**

Poor planning and ineffective decision making can cause any company to overpay, or miss their delivery target or even end up with damaged products. Hotels purchase a lot of product that have a short life cycle and are used for the same purpose. This tendency of purchasing a stock keeping unit of the same brand and package has a negative impact on the business in terms of no trusted relationship with the Suppliers. This may increase

different suppliers, and as a result this may lead to an increase in the supply chain. To avoid SKU, the hotel needs to be reviewing stock level all the time, as stocks left in the warehouse is dead money and it costs a lot. Instead, it is important to buy a lower specification of products that can be used for the same purpose. Overall, the use of data quality plays a huge role in reducing cost, it is the key to an accurate 360-degree view of the supply chain. This can keep track of how much products are in the warehouse and help reduce SKU (Renner, 2016).

#### **4.3.4 Simplifying Complexity**

It is important that logistics practices in the hotel industry are broken down into different areas, this makes it easier and less complicated to manage and control. Too much complications can lead to inefficiencies and error, affect the marketing, their distribution and revenue. It is therefore very important for hotel managers to concentrate on things that will add value to their business and eliminate all unnecessary. Edwards (2012) states that with the emerging of new customers, new channels and new markets, it is very clear that the only way for hotels to succeed in this competitive industry is by creative thinking and business agility. Besides that, hotels should also focus on removing any communication barriers within the hotel so as to allow the smooth flow of information and effectively manage inventory (Flanagan, 2014). When there is clear and easy flow of communication, this will lessen the complexity of running the business. With the use of right IT, information can be passed on quickly and smoother.

#### **4.4 Conclusion**

From the study it is noted that the hotel needs to do some serious changes in how they intend to reduce cost and gain a competitive advantage. It is noted that the reason why New Fairmount Hotel has little implementation of logistic practices is mainly because of lack of skilled employees in the various field and that there is more family control of the business. This makes it more difficult to reduce cost as there is alot of biased decision making and mishandling of goods. The hotel needs to change its entire management system and employ skilled employees.

The use of paper work as a way for authorizing items and information flow needs to be replaced. This has made the hotel loss out in terms of money and time, there has been a lot of theft as it is an easy way for an employee to forge the signature of the managing director and requisition anything from the warehouse. This needs to be replaced with the use of proper information technology such as PMS, so as it will track down all items from the time it arrives to the place where is it issued.

The issue of firing and cutting down salaries isn't going to improve the hotels competitive advantage in the industry, the only best way is by implementing the right logistics practices and also by having the right skilled employees to manage the hotels. The recommended implementation guide is outlined from strategic level to tactical level and then to the operational level. If these levels are implemented correctly the hotel would manage to reduce cost and gain a competitive advantage, as decisions made are long-term goals.

## References

Birk, S. K. (2008). **Supply chain innovation in other industries: What can we learn?** Healthcare Executive.

Carroll, T. 2010. **The smarter supply chain of the future.** IBM global services, USA. Accessed 21<sup>st</sup> July, 2016. Retrieved from:  
[http://www-01.ibm.com/common/ssi/cgi-bin/ssialias?infotype=PM&subtype=XB&appname=GBSE\\_GB\\_TI\\_USEN&htmlfid=GBE03163USEN&attachment=GBE03163USEN.PDF](http://www-01.ibm.com/common/ssi/cgi-bin/ssialias?infotype=PM&subtype=XB&appname=GBSE_GB_TI_USEN&htmlfid=GBE03163USEN&attachment=GBE03163USEN.PDF)

Chikuswe, J. 2016. **New Fairmount hotel.** Accessed 20<sup>th</sup> June, 2016. Retrieved from:  
<http://www.newfairmounthotel.co.zm/index.php/2012-08-14-15-04-20>  
<http://www.inboundlogistics.com/cms/article/hospitality-logistics-supply-chains-made-to-order/>

