

**Major: Supply Chain**

**S.No. 12**

“(Impact of logistics and supply chain management on  
Hotel Performance and Service Delivery,  
A case on five star hotels in Pakistan)”



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**LOGISTICS & SCM IN HOTELS**

**ABSTRACT :**

This paper studies the effects of logistics and supply chain management on the hotel performance and the services that are delivered by the hotels. I selected Serena hotel for my research as it is the main 5 Star Hotel in Islamabad. This study is based on the data that was historical and took help from other countries hotels to make my thesis valid to achieve the objectives. Reduction in cost and time due to logistics and supply chain management for hotels is the main factor of conducting this research paper. Data will show and suggest how to improve the logistical system for the hotels as well as the supply chain management policies to minimize the cost and time taken to deliver the services and the performance of the Hotels.

**KEY WORDS :**

Logistics, Supply chain management (SCM), Performance, efficient delivery of service, inventory management, cost & time management

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**DEDICATION:**

I dedicate this work that to my parents and to my teachers and friends who helped me and supported me throughout the research from the start till the completion. I am really honored and feel special as to achieve this goal due to this university so I dedicate my research to Bahria University to give me this opportunity to conduct this research.

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## 1.0 INTRODUCTION

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In today's dynamic business environment, there is an increased focus on delivering value to the customer at the cheapest possible costs. Hotel companies, both big and small, must focus on how to offer products and services while keeping low cost. The currently businesses from all over the world have been affected, including the hotel industry. Starting from the sharp decrease in corporate, group and leisure travel demand due to the global financial crisis, hotel occupancy rates have fallen in properties around the country.

Business becomes more complex now a days in managing services and profits as per standards. Both academia and corporate consultants are looking for solutions to maintain profitability and standard service expected by customers. Therefore, service becomes focus point in manufacturing and service industry as well. Gradually service industry faces competitiveness and complexities to render desired service to customers. Moreover in developed economy, the contribution in GDP by service industry is enhancing year by year.

In an industry which is labor intensive many hotels are forced to make bold and more visible moves in costs reduction to their operations. It comes as no surprise that much of these costs cutting efforts have been focused on payroll and other employee associated costs, like hiring freezes, cuts in employee perks, reduction of bonuses, and reductions in base salaries. One area of the hotel industry that is usually left out in cost cutting efforts is its logistics and supply chain operations. A well-established logistics and supply chain management system can help the hotel industry give individual hotel companies a sustainable competitive advantage. The use of the right logistics and supply chain strategies helps not to only improve the quality and service of the hotel company, but drive down costs.

Companies like Amazon and Wal-Mart, two of the world's largest retailers, continue to grow due to the way they use their logistics and supply chain management to reduce costs and in turn to provide products and services at a lower cost to customers (Bonney, 2012). Both companies continue to thrive while their competitors, such as Best Buy and Sears struggle to stay alive.

This paper will focus on the role logistics and supply chain management plays in the hotel industry and the impact its practices have on the performance of hotel companies through costs reduction practices and properly managing its logistics

and supply chain. For example few Hotels have implemented logistics and supply chain practices in the company's operations to help save costs. Serena was typically faced with the challenge of dealing with different suppliers and distributors in their operations. Logistics and supply chain management are usually used at operational, tactical, and strategic levels in the retail, automotive, health care and manufacturing industries. The hotel industry can benefit from the comprehensive and integrated practices of logistics and supply chain management, by delivering a consistently reliable and high quality service at the best costs.

The paper will focus on defining logistics and supply chain management and how various practices have been used to reduce costs and the competitive advantage of logistics and supply chain in the hotel industry. The final part of the professional paper will focus on how logistics and supply chain management practices can be implemented across the hotel industry.

Pakistan's hotel industry is booming at an incredible pace amid growing economic activity particularly in relation to the China-Pakistan Economic Corridor in Gwadar along with improved law and order situation across the country.

Beach Luxury Hotel Director Business Development Rehan Wahid:

"The rate of hotel occupancy has surged to 80% {on an average} across the country compared to 35% before the current calendar year started,". Hospitality industry waits for improvement in conditions Hotels in Islamabad and Lahore are fully booked most of the days. However, this is yet to happen in Karachi,

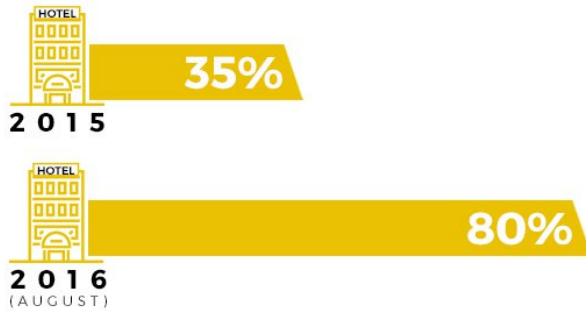
The situation in the country's north improved at a faster pace compared to the south, particularly Karachi. (Wahid 2016)

"The element of uncertainty has continued to rule the city for some unknown reasons. Although recent rumors about the kidnapping of children in Karachi have not impacted our business yet, the situation like this usually keeps the city and businesses destabilized," he said.

According to Wahid, the developments connected with the CPEC projects were partly helping them meet their business targets. "CPEC projects have convinced a large number of foreigners to resume visiting Pakistan; this will help business grow as well."

He said the ratio of foreign and local occupants at hotels had drastically changed over the past one year. "The current ratio is 50:50. It was 30:70 last year."

## HOTEL OCCUPANCY RATE (AVERAGE)



THE EXPRESS TRIBUNE | [tribune.com.pk](http://tribune.com.pk)



The corridor projects have led to long-duration hotel room occupancy by foreigners; usually up to two or three months. "The Embassy Hotel remains full with Chinese visitors ever since the CPEC projects were launched in the country." (express tribune 2016)

Sea Shell Inn General Manager Operations and Marketing Fakhir Shah said business was growing at a rapid pace. "Although we only opened earlier this year, we are attracting business of months in days."

Hospitality industry: Malik Riaz in Dubai to discuss hotel projects

Jovago Managing Director Nadine Malik (2016) "The number of tourists and visitors through the online booking portal had soared significantly over the past few months."

They do not have the policy to reveal the number of visitors, but the growth in the industry can be gauged from the fact that they had opened office in Pakistan with just five-six employees in 2014; the number now has increased to almost 50.

The number of tourists to northern areas like Naran, Kaghan, Swat, Murree and Islamabad increases notably during the summer season and majority of them use hotels for their stay. Besides, businessmen continue to visit areas like Karachi, Lahore, Islamabad and Faisalabad throughout the year.

Expansion and new projects

Gwadar Iqra Associates Chief Executive Mir Mazhar Ali Magsi said development works in Gwadar city, port and economic zones and other CPEC-related projects had created a huge demand for hotels there. The Gwadar project director has so far given no-objection certificates (NoC) for the construction of at least five five-star hotels. These include a 250-room hotel apartment project of

the management of Pearl Continental Hotels and another one of the Bahria Group.

Besides, a number of hotels in the categories of one-to-four stars would be developed in the next two years, he said.

According to government estimates, some 125,000 trucks and long-haul cargo vehicles as well as 25,000 passenger vehicles will run every day on the roads between Gwadar and Kashgar, China under the CPEC. "Many of the travelers will be in need of hotels and motels on both sides of the roads network between the two countries.

### **1.1 PURPOSE:**

The purpose of this paper is to identify and describe the way logistics and supply chain management practices can be used for costs savings. As hotel companies manage and operate their properties, they should focus on several aspects such as logistics management, inventory management, information technology, procurement and distribution, lean and green supply chain practices. Finally, this paper explores the competitive benefits that come from applying these concepts. Part three will contain a set of recommendations how they can be utilized in the hotel industry. The problem stated above is that current performance of supply chain is not yielding the planned results in terms of total logistic cost and service level in desired time.

The purpose of this thesis is to identify the reasons for such development and to highlight the theoretical frameworks which could improve supply chain performance especially in terms of service level and logistic costs in the future.

For Hotels integrated supply chain management is one of the key strategies for improving operational effectiveness. Therefore, the importance of it is actually increasing as the complexity of supply chain in terms of products, markets and members of the chain is growing. This is an additional reason, why it is important to investigate how the performance of the supply chain can be brought to the desired level or to set up achievable targets and realistic expectations.

The ultimate goal of the thesis is to present the management of Hotel Industry with suggestions as to where it is necessary to focus in the future to achieve the desired performance of supply chain and in that way establish a base for making decisions.

The first step in the process of achieving ultimate goal is to find the main reasons for deviations by evaluating current supply chain main areas (according to the model from Cohen) and by evaluating current supply chain performance.

Based on that, the improvement possibilities are grouped in the following focus areas:

- View of supply chain.
- Process infrastructure.
- Organization.
- Collaboration with internal and external partners.
- Measurement system.

The last step in the process of achieving the ultimate goal of this thesis is to evaluate improvements according to the contribution to the desired result.

## **1.2 STATEMENT OF OBJECTIVES OF STUDY**

Much analysis has already been done to outside Asian nation for the event of supplying and provides chain management and the way it intends to boost profit and to supply the likelihood to the shoppers through practices that facilitate to scale back prices in varied industries like the business (Ell ram, La Londe, Weber 1999). The aim of the report is to see the results of supplying and supply chain management practices and the way they'll be utilized in the long run to realize a competitive advantage.

## **1.3 PROBLEM STATEMENT**

Over the past decade, there has been an increasing emphasis on supply chain management as a vehicle through which firms can achieve competitive advantage in markets (Collin, 2003, p. 8). A large number of examples in the 1990s show how companies have made large investments to streamline their supply chains in order to improve customer satisfaction and increase their internal productivity. As Christopher (1998, p.130) states, it is not actually individual companies that compete with each other nowadays; rather, the competition is between rival supply chains. The supply chains that add the most value for customers with the lowest cost in the chain make up the winning network of individual companies.

As companies are now seeking how to integrate decisions across supply chain functions, across geographically dispersed facilities, and across time, the facts based supply chain management is crucial. The essence of fact-based supply chain management is integrated planning and control, which has three important dimensions. The first dimension is functional integration involving decisions about purchasing, manufacturing, and distribution activities within the company and between the company and its suppliers and customers. The second dimension is

geographical integration of these functions across physical facilities located on one or several continents. The third dimension is inter-temporal integration of strategic, tactical, and operational supply chain decisions. To put it simply, strategic planning and control are concerned with resource acquisition, while tactical planning and control focus on resource allocation and refinement, and operational planning and control are concerned with business execution (Shapiro, 2001, p. 1).

Therefore, management of supply chains in a business environment has a major financial impact on all parties involved in the chain. Due to that, research and implementation of supply chain management principles to improve the supply chain are of key importance to any global company today.

The main strategies to meet business targets such as reduction of costs and increase of service level were:

- Cycle time reduction from suppliers to production units, from production units to distribution centers and from distribution centers to market.
- Increased flexibility by suppliers and in production.
- Increased reliability between partners in supply chain, to increase trust.
- Integrated planning process, to coordinate efforts across the supply chain.

There were four main factors of synchronized supply chain:

- IT integration: Advanced planning and scheduling (APS) system, to manage and optimize the supply chain from raw materials through to deliveries.
- Working with world-class suppliers and logistic service providers, and utilizing web ordering, EDI and VMI for integration of all parties in the supply chain.
- Fast distribution and replenishment: 48 hours internal lead-time from customer order receipt through to manufacturing and distribution to regional stock points.
- Consolidation of warehouses in Europe, from which all customers will be supplied.

