

Glenn Hardman, president of RGH Hospitality, discusses supply management strategies.

Beth Kormanik

As a young hotel manager nearly 30 years ago, Glenn Hardman intuitively understood a key management principle: Once your inventory arrives, you must protect it to help the hotel's bottom line. Hardman could earn a bonus based on supply usage, and at the end of the first quarter the head of the company called him to find out how he had earned such a high bonus. The answer was simple: All supplies were stored in a central place, and only Hardman and the janitor had a key. Each day they distributed what people needed to do their job, and if something was missing Hardman would know where to look.



Now Hardman is president of RGH Hospitality, and he institutes similar supply management systems. RGH manages eight hotels throughout New York and New England: two Hilton Garden Inns, two Holiday Inn Expresses, a Hampton Inn, The Westport Inn and two properties on military bases.

He spoke with Buyer Interactive about other supply management issues and about working within brand standards to meet his purchasing needs.

What do you look for when you are deciding on new products to purchase?

From an operations standpoint, we're looking for products that meet the requirements of the brand we're managing. We're looking for vendors that can meet a delivery timeline that's quick. We don't like keeping products on our shelf at our property. We would rather the vendor keep it on their shelf and ship it as required. No. 3, we're looking for vendors that can service hotels on a national basis.

You centralize ordering and shipping for all of your hotels. How does this work?

We have an inventory report for each hotel. On a monthly basis, hotels take an inventory of products on hand - towels, soap, shampoo, toilet paper -- things used every day. They send it into our office. From there, we know the usage standards for each of the products. We know a bottle of shampoo lasts roughly three rented rooms. If you're selling 3,000 rooms next month, and a bottle lasts three days, we're ordering the equivalent of 1,000 bottles of shampoo. We base calculations of replenishment of items on estimations of sales for the next 60 days. It takes 15 days to ship. We're basing it on 60 days to replenish it on 45 days. Some hotels do this differently. They say we always want to have 10 cases on the shelf. We base all of our ordering and our shipments to the property based on their expected usage based on the operating standards. During high-demand periods you ship more product and during low-demand periods you ship less product. It's an inventory control system. Since it's variable, you're carrying the least amount of inventory possible to efficiently manage your hotel. You're reducing the amount of cash you're spending on inventory.

How accurate are your 60-day projections?

Very accurate. We very seldom have an emergency where we just run out of a product. We're not only shipping product based on projections. At the end of the month, we calculate what the actual usage was over the last month. We can tell a manager where the inventory control problems are. If a hotel was projected to use four boxes of shampoo, they send in an inventory report and we calculate that they actually used eight cases, as an operating tool we would go back to the manager and say, we think you might have an inventory control problem. It's not only a tool for ordering, it's a tool for evaluating processes at the property. We have operating standards that have been tested over time. As far as setting standards, we base those off of historical averages. It's a pretty neat way of doing it.

Does this apply to your F&B purchases?

I have one F&B outlet in our eight properties. We take a weekly inventory. We calculate the actual cost of goods sold off of menu items sold during the week, whether you sold 50 chicken Parmesans and 42 hamburgers. We compare our actual costs of goods sold to what we sold on menu. The ordering there is done by the food and beverage manager. It could be more of an art than a science, but we do track cost of goods sold by menu item.

How have suppliers reacted to the ups and downs of your orders?

I haven't heard anything. There is no price saving for us as far as quantity discounts. Most of the prices are negotiated through the brand. It hasn't caused any issues. They get an inventory order for us once a month and they ship out accordingly.

What is your opinion of start-up suppliers? Would you consider them if a product fit your needs?

The products we run are branded products -- Hilton and IHG products. For the most part, those brands have done the work in advance and they recommend you buy from those suppliers. They also negotiate with them on a national level, and it's typically better than what you could get on your own. Purchasing from a start-up probably would be a risk. The specifications are so detailed. For things like an FF&E purchase or a tech purchase you may go to a start-up. But on normal operating supplies you'll go with the recommendation of the brand. Typically anything tech-related these days you may go with a start-up because there are very few options. Three years ago when we opened our second Hilton Garden Inn property, Hilton had a brand standard that you had wireless and wired Internet in the building. It was up to you to find someone who could do that work. You would be contracting with someone locally to do that. Since that time, Hilton has standardized the process on Internet use and now Hilton offers one-stop shopping for everything you need, then they manage it after that. A start-up would only relate to something that's a product that isn't mainstream on the market yet. It may be an option you choose because it's the best available option.

Your brands negotiate prices for you, but do you ever go out on your own?

On operating supplies, we go with the brand standard probably 95 percent of the time. The 5 percent would relate to printed materials or marketing materials we have prepared locally. On outfitting a hotel or renovating a hotel, on the FF&E side, we start with the brand standard and do competitive bids in the marketplace. For that, we're probably 50 percent brand and 50 percent non-brand.

How often do products needs change?

The only time would be if brand standards change. Hilton Garden Inn and Holiday Inn Express changed amenity packages a year ago. It's pretty painless and pretty seamless: Here's a new product effective this date. Here's where we would like for you to buy it.

What industry trends do you see emerging?

We just took over management of a property in Westport, Connecticut. They were using an Internet-based purchasing agent. We started to research this and it's pretty neat. A web site negotiates pricing with vendors used by this brand. It allows you as a buyer to have one-stop shopping. The trend would be Internet-based and buying sites that offer better value. Instead of the brand negotiating for the brand, now it's a buying site negotiating for all brands under one umbrella. It's easy to compare prices because it's all on the Web site.

What's the best piece of advice you can give to anyone who aspires to a similar job as yours?

From an operating angle, I would say to really view purchasing from an operation standard. There's a real cost to keeping product on the shelf. Make sure you design a purchasing program that meets the needs of the operator from a product delivery and cash standpoint. Get the product when it's needed.

Peer Q&A

Credit

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Bio: Beth Kormanik is managing editor of Buyer Interactive and editor of Hotel Interactive. She previously covered politics, government and higher education for the Florida Times-Union in Jacksonville, Fla. While at the Times-Union she won several state and regional awards, including the 2008 Freedom of Information award from the Florida Society of News Editors and the top honor in the 2007 Florida Bar media awards for large newspapers. Beth also was a ... [more](#)