Commonwealth network, 2016. **Finding freight, shipping and logistics expertise in Zambia.** Accessed 20<sup>th</sup> July, 2016. Retrieved from:  
[http://www.commonwealthofnations.org/sectors-zambia/business/tourism\\_and\\_travel/](http://www.commonwealthofnations.org/sectors-zambia/business/tourism_and_travel/)

Edwards, J. 2012. **Driving complexity out of the Hotel distribution.** Accessed 18<sup>th</sup> October, 2016. Retrieved from <http://www.amadeus.com/blog/14/06/driving-complexity-out-of-hotel-distribution/>

Flanagan, M. 2014. **Four keys to deal with supply chain complexity.** Accessed 18<sup>th</sup> October, 2016. Retrieved from  
<https://www.cips.org/supply-management/opinion/2014/august/four-key-ways-to-deal-with-supply-chain-complexity/>

Gardetti, M.A and Torres, A.L. 2016. **Sustainability in Hospitality: how innovative hotels are transforming the industry.** Greenleaf publishing limited, nursery street Sheffield. UK

Ghian G, Laporte G and Musmanno R 2013. **Introduction to Logistics System Management**. 2<sup>nd</sup> edition, John Wiley and sons ltd

Gramm, G. 2014. **Hotels should adopt Lean thinking**. 12<sup>th</sup> October, 2016. Retrieved from <http://ehotelier.com/insights/2014/10/03/hotels-should-adopt-lean-thinking/>

Green Hotelier 2011. **Greening the supply chain**. Accessed 8<sup>th</sup> October,2016. Retrieved from <http://www.greenhotelier.org/our-themes/greening-the-supply-chain/>

Gupta, S.L. 2005. **Sales and Distribution Management**. 1<sup>st</sup> edition. New Delhi.

Hevner, A and Chatterjee, S. 2010. **Design research in Information System**. Springer New York Dordrecht Heidelberg London

Hilton worldwide, 2016. **Recruiting talent, retaining team members**. Accessed 17<sup>th</sup> October,2016. Retrieved from <http://hiltonworldwide.com/development/management-services/hr-and-training.html>

Hompel, M.T and Schmidt, T. 2007. **Warehouse Management: automation and organisation of warehouse and order picking system**. Springer-Verlag, Heidelberg Berlin

Hospitality Technology, 2012. **Inventory management system in Hotels**. Accessed 29<sup>th</sup> August, 2016. Retrieved from <https://hospitalitytechnology.wordpress.com/2012/05/15/inventory-management-system/>

Investopedia, 2015. **What are the main benefits of just in time (JIT) production strategy?** 2015. Accessed 27<sup>th</sup> August,2016. Retrieved from: <http://www.investopedia.com/ask/answers/040215/what-are-main-benefits-jit-just-time-production-strategy.asp>

Ismail, S. 2014. **3 ways a Company can encourage smart risk taking**. Accessed 17<sup>th</sup> October, 2016. Retrieved from <https://www.entrepreneur.com/article/238543>

Johnson, B and Christensen, L 2012. **Education Logistics: Quantitative, Qualitative and Mixed Approaches**. 4<sup>th</sup> edition. SAGE publication, Inc. USA

Lee, J. 2014. **3 Decision Levels of supply chain: how supply chain software enables better choices.** Accessed 27<sup>th</sup> August, 2016. Retrieved from

<http://blog.e2banytime.com/the-3-levels-of-supply-chain-management-how-supply-chain-software-helps/>

Morris, A. 2011. **What would it take for Zambia's tourism industry to achieve its potential?** Accessed 8<sup>th</sup> July, 2016. Retrieved from:

[http://siteresources.worldbank.org/INTZAMBIA/Resources/zambia-tourism-summary-notes-\(online-copy\).pdf](http://siteresources.worldbank.org/INTZAMBIA/Resources/zambia-tourism-summary-notes-(online-copy).pdf)

Muijs, D. 2004. **Doing Quantitative research in Education.** Sage publication Ltd.