## 2.0 WHAT IS SUPPLY CHAIN MANAGEMENT

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### 2.1 SUPPLY CHAIN DEFINITION:

Many organizations today are forced to increase their global market share in order to survive and sustain growth objectives. At the same time, these same organizations must defend their domestic market share from international competitors. The challenge is how to expand the global logistics and distribution network, in order to ship products to customers who demand them in a dynamic and rapidly changing set of channels. Strategic positioning of inventories is essential, so that the products are available when the customer wants them (Handfield, et al. 2002, p. 38).

Domenica (2002, p. 8) also claims that supply chain should actually be efficient and effective. In this case, efficient means to minimize resource use to accomplish specific outcomes; and effective, in terms of designing distribution channels.

Efficiency is measured by delivery performance, product quality, backorders and inventory level, whereas effectiveness is measured by service quality and the service needs.

For the long-run competitive it depends on the question whether or not the firm meets the requirements of the shoppers within the space of service, price, quality and adaptability within the style of the availability chain, additional effective and further economical than its competitors.

The optimization of this balance may be a constant challenge for firms that kind a part of the network of providers chain,

In order to optimize this balance, many of us ought to create strategic selections and plenty of activities are coordinated. This needs a careful style and management of the availability chain. The look of the availability chain is clearly a medium that permits companies to pioneer, to differentiate and make price (BM 04, 2004, n. 8). The challenge of the look and management of the availability chain capabilities for the look and therefore the assembly of the assets, organizations, competences and skills. It includes groups, partners, merchandise and processes.

In view of the length of the management of the SC to deepen within the depth, within the 1st supply chain explained that the management and therefore the role of the general public authorities as a basis for a whole definition of supply chain management.

According to Meltzer, (2001), the definition of "this chain of adjustments" is consolidated as a definition of the availability chain management. In his study he wanted a typical definition of

a supply chain supported an in depth examination of the assorted co-authors. Subsequent definition:

"A SC is defined as a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer."

The SC will contain company internal departments and external suppliers that contribute to a business center. A supplier company has its own set of multiple suppliers UN agency input (also called the second-tier suppliers). Supply chains are within the 1st place a series of suppliers and clients connected to the top customer (Field 2002).

Supply Chain building consists of a network of suppliers and customers of the probe. Organizations may be a part of an outsized variety of supply chains.

Depending on the complexness of the grid, Mentzer (2001) has 3 forms of SCM:

- Direct supply chain, consisting of a corporation, a provider and a client.
- Extended supply chain, together with direct provider suppliers additionally as client customers.
- Definitive supply chain, during which all organizations concerned within the upstream and downstream flows.

## **2.2 DEFINITION OF MANAGEMENT:**

The fact is that different supply chains in everyday world exist whether they are managed or not. If none of the organizations will actively implement any of supply chain management concepts explained further on in the thesis, the supply chain as a phenomenon of business will still exist but will probably not act in a rational, coordinated way. Supply chain management therefore requires active management efforts by the organizations within the supply chain.

What is an organization? Lipovec (1987) defines organization as the composition of relationships between people, who by relationships become members of a formed social unit. Organization ensures the existence and specific characteristics of the social unit and rational achievement of goals. According to Rozman (2000), there are three processes in an organization assuring rational achievement of goals: organizational process, coordination process, and decision making process. The organizational processes are defined as goal oriented processes of ensuring the rationality of peoples' actions and behaviour and a rational achievement of the social unit's goal. Rationality

is achieved through coordination. And coordination is conducted by taking care of the problems and by making appropriate decisions. Coordination in that context is the essence of achieving rational behavior within an organization. It encompasses coordination of activities, goals, interests, and relationships. At the company level, we discuss coordination of business functions, business units, and projects.

Longman dictionary of contemporary English defines management as:

- The activity of controlling and organizing the work that a company or organization does.
- The people who are in charge of a company or organization.
- The way that people control and organize different situations that happen in their lives or their work.

Most authors define management as coordination of divided activities (who does what) or managerial process or functions in an organization (Rozman, 2000, p. 7).

Mr. Donnelly, (1995, No. 4) defines that management is disbursed by one or additional folks are going to be disbursed to see the activities of others to coordinate the required results may be achieved not singly by an individual. Hellriegel and Slocum (1996, no. 302) is outlined because the integration of the coordination of the activities of people, groups and departments.

There are 2 methods of interconnection in a company that has to be reconciled: a business associated a structure process (Rozman, 2000, n.6). A corporation consists of: coming up with, readying and management of the business and therefore the structure method consists of: workplace coming up with, management, management of the organization.

Most authors don't distinguish between organization and business processes within the same approach. That's why management is usually outlined as coming up with, organizing. Leiden and Check, these authors arrange the planning; organization of resources or organization.

Ernst (2002) outlined the processes of governance that confirm management, negotiation and sales, additionally as management and management. The most purpose of provide management is direction and objectives (part of business planning) (as represented above) the essential power of a synthesizer managers and therefore the applicable selections supported the analysis to develop, Set priorities and communicate.

Planning is therefore one of the primary functions of management and as Pučko (2005, p. 3) says, the main role is to define goals of the company and ways to achieve those goals. Ansoff (1990, p. 2-16) defines planning as designing the desired future and

effective ways to achieve it. According to Rozman (1993, p. 24), planning is the process of creative thinking about the future that ends with a plan. This means the desired result and the ways to achieve it. Further, Rozman (1993, p. 72) describes planning mainly as a process of coordinating goals, strategies and targets, as well as decision-making, and delegating. The main purpose of planning is resolving and preventing problems, by evaluating different possible scenarios. On the other hand, the organizational processes create a certain structure of permanent relations among employees in the company. These relations enable execution of the plans and goals of the company. The most important in that sense is leadership, meaning communication and motivation of employees to execute the planned activities. Controlling is concentrated on auditing the behavior of employees and achievements seen in relation to those planned and acting in case deviations appear.

The supply chain is outlined as a collection of three or additional organizations directly concerned within the flow of merchandise or services to customers. This implies that organizations are massive and provide management has historically been divided for several purposeful managers. Effective coordination of supply chain selections within the integrated supply chain is crucial.

The essence of integrated provides chain management; supply chain coming up with and management, 3 main dimensions. The first dimension is functional integration, which involves decisions about purchasing, manufacturing, and distribution activities within the company and between the company and its suppliers and customers. The second dimension is geographical integration of these functions across physical facilities located on one or several continents. The third dimension is inter-temporal integration of strategic, tactical, and operational supply chain decisions (Shapiro, 2001, p. 1). Functional and geographical integration is very tightly related to organizational processes including the definition of processes needed to execute the business. Inter-temporal integration of strategic, tactical, and operational supply chain decisions is related to business planning and controlling.

### **2.3 SUPPLY CHAIN MANAGEMENT AS A MANAGEMENT PHILOSOPHY**

Supply chain management as a management philosophy takes a system approach to viewing the supply chain as a single entity. This means that the partnership concept is extended into a multi-firm effort to manage the flow of goods from suppliers to the ultimate customer. Each firm in the supply chain directly or indirectly affects the performance of the other supply chain members, as well as the overall performance of the supply chain (Cooper, et al. 1997).

Supply chain management as philosophy has the following characteristics:

- A systematic approach to viewing the supply chain as a whole and managing the total flow from the supplier to the ultimate customer.
- A strategic orientation toward cooperative efforts to synchronize and converge intra-firm and inter-firm operational and strategic capabilities into a unified whole.
- A customer focus, to create unique and individualized sources of customer value, leading towards customer satisfaction.

#### **2.4 SUPPLY CHAIN MANAGEMENT VERSUS SUPPLY CHAIN ORIENTATION:**

According to Mentzer, the thought of coordination of the availability chain, from a world perspective (previously called management philosophy) is named supply chain a lot of correct guide. The effective application of this approach to varied corporations within the supply chain a lot of properly supply chain management.

"Recognition of a company of general risk, strategic implications of military science activities concerned in managing numerous flows within the supply chain." Implementation of supply chain orientation needs totally different corporations within the supply chain to be wont to deliver the goods supply chain operations cluster of body activities.

- Supply chain orientation
  - General read
  - Strategic vision
- Single business reasons.
- Prepare for AN address:
  - Trust
  - Commitment
  - Enfranchisement
  - Regulative compliance
  - See
  - Important operations
  - The leader
  - Senior management support
- Supply management

- 3 or a lot of consecutive corporations with supply chain orientation
  - Share data
  - Shared risks and rewards
  - Cooperation
  - Client service goals and focus
  - Incorporate key processes
  - Long run relationships
  - Coordination between jobs
- 
- Archaeologist
    - Lower prices
    - Improve client worth and client satisfaction.
    - Competitive advantage

The study of literature in supply chain management, we will deduce that it's terribly troublesome to outline a world supply chain management, like operational rules and word don't exist. However additionally within the definitions, most authors specialize in supply chain management corporations will gain competitive advantage and cut back prices whereas up client satisfaction. They deliver the goods this by up the complete worth chain opportunities to make worth through shut cooperation with its partners within the supply chain. This additionally needs advanced collaboration tools (forms to exchange data on market demand, the combination of the foremost necessary processes and so within the long run, between jobs) format. On the opposite hand, could be a crucial a part of winning cooperation is that each one parties concerned within the management of integrated supply chain features a high degree of confidence between them. They need to figure for a summary of identical organizations and processes and significantly senior management support.

## 3.0 PRINCIPLES OF LOGISTICS

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### 3.1 BACKGROUND

The term "logistics" originates from the ancient Greek word "lógo2" (logos ratio, word, calculation, reason, speech, oration), and as such the word logistics has been in use for a much longer time than the current business logistics concept. The word logistics itself originates from the military discipline. There were divisions in the military who were responsible for the supply of necessary arms, ammunition and rations as and when they were needed, for example when they had to move from their own base to a forward position. In that situation the logistics division would provide all the necessary support to move the arms, ammunitions, tents, foods etc. In the ancient Greek, Roman and Byzantine empires, there were military officers with the title 'Logistikas' who were responsible for financial, supply and distribution matters. Not surprisingly the Oxford English dictionary defines logistics as; "The branch of military science having to do with procuring, maintaining and transporting material, personnel and facilities." Another dictionary defines logistics as "The time related positioning of resources." Logistics is also commonly seen as a branch of engineering which creates "people systems" rather than "machine systems", but the modern logistics concept and practice is about providing cost and time effective services for non-military, mainly commercial activities.

This service includes the transport of goods from one point to another, warehousing them in a suitable place, inventory, packaging, and other administrative activities such as order processing.

### 3.2 UNDERSTANDING LOGISTICS:

Logistics is concerning adding "tool" for a product, as an example a product should be touched from one purpose to mention Newcastle upon River Tyne, uk to a different purpose, expression Budapest,

The product permits conversion of material (any media management) within the plant or plant material is completed and distributed to the buyer market. In terms of "utility" in supply services, because of the very fact that purchaser the client} and also the trafficker of the merchandise comply with buy and sell the merchandise underneath bound circumstances, the acquisition worth now.

