Purchasing Lessons Learned
How buyers and suppliers deal with tricky situations.

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A valued customer developing a resort in the Rockies had asked Lodging Kit to provide its kitchen products. A great piece of business, right? Well, it didn’t exactly turn out that way.

“They wanted us to source a rustic, mountain-feel dinnerware,” Kent Martin, Vice President of Marketing at Lodging Kit. “We went back and forth and settled on a pattern. We sent samples out, put them in model unit, and everything was approved.”

When construction wrapped up a year later, the resort submitted a purchase order for the dinnerware. The problem? The pattern had been discontinued. But Lodging Kit sourced it to a factory overseas and brought in a full container – a larger amount than was needed at a substantial investment. This story would seem to have a happy ending, only it didn’t. The resort had switched cabinet manufacturers since the model unit, and the dinnerware did not fit in the new cabinets.

What should Lodging Kit have done? That was the question for attendees at this week’s BITAC Purchasing & Design East at the Peabody Orlando, who heard a number of real-life scenarios that both buyers and suppliers faced.

Should Lodging Kit make the resort pay in full for the old dinnerware, or charge a premium restocking fee? Should it try to split the financial hit with the cabinet maker? Or simply take the dinnerware back without charging the client? BITAC attendees were split, but the Martin the answer was clear.

“It was a highly valued client [and] we do all of their resorts nationwide, so we just took it all back,” he said. “So if anybody is in the market for reactive glazed dinnerware...”

Manuela Kennedy, Purchasing Manager for Capital Projects at Westmont Hospitality Group, also found herself with some extra inventory. Normally, Westmont inspects furniture deliveries before they ship, but in one recent situation, the furniture was manufactured in China and was not inspected before the shipment was sent.

“When the containers were unloaded an furniture placed in our rooms, the furniture was not manufactured to our standard or to the brand standard,” Kennedy said. “It was poor quality.”

So where did that leave the hotel? Should it just use the furniture, buy all new furniture from a different manufacturer, or sue the company (which, by the way, had gone bankrupt)? Westmont labored over this for
six months, Kennedy said, but ended up replacing all of the case goods with a different manufacturer. Some of the original shipment ended up at the company’s limited-service brands, but Westmont is still trying to sell the extra furniture.

As part of the Peabody’s public space expansion, it ordered several millions of dollars of lighting. Just a few weeks before the hotel expected to open the conference center, it learned that the company had gone out of business. The lighting was in pieces at an out-of-state factory with some pieces still coming in from China.

"We were frantic because the public space had already been rented, and we were expected to get our certificate of occupancy, which we couldn’t get without the lighting up," said Carol Braslow, Corporate Director of Purchasing for the Peabody Hotel Group. "We were figuring out what to do, and what to do real quickly."

What should the hotel do? BITAC attendees suggested picking up the parts and hiring another company to finish the job – which is what the Peabody did. A former employee of the lighting company took over and finished the job.

"He really stepped up to the plate," Braslow said. "It was hard, and he probably had to work day and night to get the parts together, get things from China, have things made locally. It was really putting a big jigsaw puzzle together."

Brad Stewart, Director of Sales at Hera Lighting, faced a different lighting challenge. His firm developed a LED headboard light for a brand. The installation seemed to go well, but several months later an owner complained that the lights were failing.

"With a one-tenth of one percent failure rate, that was odd to us," Stewart said, "but that’s not to say we couldn’t make a mistake. So we sent an engineer to the site who went room by room to check out the lighting and discovered that the lighting was not installed correctly and the maids were doing their jobs -- vacuuming underneath the beds but catching the wires and ruining it."

Still, the owner thought the lighting was faulty. What’s the best resolution? BITAC attendees were divided, with most suggesting to split the cost of the repairs while others said they would opt to replace the lights but charge the owner wholesale prices.

Hera’s decision: "We sent the engineer back for two days to replace lights that failed and do a training seminar for the engineering team and the maids," Stewart said. "We picked up a lot of the costs because we wanted to protect the relationship with the brand."

Truly, that’s the bottom line. Both buyers and suppliers may be put in uncomfortable situations, but by being honest both sides can trust each other and perhaps do business again in the future.
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