Mutale, E. 2016. **10 reasons to Visit Zambia.** Accessed 8<sup>th</sup> July, 2016 Retrieved from: <http://www.zambiaembassy.se/tourism/tourism.htm>

Nayab, N. 2013. **Why should you use JIT?** Accessed 27<sup>th</sup> August, 2016. Retrieved from:

<http://www.brighthubpm.com/monitoring-projects/72083-why-should-you-use-jit/>

Newman, Benz, I and Carolyn, R. 1998. **Qualitative- Quantitative Research Methodology:** explaining the interactive continuum. Southern Illinois university press, Carbondale and Edwardsville

Pak Supply chain, 2012. **The three levels of supply chain management.** Accessed 27<sup>th</sup> August, 2016. Retrieved from

<http://paksupplychain.blogspot.fi/2010/11/three-levels-of-supply-chain-management.html>

Ray, A. K and Acharya, T. 2004. **Information Technology. The Principles and Application.** Prentice-hall of India private limited, New Delhi.

Renner, A. 2016. **5 Strategies to reduce cost in procurement and Supplier Management.** Accessed on 14<sup>th</sup> October, 2016. Retrieved from

<http://blogs.informatica.com/2016/06/24/5-strategies-reduce-cost-procurement-supplier-management/>

Ross, K. (2013). **Lean is even more important in service than manufacturing.** Accessed 12<sup>th</sup> October, 2016. Retrieved from <http://www.industryweek.com/blog/lean-even-more-important-services-manufacturing>

Rouse, M. 2008. **Transportation management system.** Accessed 13<sup>th</sup> October, 2016. Retrieved from <http://searchmanufacturingerp.techtarget.com/definition/Transportation-Management-System-TMS>

Ruteri, M.J. & Xu, Q. (2009). **Supply chain and challenges facing the food industry sector in Tanzania.** International Journal of Business and management

Sandoval, G. (2002). **How lean can Amazon get?** Accessed 10<sup>th</sup> October, 2016. Retrieved from <https://www.cnet.com/news/how-lean-can-amazon-get/>

Sarkis, J. 2014. **Green Supply Chain Management.** Momentum press, New York, USA.

Saxena, R.S. 2009. **Inventory Management: controlling in a fluctuating demand environment.** Global India publication pvt Ltd, New Delhi

World travel and tourism council, 2016. **Travel and tourism Economic Impact 2016 Zambia.** Accessed 1<sup>st</sup> July, 2016. Retrieved from <http://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2016/zambia2016.pdf>

Shekhar, C. 2008. **Information Technology: A boom in the hospitality industry.** Accessed 7<sup>th</sup> August, 2016. Retrieved from: <http://www.4hoteliers.com/features/article/3336>

Sudalaimuthus.S. and Raj, A.S. 2009. **Logistics Management for International business: text and cases.** PHI private Ltd, New Delhi

Swedberg, C. 2013. **RFID helps Swiss hotel provide Five-star services.** Accessed on 2<sup>nd</sup> September, 2016. Retrieved from <http://www.rfidjournal.com/articles/view?11112>

Taylor, G.D. 2008. **Logistics Engineering handbook**. CRC press, Taylor and Francis group. New York

Terry, L. (2007) **Hospitality Logistics: Supply Chains Made to Order**. Accessed 16<sup>th</sup> August, 2016. Retrieved from <http://www.inboundlogistics.com/cms/article/hospitality-logistics-supply-chains-made-to-order/>

Thomas, M.R. 2003. **Blending Qualitative and quantitative research methods in thesis and dissertations**. Corwin press, Inc.

Vincent, 2012. **Understanding the three levels of supply chain management**. Accessed 26<sup>th</sup> August, 2016. Retrieved from <http://www.procurementbulletin.com/understanding-the-3-levels-of-supply-chain-management/>

Zamen, N.U. 2011. **Procurement Management-the process**. GRIN verlay, Norderstedt Germany.



## Appendix 1

Questions and Answers of the interview with Procurement officer/acting Purchasing Manager at New Fairmount Hotel Zambia.