According to the terms and conditions of transport and/or supply service supplier to be appointed (by the client or the vendor, looking on the circumstances of the sale) by the vendor to the client once a tiger or supplying services, observed as "product"

b "Download" or "goods". In step with the agreement, physiological condition is saved somewhere on this transit service if "snap" and on the idea of would like and also the nature of the products, the warehouse location, size and kind, so on can decide. The client to buy the merchandise for every month or every week in a very tiny cluster, this call affects the stock of the corporate that owns should be preserved. It ought to be noted that the prices of inventory management and capital and interest. The optimum sizes for analysis to see the existence of ideas like just-in-time (JIT) could be a technique that "pulling" means that the client gets the merchandise if necessary. This idea is decided to "scratch" effective inventory management. In distinction to the normal approach is "pushing" the client acquires art product abundant, means there's a particular degree of inventory. This analysis approach is mentioned in additional detail in a very later section. Transportation and storage and placed on a security product, looking on the kind of product. From commencing to finish, there'll be variety of body activities like e-mail forwarding (B/L), issued by the transportation service supplier. L/B contains details of a cargo of merchandise and displays the transfer of possession to a specific party (CU). B/L is a vital document in international trade order to confirm that the vendor (exporter) receives payment and also the emptor (importer) receives product.

Since the previous review, we tend to perceive that:

Logistics = for the availability of raw materials + Materials Management plant. + The distribution to customers.

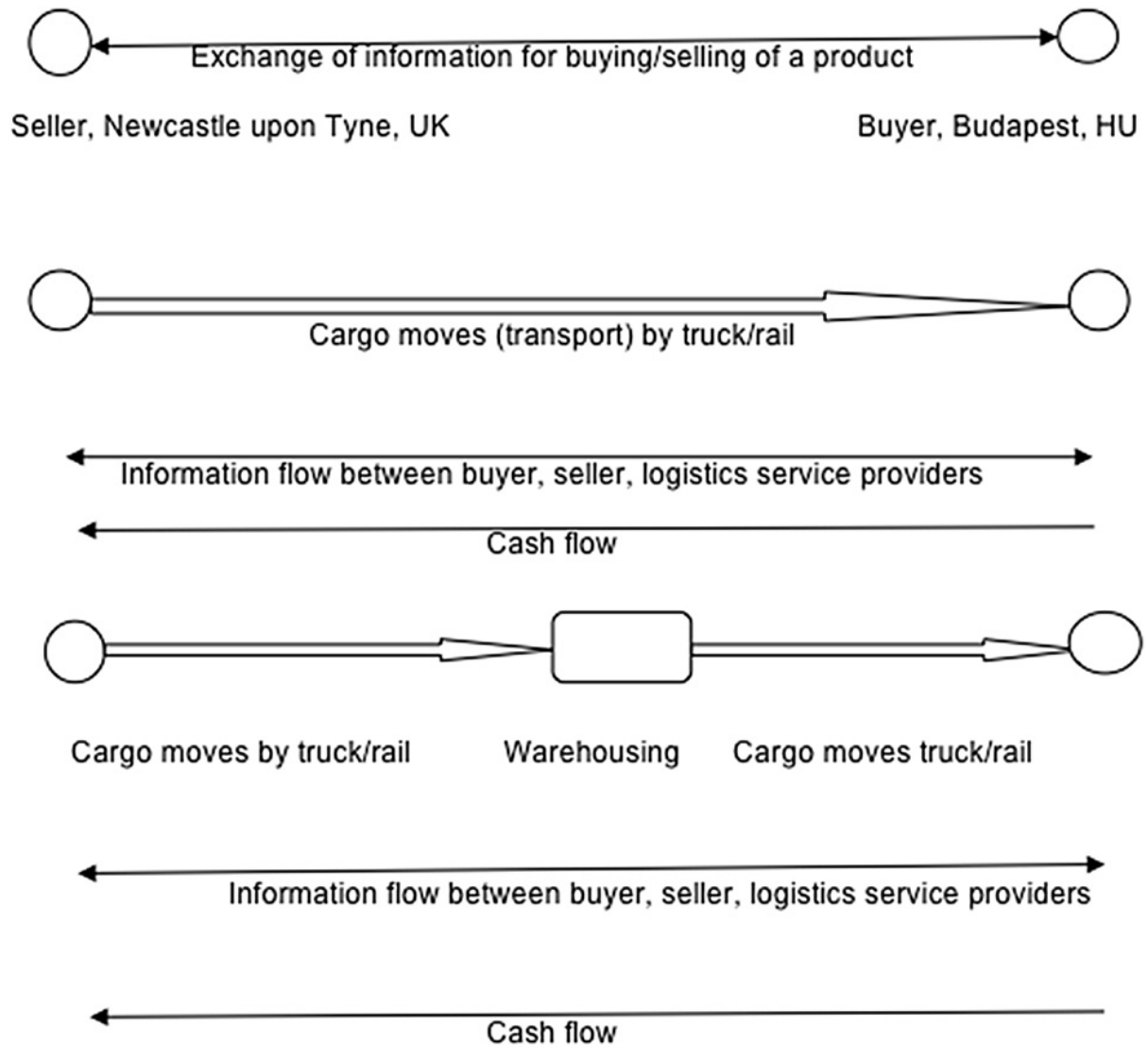
### **3.3 TERMINOLOGY AND DEFINITIONS:**

Langley, Coyle, Novack, Gibson (2008) states that "logistics management is that the term used most and relates to the provision not solely within the non-public sector however additionally within the public sector and therefore the non-profit sector. " there's no confusion regarding the definition of provision by the actual fact that variety of terms for supplying management, together with the following:

- Logistic Management;
- Business Logistics Management;
- Integrated Logistics management;
- Materials Management;
- Physical Distribution Management;
- Industrial Logistics Management;
- Procurement and Supply;
- Product Flow Management; and
- Marketing Logistics Management.

Logistics has associate degree integrated data integration approach, transport, inventory management, deposit, material handling and packaging, and therefore the recently else safety completely different definitions thanks to the variation in size and data of provision.

Mangan, Lalwani and butcher (2008, n. 9) provides that: "The logistic still recorded within the right manner and therefore the right product within the right amount and therefore the right quality within the right place at the correct time to the correct client time truthful price" Rushton, Oxley and Crouched (2009, n. 6), gives that "the provision guarantee economical transfer of the assets of the ability of the assembly location to the purpose of consumption in a very efficient effective manner whereas a suitable level of service client letter Institute for the provision and transport (CILT) (2012) suggests that the provision to figure "to provide what the client desires, at the time and within the right place and at the correct worth." CILT (2012) defines provision as "the method of style,



Logistics: graphic.

### **3.4 ELEMENTS OF LOGISTICS**

There are 5 key components of supply services: transport, storage, inventory management, packaging and process of knowledge (Figure 2). Transportation normally is that the most significant a part of a lot of supply. the foremost necessary aspects of the Department of transport and transport (such as roads, railways and waterways, air, pipeline, multimodal and intermodal), infrastructure and transport, geographic location, form of delivery (such as night train service, normal, long distances), coming up with (on boat), direction and coming up with. Main warehouse issues management among alternative things on the positioning, and also the range (associated central policy versus a distributed storage concept) that is related to the worth and kind of product as an example, prime quality product, packaging and loading units will be the high price of raw materials at a comparatively little price and cheap.

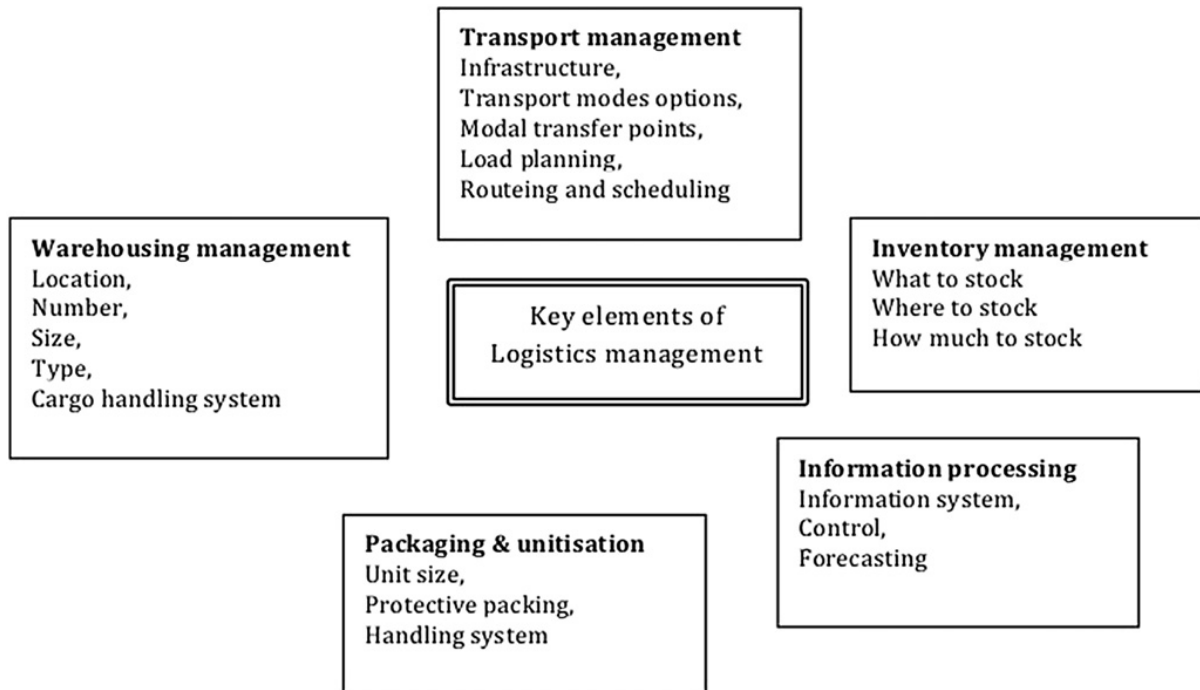
### **3.5 GLOBAL NATURE OF LOGISTICS**

Today we tend to sleep in a worldwide village. We tend to get plenty of products in stores like Tesco thousands of articles from everywhere the globe, on a daily basis or weekly every item severally and includes a transport chain. Once a particular product in a very foreign country and Director of supply suppliers have data during this country and in alternative countries supply performance index (LPI), the globe Bank and also the 2012 LPI provides a listing of nations round the world supported a survey of supply service suppliers operational in those countries. These survey information assortment comments on "kindness" supply services in countries wherever it's active, and people that are listed. LPI consists of each qualitative and quantitative measure, supply options relationship for these States to assist. It measures the performance on the supply chain within the country, giving completely different perspectives: international and national. Dolly

LPI offers qualitative assessment of state in six regions and trade supply and technical partners World Health Organization work outside the country. Internal LPI offers qualitative and quantitative assessment of the country by the supply specialists. It contains elaborated data regarding the essential supply, processes and establishments and performance in time and prices.

### 3.6 LOGISTICS AND TRANSPORT

Saud Naveed Malik; Bahria University; Management in Business Administration thesis 01-120132-030



### 3.7 ORGANIZATION OF THE SHIPPING

Considers that there is variety of receivers, World Health Organization would like some quite smart. There's conjointly variety of dispatchers (e.g. in warehouses or producers) that these product (fig. 3). The task now could be to form these shipping prices. Firstly, data on doable suggests that of transport, the price for the employment of various vehicles or for rent and maintenance further warehouses/ hubs should be collected. As before long as this data is accessible, there are variety of doable ways that to arrange.

To the present purpose, you may get to do the following:

1. If you've got to gather all of the relevant information;
2. Confirm what ought to be optimized;
3. Search for any restrictions or limitations of the matter.

There are several examples which may be illustrated with the final plan of heuristics, as an example, the Cube Klinkewicz location technique, savings and scanning algorithms or the classical transport downside with the various algorithms. The subsequent are the most reasons for selecting an honest example:

The rule ought to be short and foreseeable for little business inside an affordable amount of your time.