1. **Would you please describe your position and responsibility at New Fairmount hotel?**

Procurement officer/acting purchasing manager; am in charge for the purchasing and acquisition of all inputs at the hotel both goods and services that are in line with procurement. Other duties include supervising, coordinating the stores staff on the day to day and monthly activity, sourcing and negotiating with supplies on various issues. I also act as a link between stores procurement staff and management.

2. **Would you please describe how the purchasing process works at New Fairmount hotel?**

The purchasing cycle at Fairmount hotel begins with the end user of the item or service or rather the units which includes stores. The supervisor of the unit raises a document known as order or requisition which details what is needed. Given to the buyer he or she will check if that item is stocked or not if not he will ask for quotations from supplies when the most economically favourable quote is chosen, the buyer will raise either a cash or cheque requisition which will outline item or services needed to be bought out. Authorized by either the managing director or chief accountant items are finally purchased.

3. **Who initiates the purchasing process and who specifies the products to be bought?**

The Heads of department. Each department in the hotel makes a requisition on what items they need, then have it signed by either the chief director or the managing director or the chief accountant before taking to the purchasing department for purchase.

**4. How do you choose and deal with your suppliers?**

Supplier selection is mainly done one on one or face to face; where suppliers are asked to bring their business profiles, when analysed suppliers are asked to bring samples of what they supply or do a demonstration of what they do. Good performing suppliers meeting the required standard are included in the supplier preferred list by the buyer organization

**5. What factors do you consider when choosing suppliers?**

- Quality; the quality of goods or service delivery if it meets the required standard quality control level, the human resource, and accreditation e.g. ISO 9001.
- Lead Time; prompt delivery is our aim to meet customer demand timely. Therefore, the supplier location and approximate time of delivery after order is placed.
- Health and safety; measures supplier has put in place for a safe working environment for the staff.
- Capacity of supply; what quantities the supplier can meet, if high value does they have guarantee or warrant.
- The acquisition cost; which includes purchase price, cost of delivery, disposal, maintenance.
- Financial capacity and consistency.

**6. What are the reasons that make you use the same supplier over and over again?**

The market to source suppliers from is small, mainly are small scale suppliers therefore we usually want to build suppliers to know and understand our needs. At times they are the ones providing best value for money items.

**7. How do you pay your suppliers? Is it cash upon purchase or its monthly contract pay?**

Mostly suppliers of petty purchases are paid cash upon delivery but bulk purchases especially to a single supplier a cheque is used. Issued 2 day after delivery, other purchases we have set agreements with suppliers and call off orders are made. Payment after month end.

**8. How much money does the purchasing department (stores department) use in a month? (Please provide invoices of the purchases and balance statement)**

The accounts department deals with all finances at the hotel, I cannot realise the whole balance statement as it is considered confidential data. However, I can provide you with some estimation of the purchases budget made in the month of June, 2016. And the Dry foods monthly report for June 2016.

- Estimate done from expected number of guest to be handled within June 2016 (conferences, functions and walking in clients) total estimate 5000 clients
- Estimate total amount k150.000;
- (K40.000 kitchen items, k60.000 stores item, k25.000 maintenances, k15.000 operations.)
- Amount spent by stores only k56.970 calculated from invoice for the month of June.

**9. Which department in the hotel consumes so much money from the hotel's budget?**

Stores and the kitchens; as they have the most recurrent orders about 50% of the budget.

**10. In your option, what is the best practice to reduce purchasing costs?**

cost reduction, if there can be less purchases per day and use up the stocks we have in storeroom.

**11. In your option, what do you think needs to be done to improve the hotel's services at the same time reduce costs?**

have good quality marketing strategies, quality service delivery and incentives and Refresher courses as well.

**12. What do you think can be done to improve business opportunities between different tourism stakeholders (the hotel, its own suppliers and customers)?**

Delicate decision making around the hotel. Improve the use of information technology and employ skilled employees to manage the system. In this way new ideas can be pitched in making communication easy and having trusted suppliers who would deliver on time and deliver the best good quality products, and as a result we would be able to give good quality services.