The thuslution should be respectable in tables or graphs on a personality's being so accessible. This is often helpful if the strength of the rule can be compared with a naive answer completely different rule or a best answer (known);

At least one amongst the algorithms sturdy enough to be within the space of best solutions as an example.

The following could be an elaborated description of the presentation of the transport downside, involving a naive approach of 2 alternative algorithms shown. It conjointly shows the connection between integration still higher results.

The classic downside of the carriage

The storage capability is a minimum of the whole provide of all customers.

Small numbers within the high right corner of the grey space displays the shipping price of a journey between the various outlets and customers. The goal is to fill the table with numbers (i.e., indicate what number units will be anyplace within the storage to be sent for every customer), so the whole prices as low as doable.

### **What are the limitations?**

Each client satisfied; this suggests that the ad of the weather of a grey column (at least) in question written. Conjointly the capability of every storage place ought to be taken into consideration, i.e. the ad of every row could also be dulled out most of the content at the top of the row.

The restrictions are a twin of those of the table; the primary restriction is established that there's no row higher than the limit capability, whereas the second restriction means each client is glad (i.e., the question is totally met). The latter limitation means negative values can't be made, that's to mention, devices can't be sent from the shopper to the search. For little and medium-sized, most optimization issues that it offers a really smart computer code or best for a problem developed as a mathematical model optimization answer. for big issues heuristic technique will be used. General heuristics will be divided into 2 categories:

1. Approach to an answer to make initial.
2. Improved heuristic strategies, i.e. the reduction of prices of an answer by suggests that of little changes.

For the transport downside, solely the primary approach mentioned.

The simplest heuristic is given by transport as way as doable from the primary storage location for the primary client A1 B1 (in the instance this can be twelve Units). It's the primary search is empty or is that the first client is glad. It will therefore initial row or column of the table shall be eliminated this could be recurrent for the remainder of the table to search out a viable answer engineered.

In general, this answer is comparatively poor, as a result of abundant of the data has been omitted and is unnoticed, optimized. The second approach, the tiniest matrix, improves the selection of table cell an honest answer is to appear for the most cost effective (the cell with the minimum cost) transport of your time the maximum amount as doable the foremost of the mobile association and lower prices. As focused, row or column will be eliminated. Once any removal of the table less and this can be recurrent till the matter is resolved.

## **4.0 SUPPLY CHAIN MANAGEMENT VERSUS LOGISTICS:**

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When defining supply chain management, it is common to relate it to logistics to better understand the approach, since the concept of supply chain management started in the logistics literature (Min, 2002).

Halldorsson and Larson (2000) show that supply chain management relative to logistics can be viewed in four different ways (see Figure 2-4). They propose that one reason for these multiple perspectives is that supply chain management has not been made transparent by one universal definition.

According to the Traditionalists view, the logistic function hires "supply chain analysts" to focus on cross-functional, and inter-organizational issues. Some authors do not distinguish between supply chain management and logistic. They just change the name. The Unionists view supply chain management as more than simply logistic, but rather also as purchasing, operations, and marketing. While Intersectionists, describe it as a staff function or internal consultants. SCM considers strategic, integrative elements from several functional areas (logistics, purchasing, operations, and marketing); however, it does not involve tactical elements, such as picking orders in a warehouse.

Christopher (1998, p.17-21) defines supply chain management as an extension of logistic. Logistic is essentially a planning orientation and framework that seeks to create a single plan for the flow of products and information through a business.

Supply chain management builds upon this framework and seeks to achieve linkage and coordination between processes of the entities in the pipeline. Schary also (1998, p. 7) sees supply chain as more than logistic. It includes the flow of materials and products to customers and more than that; it includes also the organizations that are part of these processes, crossing organizational boundaries to link their internal operations as part of this system. The supply chain recognizes that there are cooperative arrangements that tie firms to each other and in that way tie their success to the chain as a whole. The scope of supply chain spans the entire set of organizations from procurement of material and product components to delivery of the completed product to the final customer (Schary, 1998).

The comparison of logistic and supply chain management can also be made on the basis of the value chain theory by Porter (1985, p. 33). Every company is a collection of activities that are performed to design, produce, and market, deliver, and support its product. They can be represented in a generic value chain.

Companies in the same industry may have similar chains, but the main competitors often differ. Differences among competitors' value chains are a key source of competitive advantage. A company's value chain is embedded in a large stream of activities called the value system (Porter, 1985, p. 34). Suppliers deliver not only a product but can also influence a company's performance in many ways (Figure 2-6).

On the other hand, the product very often passes through value chains of different distribution channels on their way to the buyer. Also, distribution channels perform additional activities that affect the buyer as well as the company's activities. The ultimate basis for differentiation is a firm and its product's role in the buyer value chain that determines the buyer's needs. Gaining and sustaining competitive advantage depends on understanding, not only the firm's value chain, but also how the firm fits into the overall value system.

We can use the value chain model shown in Figure 2-6, for defining logistic in relation to supply chain management. Logistic is concerned with optimizing material and information flow for a business unit, by optimizing logistic processes, such as planning, distributing, and warehousing within a single business unit. Supply chain management explores value creation opportunities along the entire supply chain.

Such opportunities start with exploring customers' needs and suppliers' capabilities and continue with an evaluation of common

improvement opportunities. Those efforts can result in joined product development projects, process integration, joined information sharing, integrated planning, or marketing activities with the aim to improve the overall performance of parties involved. An example of such activities can be the joined process development of stock planning and control, not only for the business unit, but for the complete channel as the knowledge of the products and flexibility limits of supply chain are most known in business unit not further up in the channel. The benefit of such activity is for both partners. In the focal business unit the benefit is that the demand is more stable and that requires less flexibility and lower costs. On the other hand, the channel value chains do not need to focus on stock planning and control as this is already done by the business unit, so the management cost related to control those activities is lower as well.

#### **4.1 DRIVERS OF SUPPLY CHAIN AND INITIATIVES:**

In today's international economy is feasible firms beneath increasing pressure to chop prices, whereas the assembly and quality standards to urge smart results. To realize these goals, firms are with success to the challenges to be overcome. If Meakem (2003), and a free economic system, new technologies and new markets, international provide and demand. As an example, several organizations that food from China. However variety of those organizations doesn't have the data and knowledge required a lot of production abroad. Free market rules are international competition need that solely the sturdy survive. For firms within the world to form choices quickly. Mergers and acquisitions represent a serious boost. However unless it will be action between the actors concerned, consolidation isn't rare. International competition and improved technology cut back to scale back time to promote and reduce the time to deliver. This needs organizations to the most effective suppliers and propulsion them in necessary business activities. Organizations from varied regions and industries, and also the deadlines for submitting the most effective vs.-buy choices. Several organizations realize price larger outsourcing of production of products and services. This needs organizations to the most effective suppliers and propulsion them in necessary business activities. Organizations from varied regions and industries, and also the deadlines for submitting the most effective vs.-buy choices. Several organizations realize price larger outsourcing of production of products and services. This needs organizations to the most effective suppliers and propulsion them in necessary business activities. Organizations from varied regions and industries, and also the deadlines for submitting the most effective vs.-buy choices. Several organizations realize price larger outsourcing of production of products and services.

Field manual (2002) driver's summary:

- Increasing demand from customers within the field of product and repair prices, quality, delivery, and technology, as results of international competition, session time.
- Participation and larger acceptance of upper order cooperative beneath the regulation.
- The data revolution.

The impact of this evolution is that firms in developing new ways that to extend the fight of the market in terms of a lot of economical and effective management of the availability chain to extend. The results of those efforts several supply chain initiatives have emerged within the past 10 years.

A growing range of firms implementing supply chain management practices. Additionally, though several firms quickly check access and enthusiasm for together with practical cooperation, each inside the corporate and with partners within the supply chain, in fact, only a few firms able to practices and techniques necessary to figure well. And exploitation varied strategies are closely coupled to the degree of development of the method chain and also the degree of integration between these processes.

#### **4.2 SUPPLY CHAIN AS A STRATEGIC QUALITY**

If firms within the supply chain as a strategic quality, supply chain strategy is an element of the strategy of the corporate is style round the baseline GOED (innovation, cheap, service and quality). Integrate with selling strategy and client desires, product strategy and position. On the opposite hand, the strategy of the availability chain to adapt to promote conditions and competitive blessings.

This is the strategy of the availability chain styles a novel configuration of the availability chain, that drives the strategic objectives. A provides chain strategy consists of 5 blocks:

1. Producing Strategy.
2. Outsourcing strategy.
3. Channel Strategy.
4. Strategy client service.
5. Active Network

### **4.3 KEY CRITERIA FOR GOOD STRATEGY**

Supply chain strategy supports and encourages business strategy forward. Effective business strategy begins with nice strategic vision framework for business. The company's strategy to outline what it's, what it will and leaves (Cohen, 2004). Thus you need to conjointly choose supported competition in innovation, quality, price and repair. Leading firms focus solely on one amongst the four. Smart operating strategy is of nice importance for the availability chain perspective, as a result of every contest supported another network structure, processes, data and data systems. If price could be a competitive advantage, and activities geared toward the company's potency,

According to Cohen, smart supply chain strategy of 4 criteria. He should be tailored to the business strategy, client desires and position and also would like for adjustment.

Companies got to grasp what they actually need customers that the strategy should adapt to client desires you need to apply the principles of "lean manufacturing" if market winner prices and gracefulness of the principles to be applied to markets that give a market winner.

Depending on the wants of the market, there are in reality 3 dimensions: product properties, properties, runtime properties. Per these estimates, supply chain cluster in Corsten, Longitudes (4, 10):

- Fixed assets multiplied lean supply chain and specialize in the high level of capability utilization and potency (like cars).
- Agile supply chain has mounted assets low, short innovation cycle, sometimes construction units and versatile and one amongst the foremost necessary reasons for the fast development of product necessities.
- Quick supply chain will be found within the shopper product trade, like property, innovation cycles are terribly short, and also the speed is crucial.
- Typical supply chain is connected to the trade with long update cycles because the trade chemical and pharmaceutical raw materials, wherever you undergo a series of steps.

Classified Fischer (1997) in innovative or practical provides chains with relation to the character of the demand for product. These distinction criteria are displayed and supply chain

necessities in annex (Figure A-1). Betting on the sort of queries that firms got to processes to potency and client orientation of styles. Skilled product need an efficient method, whereas on the opposite hand, innovative product custom-made to the circumstances.

In accordance with Fisher (1997), is that the main reason lays within the indisputable fact that firm's difficulties uncertainty related to AN innovative product reviewed. 3 ways will be coordinated to cut back uncertainty. One amongst these shares of common ingredients that sure thing of the rise in demand can increase. As there was uncertainty as a result of the days or hedge against uncertainty remaining inventory stores or a lot of capability.

To develop an honest strategy supply chain it's vital that the corporate is conscious of the ability and influence within the relationship with customers and suppliers. Thus we've got custom-made the dominant position. Firms that have commonwealth and influence to contribute to form things cheaper and higher management over the availability chain, the structure and its customers and suppliers. Complete plays a vital role in cooperation with customers. Effects of the lot of dominant in SaaS within the supply chain. The corporate could be a partner within the supply chain or work with rigorously selected partners, betting on the strategic impact. Anderson (1999, n.

- Driven by market saturation: specialize in generating high profit margins that market and distribute sturdy brands everywhere.
- Agile: assign assets and operational activities and versatile response to new shopper trends.
- Freshness: targeted on planning to the patron a product lowerclassman than its competitors needs to supply.
- Supply chain strategy should adapt to new technologies and business ways. Internal and external factors that the life cycle of business strategy to work out the following:
  - New technique to the manner that the dynamics of the corporate (like the Internet) changes.
- An amendment within the size of the corporate (new product or services, new markets, geographic growth and distribution capabilities, new channels, new suppliers).
- An amendment within the legal basis of competition as results of a brand new rival.
- Need for brand new acquisitions.

#### **4.4 MOST COMMON BENEFITS, BARRIERS & BRIDGES TO SUCCESSFUL SUPPLY CHAIN MANAGEMENT:**

As it was described in supply chain management initiatives contribute significantly to the result of the company, therefore implementation of those practices is crucial for the companies today. On the other hand, the implementation of those practices is also a very complicated process and requires a high degree of management commitment.

If Dukan (2001), supplying strategy method on the availability chain could be a complicated task, particularly within the case of huge international organizations.

Proposals for the implementation of the strategy, it's seemingly that there square measure changes within the structure of the corporate, in physical infrastructure used for the storage and transportation of products and cause it systems to manage business invoice-quote. The appliance method is harder as a result of it refers to changes within the method folk's work, and therefore the rules and rules for brand new tasks inside the organization. It allows firms to continue trimming six basic rules.

However, to try to thus one should assess the impact of issues to scale back throughout this method. in truth it's a technique is dangerous if not dead with success. These rules may also be with success enforced six supplying strategy applied in implementing the principles of offer chain management. This can be (Duncan, 2001):

- Obtain a commitment from all members of the senior management team to start out the project.
- Performance activity should be entered at the start of the implementation section of the supplying project.
- Select the desired application of resources to implement the project level obtained.
- Communication is vital to success.
- These rules should not be associate degree excuse for not elsewhere.
- Font management, project team won't be chargeable for implementation.

Advanced Studies Centre (Faust, 2003.10) discusses the foremost common edges and barriers and bridges as introducing advanced practices within the offer chain. The investigation is predicated on fifty two interviews with rigorously designated firms take to be man of science guy World Health Organization is aware of the Supreme Council of the judiciary. the foremost common edges square measure related to multiplied sensitivity of firms

(internal and external), lower prices and better quality and nearer relations with key partners.

Top ten blessings and barriers and bridges for offer chain management

Navigate barriers edges

- Improves client response
- Delivery time additional consistent
- Shorter delivery times compliance orders
- Storage prices less
- Better use of company resources
- Reducing the value of purchased merchandise
- Improve product quality
- Ability to touch upon sudden events
- Faster product innovation
- Relations with associate degree perspective and ideally
- Insufficient info shared
- Weak conflict/measure
- Inconsistent operational objectives
- Organizational culture and structure
- Resistance to change-mistrust
- A weak Alliance management practices
- Myopia SC (draft)
- No intervention.
- Limited resources
- Any worker passion/empowerment"
- Functional and senior management support
- Open and truthful exchange of knowledge
- Precise and elaborated procedures
- The basis of trust and partnership synergies
- Align the availability chain and change
- Experienced administrators across
- The documentation method and assets
- Education and coaching of offer chain
- Using offer chain consolatory boards
- Effective use of pilot comes

The main obstacles square measure written is summed up within the body and social control problems inside the Organization and with external partners. The foremost common bridges which will facilitate overcome barriers: senior practical management and

support open and honest info, and sensible activity systems, documentation, education and coaching, and therefore the use of the board for elements of the availability chain.

As represented higher than, there square measure several business issues got to be self-addressed before the no-hit implementation of the principles of offer chain will occur. From selecting the proper in line with the wants of business within the dynamic processes needed to implement the strategy to spot methods you cannot do something while not the proper folks with the abilities which will be within the development and implementation of offer chain operations. A sensible system of activity is additionally demand as a result of it provides good support of operational performance. And last however not least, while not truthful and open cooperation between the parties within the offer chain edges in terms of reduced prices and multiplied flexibility and level of service that square measure arduous to achieve. For all that

For all that the appliance of the management of the availability chain could be a terribly complicated task. It's terribly skilled management organization within the field of offer chain and relationships between partners within the offer chain. you'll complicated changes with reference to the appliance of the principles of a complicated management of the offer the availability chain within the supply chain and therefore the use of external consolatory councils typically manage is of crucial importance for all obstacles to the implementation of interest. For all that the appliance of offer chain management could be a terribly complicated task. And an awfully skilled management within the offer chain and therefore the relations between the partners within the offer chain. You complicated changes with reference to the appliance of the principles and advanced management of the provision chain in supply chain and therefore the use of external consolatory boards typically management vital for all obstacles to implementation. For all that the appliance of offer chain management could be a terribly complicated task. And an awfully skilled management within the offer chain and therefore the relations between the partners within the offer chain. You'll complicated changes with reference to the appliance of the principles and advanced management of the availability chain in supply chain and therefore the use of external consolatory boards typically manage vital for all obstacles to implementation of interest.

## **6.0 INTRODUCTION OF SERENA BUILDING:**

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The Serena Group comprises a collection of 36 luxury resorts, safari lodges, and hotels, which are located in East Africa (Kenya, Tanzania, Rwanda, Uganda, and Mozambique) and Central and South Asia (Pakistan, Afghanistan, and Tajikistan).

The Serena Hotels Group trades under the name Tourism Promotion Services (TPS Serena). The company is listed on the Nairobi Stock Exchange (NSE), where it trades under the symbol TPS. The largest shareholder (45%) is the Aga Khan Fund for Economic Development (AKFED), with a further 4% owned by the Aga Khan University Foundation. As of November 2011, the group has 25 properties in Africa, in the countries of Kenya, Mozambique, Rwanda, Tanzania, and Uganda. The Group also maintains 10 properties in three Asian countries of Afghanistan, Pakistan, and Tajikistan.

The Serena Hotel in Islamabad stands at the foot of the Margalla Hills on fourteen acres of land with beautiful gardens and the serene shore the Rawal Lake in close proximity, next to the Diplomatic Enclave. The architecture and interiors of this fabulous Hotel building is a mere reflection of typical Pakistani cultural heritage perfectly depicting the skills and craftsmanship of native artisans. In this state-of-the-art building, local traditions are elegantly combined with latest technologies in order to provide a comfortable stay for our prestigious guests.

The true spirit of this Islamabad Hotel is reflected in the aesthetics of the public areas, corridors, rooms, and restaurants, highlighting trademarks of Islamic architecture. The Hotel's remarkable architecture is a blend of rich, elaborated, and vivid designs where the artisans have really shown their magical skills especially on the ceilings, floors, and walls.

#### Guest Services and Facilities

- Complimentary Airport transfers
- 9 Multi Cuisine Restaurants
- Banquet and Conference facilities
- State of the art Spa & Health Club
- 24 hour Business Centre
- Complimentary Wi-Fi Access
- 24 hour Room Service
- Mini Bar
- Salon & Barber Shop
- Laundry Services
- Shopping Arcade
- Valet Service
- Round the clock Doctor on duty

Serena Hotel is one of the Best Chain of hotels in Pakistan. They have got many branches across the country. However the Islamabad Serena Hotel stands at the foot of the Northern Hills in six acres of landscaped gardens in the center of Islamabad. The Moorish and Mughal architecture and interiors of this excellent hotel reflect the expression and cultural heritage of the local craftsmen who built it. It is primarily aimed at the

consumer market such as family, young executive, and middle-upper class. Other groups that can be part of the target market are the business people. If we want to categorize Serena hotel Islamabad in term of product life cycle stage then we can say that the hotel is at the growth stage and its sales will continue to increase as the tourism and hotel industry in Pakistan is booming 197 rooms and suits having a distinct Punjabi and Swati style with magnificent views of the Margalla Hills and Rawal Lake.

## **6.1 HIERARCHY**

There square measure 3 levels of management in Serena building

- Higher level
- Middle level
- Operational level

## **6.2 COMPETITORS**

Major competitors of Serena building are:

- Marriot
- Pearl Continental
- Holiday inn Islamabad

## **6.3 FIVE YEAR STRATEGIC SETUP:**

In general it strategic coming up with could be a tool to manage and that is employed for the aim that you just facilitate course beaters, and energy, to make sure that members of the Organization to figure towards an equivalent goals, and at last assess the regulation and in response to an ever-changing atmosphere. In short, the strategic coming up with could be a disciplined effort to require basic choices and measures that have a control on what the organization is, what it will and the way it works, with a spotlight on the longer term.

- Working with yank Airlines its partnership to develop selling prices and increase of the market share.
- Within a year a fiat and analyze all transport infrastructure, in order that additional and additional folks return for business.
- In addition to draw in new guests, it's necessary for the up to date business, each in terms of your time and geographic. during this effort, so as to be effective,

Serena should add cooperation with regional organizations and associations within the field of urban development has already had been no-hit within the promotion of business and therefore the encouragement and support of the regional teams to their ability to extend the capability from the promotion of business.

- The geographical enlargement of activities to alternative massive cities and therefore the acquisition of the market share.
- The strengthening of the climate of the support that exists for the toured sector, the communication with the economic edges of the accountable development of business for the general public, further as state and native representatives of the general public.

#### **6.4 SWOT ANALYSIS:**

SWOT stands for strengths, weaknesses, opportunities and threats. SWOT analysis is one in every of the foremost necessary steps within the formulation of the strategy of the organization as fund managers within the analysis of internal forces (distinctive competencies) and weakness and external opportunities and threats. The goal is to induce sensible methods for opportunities to take advantage of and robust points to neutralize threats and to stop weak points.

##### **6.4.1 External Atmosphere:**

External atmosphere contains factors on that the organization has no management. Competitors, opportunities and external threats square measure enclosed within the external organization of a corporation. currently to start out the external analysis of Serena building should initial the teams or forces inside the organization of the social atmosphere and therefore the atmosphere of the task of those factors square measure very have an effect on the long and short choices and influenced by her .

##### **6.4.2 The threat of new entrants:**

Within the building and occupation trade of Islamic Republic of Pakistan there's vital additional threat from newcomer as a result of the aggressive trade with a high growth potential.

The factors that the new entrance or that the barriers to entry square measure the entrant

- Regulatory needs
- Degree of capitalization
- Thorough analysis and development

The power of suppliers is robust as sellers square measure focused or of the shoppers to few alternatives in term of substitutes or the protection high prices

#### **6.4.3 Industry Analysis:**

The main purpose of trade analysis is to see the opportunities and threats that for firms in a very competitive atmosphere.

The investigation of necessary stakeholders inside a company task mustn't be referred to as atmosphere. The most drawbacks inside the building sector is to make sure the style of the patron, the ever-changing trends within the market and to keep up a prime quality of all merchandise and services

#### **Bargaining power of suppliers:**

Vendors will very have associate degree effect on a trade by their increase. Within the case of national capital

Serena building we will say that they're in a very sturdy negotiating position, chiefly as a result of the subsequent reasons:

- Their merchandise and services square measure really unusual and totally different
- There isn't any shut substitute of hotels square measure forward integration and have direct contact with the shoppers.

#### **Bargaining power of shoppers:**

Buyers will have an effect on the business, especially by their ability to the costs. Within the case of Serena building negotiation power of shoppers is high because:

- Alternative hotels in national capital
- Switching prices in respect of competitors is low
- They receive a reduction after they book on-line

The competition within the occupation and an outsized range of alternative sectors grows additional and additional and it's a challenge to you to differentiate them from the others. For securing this challenge, supplying and SCM have a very important role.

## **7.0 IMPACT OF LOGISTICS AND SCM IN HOTELS:**

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A well-established effective, process- and customer orientated logistic and SCM in a hotel cause a sustainable competitive advantage. The use of right logistics and supply chain strategies

improve the quality and service of a hotel and reduce costs. Furthermore it will help to be leading player in the industry.

## **7.1 HOTELS SCM SERENA**

I would like to present you now a great example of a hotel chain that uses logistics and SCM in a quite efficient way. The Supply Management of Serena provides properties some of the most comprehensive and value-based supply management solutions in the hospitality industry. The purchasing is enforced by consolidation the supply of requirement by more than 4,000 Serena and third-party properties.

The hotel chain has implemented logistics and supply chain strategies in the company's operations to reduce costs. Their procurement works through its office and six regional affiliate locations. The procurement department combines buying into national contracts for its numerous brands. The hotel chain deals directly with suppliers, in reason they negotiate with the distributors that handle warehousing and delivery. "It is important to control the whole supply chain,"

All in all it can be said, that logistics and SCM bring several benefits to a hotel and influence their success significantly. They are described as follows:

- The logistics and SCM activity can save hotels costs between 8% and 15% that can be used for other business processes
- It can reduce errors due to the use of electronic devices with applications which improve the speed of the orders through data exchanged with other members of the supply chain
- It supports to manage inventory costs with just-in-time strategies

With the mentioned benefits a hotel company can become the player in the market. In the following YouTube-link there is presented a really interesting roundtable of executives from the hospitality sector who discuss the evaluation and efficiency of SCM.

## **7.2 CURRENT PRACTICES**

### **7.2.1 Procurement Management**

Procurement practices are used in the logistics and supply chain industry to support operational needs of the company by focusing on how purchasing is done, how the product is received from suppliers, building relationships with vendors and managing the procurement process by identifying opportunities and managing internal operations. In today's procurement environment, importance has been placed on reducing costs during purchasing which leads to the best costs and value to its customers.

Companies like Wal-Mart who go straight to the manufacturer, are very strong when they negotiate their price with vendors and make sure no other company is getting their products at the same low price.

According manager a buyer in charge of food and beverage procurement at the Serena, hotel purchasing is done on a two week rotation using the company's master distribution plan philosophy which includes one to three vendors. They ask for the best price and promotions to help save on costs through the lower prices. In their procurement process they, try to stay within a 1 - 5% value as part of their product costs strategy.

Serena changed their procurement strategy by combining buying into national contracts for its various brands, and using local providers where it makes financial sense. Serena Hotels makes sure they build strong relationships with suppliers for good deals, and then negotiate markups with the distributors that handle warehousing and delivery. Also as part of their strategy to control the whole supply chain process, they are making changes internationally by focusing on integrating their international procurement

### **7.2.2 Distribution Management**

The role of distribution management is to get the right goods, to the right customer, at the right time. Distribution management is used as a strategy to minimize the transportation costs required to move goods from its network of suppliers to the company for consolidation, before being sent to the customer. Retailers like Target continue to build distribution centers at strategic locations across the Pakistan. Target uses its distribution management to supply a majority of its inventory to its stores, which helps provide replenishment faster.

At Serena vendors and suppliers ship directly to in-house property warehouses, which serve as their own distribution centers. The Venetian/Palazzo which is a convention driven property and the hotel which is an older and smaller property are sometimes faced with the challenge of a lack of space to store huge inventories, making them particularly vulnerable to stock-outs and other forecasting errors.

The hotels make sure they frequently monitor picking operations which involves selecting foods orders for the chef, special request from guest, and for various restaurants in the property, throughout each shift and make needed adjustments, like moving pickers from full pallets to case picking depending on the workload. According to Wayne Bach, anytime products are moved in the warehouse, they make sure the move is reflected by a transaction. This helps prevent any integrity issues with the inventory.

### **7.2.3 Logistics Management**

Logistics management practices focus on areas like transportation management and picking of orders. Effective logistics management operations lead to a higher revenue flow, costs structure improvements, and reduction in transportation costs if all operations are streamlined correctly. Wal-Mart is the retail company with the best logistics management strategy because it uses its own trucks to service its stores from their distribution centers (Hoske, 2009)

According manager their logistics management strategy involves the relationship between procurement as well as vendors. They both are held accountable for checking and evaluating vendor performance, observing at what percentage of the suppliers purchase orders conform to requirements, and where they are conforming in area of pack size clarification and consolidating orders when they have big drops and correct pricing on invoices that match the bid. The goal is to get to 100% compliance which does not always happen. Although direct communication with the suppliers typically occurs through procurement, the property's dock workers identify issues and provide immediate feedback to the procurement staff who communicates with the supplier, personal communication.

#### **7.2.4 Green Supply Chain**

Green supply chain focuses on how companies require their suppliers and distribution partners to deliver final products in areas of manufacturing, transportation, and saving money by optimizing with green solutions. Green supply chain management in the hotel industry can be seen in three different areas; procurement, manufacturing, and distribution activities. These days green supply chain is an important logistics and supply chain strategy, that helps companies achieve profit and market share by using green practices.

Marriott International and many large suppliers for the hotel industry have launched the Hospitality Sustainable Purchasing Consortium with the aim of setting up a Hospitality Sustainable Purchasing Index as a purchasing guide for the hotel industry. Scores will be on a 0- 5 point scale focusing on components like corporate social responsibility, environmental impact, and sustainability (Herrera, 2011). The Hilton's Doubletree Hotel in Oregon is a good example of green logistics and supply chain. The hotel purchases 60% of their supplies from within a 500 mile radius for its restaurants. InterContinental Hotels Group have a code of conduct and monitoring programs for its suppliers to help create sustainable supply chains (Green Hotelier).

#### **7.2.5 Information Technology**

Information technology practices focus on the information available within the supply chain. Companies integrate and use multiple systems to distribute information about customer orders electronically which help to save costs. For example, information technology has changed the manner in which businesses interact

with suppliers and customers. Today different information systems are integrated, like Point of Sales, to help forecast data, monitor inventory levels and sales trends, and in turn companies have seen cycle time reduction, quicker order filling, inventory at the right safety stock level, and customer service improvements. 7-eleven has been able to use Radio-frequency identification (RFID) technology to help integrate accurate data, information systems, better process optimization, and system communication through the use of information technology in their logistics and supply chain operations through system integration. Also with the use of information technology, it has been able to exchange real-time data within the supply chain.

One of the biggest challenges with information technology at the Serena Hotel is the poor flow of information which ultimately affects areas of the hotels supply chain in areas of costs, flexibility, and delivery of goods and services. These days many hotel companies are beginning to understand the role information technology plays in the coordination between different parts of the supply chain and the impact on supply chain performance.

Information technology continues to differentiate small and big hotel chains in the industry that are faced with the issues of vendor and office applications not working with each other, which has led to a gap between sales and procurement systems that affect forecasting.

#### **7.2.6 Lean**

The concept of lean started in the manufacturing and automobile industry focusing on waste reduction to help increase or add value to the customer's experience as well as to increase profits. The use of lean practices has helped companies become more customer-focused, flexible, and profitable. Reduced cycle times have given companies, the ability to deliver every time at the same costs to the business and improved working capital positions from reduced inventory using total quality management strategies (Abdi, Sohrab, & Mohammad, 2006).

Lean has by practice been associated with the elimination of waste in business processes. Lean was initially concentrated on improvements in manufacturing operations, but has since been seen in different industries to broaden supply chain improvements in industries like the hotel industry.

In the hotel industry, the concept of lean is used to help control and maximize internal effectiveness. It helps customers continue to get the best service by focusing on how they can save during production and costs reduction.

## 8.0 METHODOLOGY

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### 8.1 Research Design

This survey research is based on a cross-sectional design and collects qualitative data by semi-structured interviews. The project focuses on the challenges of hotels supply chain. The research tries to capture examples and the thoughts of experts. Therefore, the research needs multiple sources of evidence and qualitative methods are used to generate a wide and detailed examination of the reasons behind a challenging supply (Bryman and Bell, 2011).

### 8.2 Data Collection

Primary and secondary sources are used to collect data. Challenges and background information are researched with published literature which takes into consideration, peer-reviewed articles, case studies and project reports. Secondary data is used to analysis and evaluate the challenges of essential supply chains in Islamabad Pakistan. The challenges are summarized and listed. One obstacle of the literature is that some interviewees worked in organizations, which are referenced.

As a qualitative method, primary information is collected by semi-structured interviews with supply chain experts of Hotels, associations, universities and private companies amongst others Islamabad Hotel International, Serena Hotel, Mariot Hotel, PC Bhurban.

Issues, which are discussed with interview partners focus on the reasons behind challenges, examples and scale of agreement regarding the availability of goods due to inventory management and transport and distribution. 35 experts were contacted and in total 20 interviews were conducted phone call, online data gathering, meeting in personal and skype. The semi-structured interviews took between 40 - 81 minutes and in total there were 10 hours interview material recorded. The interviews followed a questionnaire that was discussed during the interview. The questions cover the topics of ware- house infrastructure, stock levels, stock-outs, consumption data, delivery scheduling, transportation systems, transport infrastructure, vehicle maintenance, guidelines, performance indicators, training and vertical programs. Interviews were audio recorded and noted down on register as well. Interviews are anonymous. Furthermore, the interviewees could online access the questionnaire and indicate online the scale of agreement or scale of challenge per question on a scale from 0-100%.

### 8.3 Data Analysis and Discussion

First of all the questionnaire was set up with wide and general questions to capture expertise of supply chain experts in Islamabad Pakistan. External reliability and external validity is difficult to achieve, because findings can hardly be generalized due to the differences between countries. However, results show a direction of challenges and possible approaches to improve the hotels logistical and supply chain performance keeping in mind the safety, health, medical systems and logistics in the 5 Star hotels.

The interviews were categorized according to a qualitative interview analysis, which involved an iterative process in order to emerge themes. The interviews were coded in terms of certain subjects and themes along the supply chain for each question. The frequency of certain subjects and themes were counted and categorized. The percentages in parenthesis indicate the number of interviewees, who outlined this aspect. For each questionnaire question an area chart shows scale of agreement or scale of challenge, which presents the number of interviewees agreeing, to a certain percentage of agreement. The scale of agreement could be extracted from the online questionnaire. Furthermore, main challenges were identified and frequencies counted according to a content analysis in terms of subjects and counted only once for each question and per interviewee. The main challenges were mentioned across all 12 questions from all 20 interviewees.

Subsequent, research questions, literature, questionnaire questions, findings from interviews and recommendations were connected to each other and are visualized in tables. Each research question is answered by literature, findings from interviews and recommendations. Finally good practice examples were extracted from interviews and literature, and future research identified.

#### **8.4 Ethics**

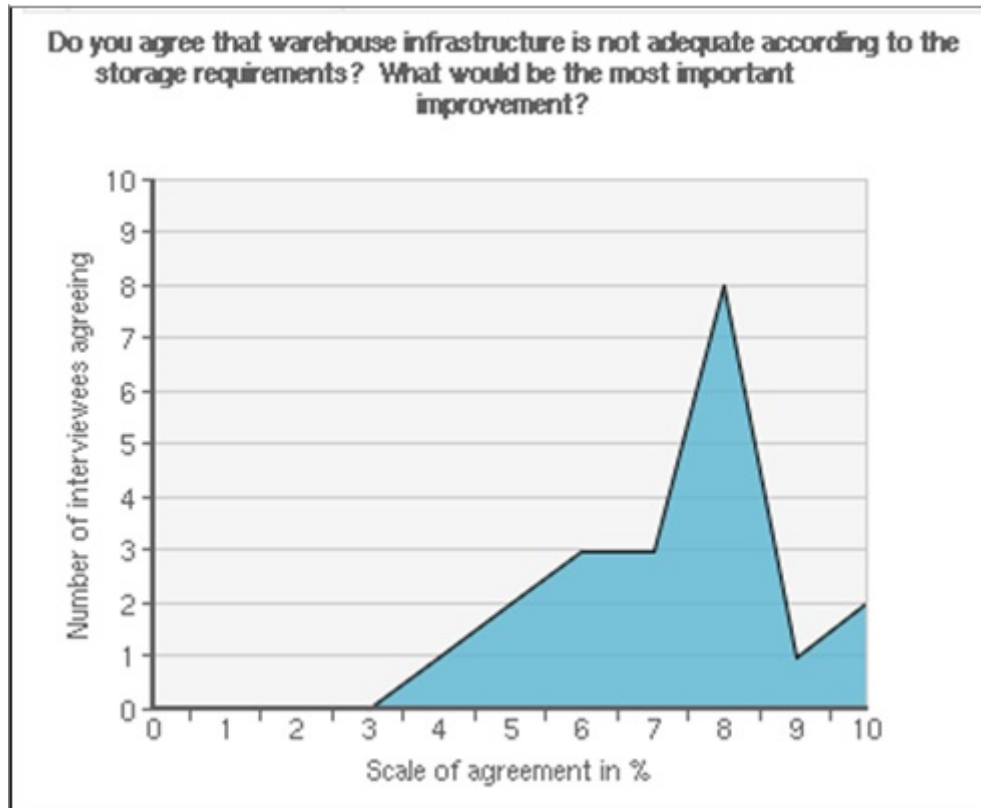
In this research the privacy of interview partners and informed consent with associations and in particular with Trans aid is ensured.

## **9.0 Findings and Analysis of semi-structured interviews**

### **9.1 Findings per Questionnaire Question**

First of all the questionnaire was set up with wide and general questions to capture expertise, examples and thoughts of experts of Pakistan. The interviews were categorized according to a qualitative interview analysis. The percentages in parenthesis indicate the number of interviewees, who outline this aspect. If 5 out of 20 interviewees see a particular aspect as challenging, 25% is indicated in parenthesis. The area chart shows how many

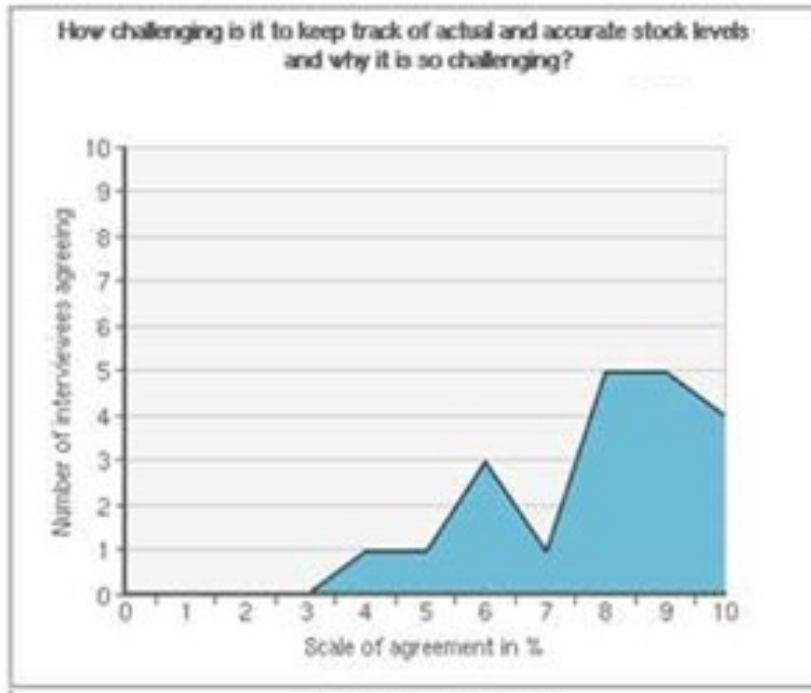
interviewees agree with a statement (y-axis) to a certain scale of agreement in percent, where 10 equals 100% (x-axis).



Scale of agreement for questionnaire question:

An average scale of agreement for inadequate warehouse infrastructure is 73%. The first general finding is that insufficiency of warehouse infrastructure increases further down the supply chain and that there are huge variances between the levels. In recent years hotels and the public health sector focused on warehouse infrastructure at national levels and thus, resolved many challenges.

The remaining challenges can be separated into two categories: physical infrastructure and management. Physical infrastructure implies storage capacity (45%), which is as seen challenging from 9 out of 20 interviewees. Furthermore, physical infrastructure includes temperature control (45%) and racking possibilities (25%). Interviewee expresses that Challenges regarding the management include a lack of expertise of human resources (HR) (30%), insufficient operational processes (30%) and use of warehouse information (20%) such as stock availability for management decision. Interviewees outline that it is important to have a well- functioning design of warehouse management processes with clear responsibilities. On the other side interviewee states that the Dubai is well racked and organized, has good cold chain storage and mechanical handling equipment.

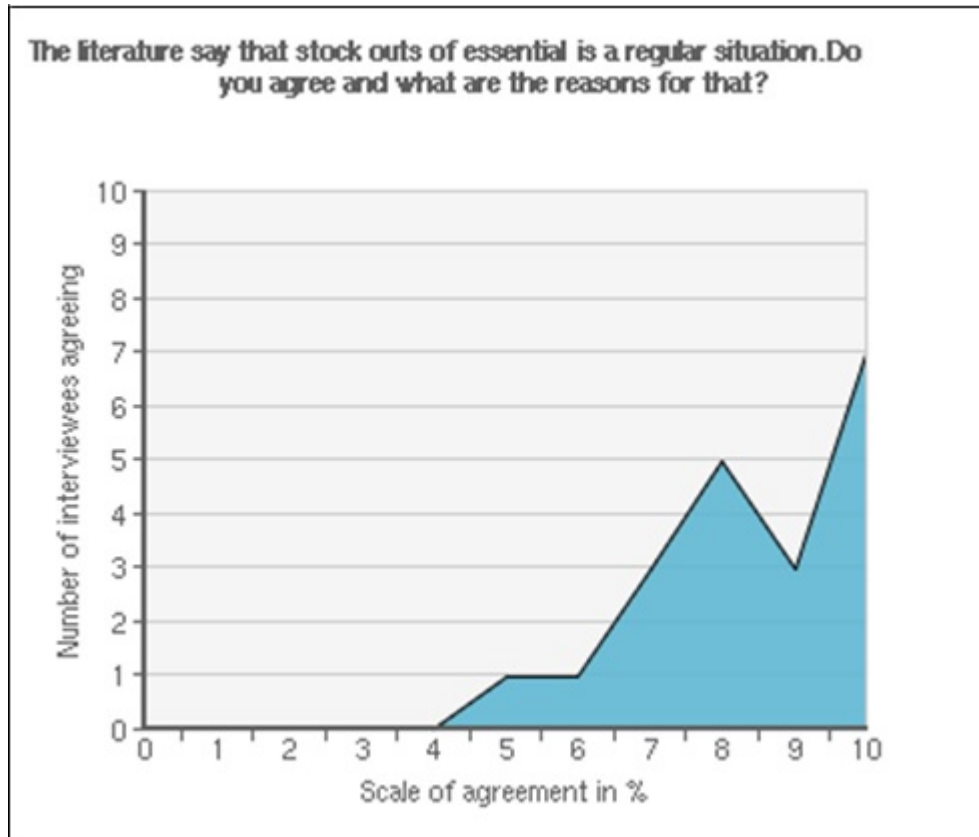


Scale of agreement for questionnaire question:

The average scale of difficulty of keeping track of actual and accurate stock levels on a national level is 42%, on a district level is 64% and on a health center level is 80%. Challenges increase along the supply chain. The main challenges regarding tracking accurate stock levels cover data transparency, systems and management processes and HR capacity. Data transparency indicates the need for visibility of accurate real time data (60%). Interviewee outlines difficulties to convince management about importance of regular reporting. Furthermore, there is a lack of human resource capacity (55%) and a poor supervision. Lower levels are lacking in electronic systems (40%) and warehouse management processes (25%) which are used to track data accurately and report on a timely basis. Interviewee states that it is difficult to keep track of accurate stock levels in hotels yet as the online complete systems are yet not stable. Performance is around 80%, but there are no quantified reasons for inaccuracy, which leaves reasons such as mismanagement or suppliers responsibility. Interviewee states that there are well-functioning paper tools and electronic tools for tracking stock levels and that it depends more on recording behavior and understanding reasons of reporting, rather than on available tools. Additionally, interviewee outlines the need to train staff and management to follow processes, because a WMS or paper system only works well if staff follows defined business processes.

Another challenge is the use of data for management-decisions (15%), because staff could become demoralized and cease to report

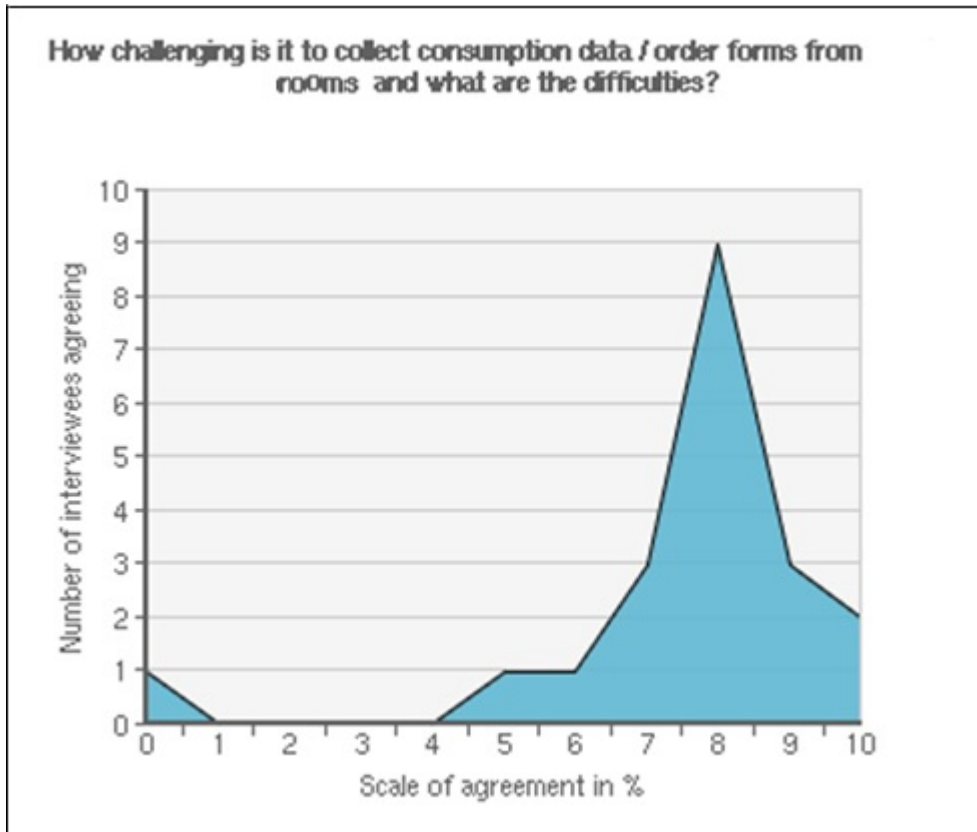
accurate stock levels if there is no improvement to these individual stock levels, outlined by interviewee.



Scale of agreement for questionnaire question:

The average scale of agreement is 85% that stock-outs occur regularly. This general question about stock-outs outlines four major reasons. The four main reasons provided by the interviewees are poor forecasting and procurement (65%), lack of funding (55%), lack of communication and poor ordering data (50%) and poor supply chains and distribution (35%). The extent of these challenges and contribution depend highly on the country specific system. There is a lack of a well-functioning ordering system with poor quantification of demand, which can be related to the bullwhip effect and the use of issue data. The bullwhip effect is caused by dysfunctional ordering behavior managers. Another difficulty is the use of issue data for forecasting, which doesn't consider unmet demands, such as the purchases of a substitute, which could not resupply due to funding constraints, outlined by interviewee. Funding constraints or inadequate release of financial resources increases stock-outs even more. Interviewee states that in Mozambique only around 45% of funds which are needed, are available. However, interviewee see challenges more about inadequate management rather than physical barriers e.g. lack of policies and management capability. Although, interviewee experienced that motivated staff resupply despite all challenges. Therefore interviewee suggests capturing

knowledge about ordering and delivery systems and creating a broader intelligence of working approaches. In summary the reasons are linked and it is important to analyze the whole supply chain to improve stock levels.

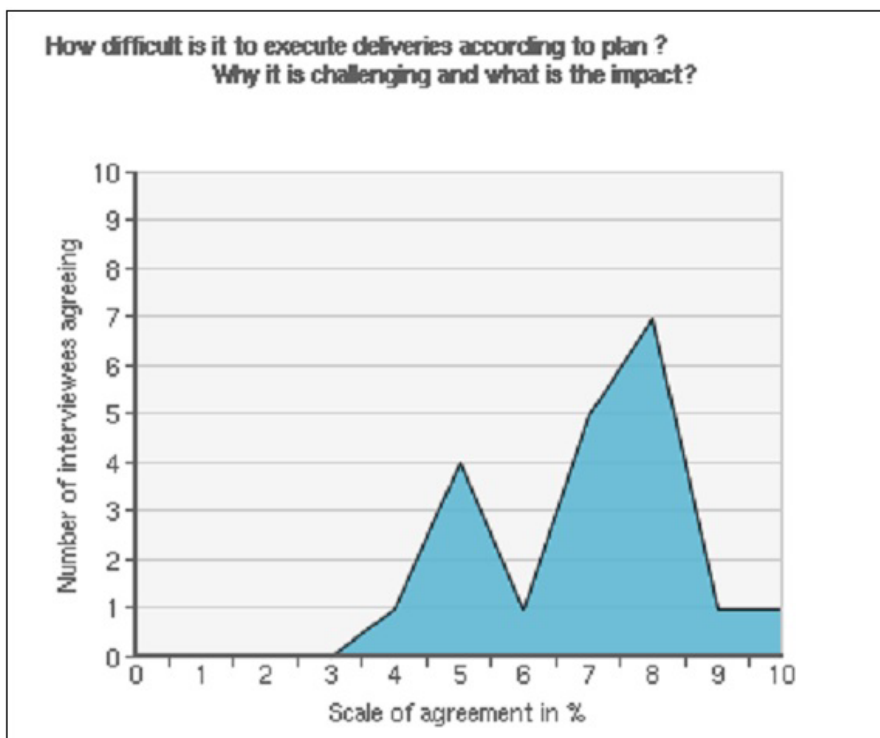


Scale of agreement for questionnaire question 5

The average scale shows a 76% difficulty in the collection of consumption data. Challenges regarding the collection of consumption data are related to weak integration and technology, lack of human resources and commitment and poor quality of data. There is an overwhelming amount of work (50%) for hotel staff due to many responsibilities in IM. Furthermore, hotel managers need to fill out different requisitions forms from several programs due to a lack of standardization, outlined by interviewee. There is an inconsistent reporting quality of data (50%) regarding accuracy and timeliness. Quality of data becomes worse due to a lack of training for data reporting and a high staff turnover. It could be demoralizing for managers to report data, if information isn't used (45%). Procurement officer sends data via a paper form to higher levels, where it is challenging to enter such a big amount of data into stock system (15%). Interviewee illustrates the challenge of collecting, aggregating and processing data from e.g. different sectors with each 100-200 rooms. Besides, manager receive rather issue data instead of

real consumption data (30%), which makes forecasting difficult. Additionally, through ad hoc and irregular order behavior, the need of high safety stocks increases. Therefore interviewee outline the potential of technology, which could be applied to improve data quality and forecasting (45%) e.g. mobile signals could overcome distances. However, it is necessary to integrate new technology approaches into regular tasks.

Interviewee outlines an example of one district in Tanzania, which improved both the quality and punctuality of their data reports from 60% to 100% in a short period of time by focusing on the topic, providing support for HWs and setting up incentives in order to attain the high quality of data reporting.



Scale of agreement for questionnaire question:

The execution of deliveries to Hotels and sections of it which run according to plan is scaled at an average 70% difficulty rate. The challenges faced in order to maintain on-schedule distribution, are delivery scheduling constraints (70%), external conditions (45%), availability of vehicle fleets (40%) and financial budgeting (40%).

Vehicle scheduling includes setting up delivery plans, which are adjustable, but improves certainty of supply chains and increase reliability, outlined by interviewee. It is helpful to have a transportation planning software and to plan deliveries decentralized to achieve optimized and efficient schedules. Delivery scheduling needs expertise of managers in order to plan

realistic deliveries, considering vehicle resources and road conditions. An adequate vehicle fleet with appropriate vehicles for difficult conditions, which can fulfil transportation requirements such as cold chains, needs to be available. Delivery schedules need to consider external conditions e.g. rainy season or outbreaks of epidemic diseases. Furthermore, financial resources and budgets need to be planned and allocated in advance with earmarked line items for fuel, driver salaries and maintenance. It is important to have a holistic perspective of the supply chain with precise budgeting for total costs of transportation. Interviewee outlines that Serena has a well performing mix delivery and collection from resupply points, whereas it is crucial to have the commitment of partners. In summary interviewee expresses that a distribution system functions as long as it is reliable.

**Question 7:**

**Research suggests different transportation systems such as collection, delivery-by-warehouse or outsourcing.**

**What are your thoughts about the different options?**

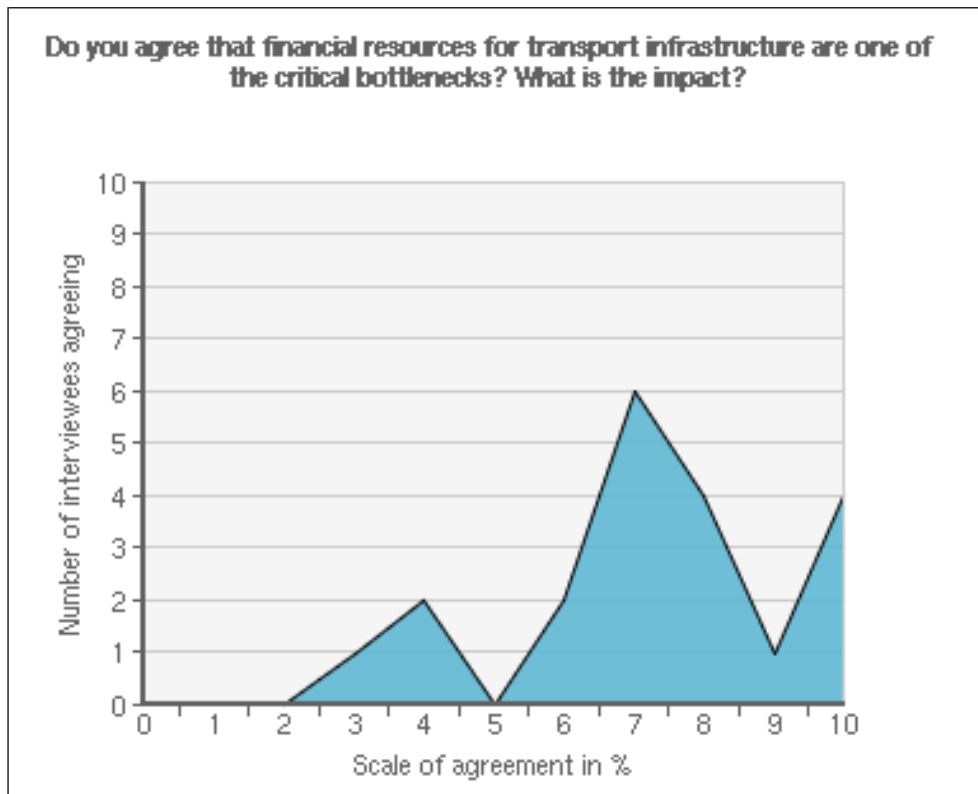
Collection is the natural opposite of delivery and makes sense for small volumes, emergency resupplies or in low population densities it could be an ad hoc default option if delivery is not reliable. In this scenario Hs are able to collect goods to prevent stock outs (25%), and if needed are able to contact their supervisors during collection. But a successful collection system needs funds for transportation and planning (35%). On the other side Hotels have the normal level of capacity and infrastructure e.g. lack of bulky transportation possibilities and cold chains for vaccine or the necessity to close hotels due to a lack of human resources (35%), stated by interviewee. Disadvantages are the introduction of varied ability and the complex organization involved in the collection system (20%). Interviewee highlights huge difference of quality if one manager relies on 100 people for collection.

For successful distribution it is necessary to have available funds (45%), a well maintained and managed vehicle fleet (30%) and the ability to manage the flow of information for a reliable and secure delivery. However, distribution is not core ability in the public system and requires a lot of time and resources (10%). Thus, warehouse delivery is only an option if outsourcing is not possible (5%). Furthermore, warehouse delivery could be an option for decreasing the risk of delivery failures, for using deliveries as emergency ad hoc distribution or if economies of scale can be achieved (10%). Interviewee highlights that countries have outsourced supply chains to make distribution more reliable and countries should only build up a distribution system if outsourcing is not available.

Outsourcing is a good option because 3PLs have core abilities in distribution (40%) and can leverage costs and operate more cost effectively (15%). Outsourcing could take the pressure of transportation from the system (10%). But interviewee outline that, we need to understand own costs for in-house transportation processes to achieve optimal results with an outsourcing partner. Additionally, the system needs professional staff to manage contracts regarding quality and to build up sustainable and proactive relationships with 3PLs (30%), as stated by interviewee. Moreover, it is difficult to find appropriate 3PLs in developing countries (55%), regarding paper-work, delivery and storage requirements. Besides, 3PLs might reject contracts, because the hotel sector is a difficult customer due to late payments which go on credits for months, outlined by interviewee. Likewise, there is a negative perception and differing motivations fueling the private and public sector, which makes outsourcing politically difficult (10%), stated by interviewee. Therefore interviewee suggests outsourcing models with social businesses and expresses that government should still have a connection to the supply chain to gather information, consumption data and provide supervision at the Hotels.

Uganda uses a well-functioning outsourcing approach and designed a reliable distribution system with strict policies regarding quality and costs. A contract manager is responsible and the risk of delivery failure is decreased, as several 3PLs across the country are used.

Interviewee outlines that every system can function well if country specific situations are considered and there is a good transport management system with strong political involvement, clear responsibilities, tasks and roles, good supervision systems and adequate budgeting. The major improvement is setting up transport policies and transport management systems.



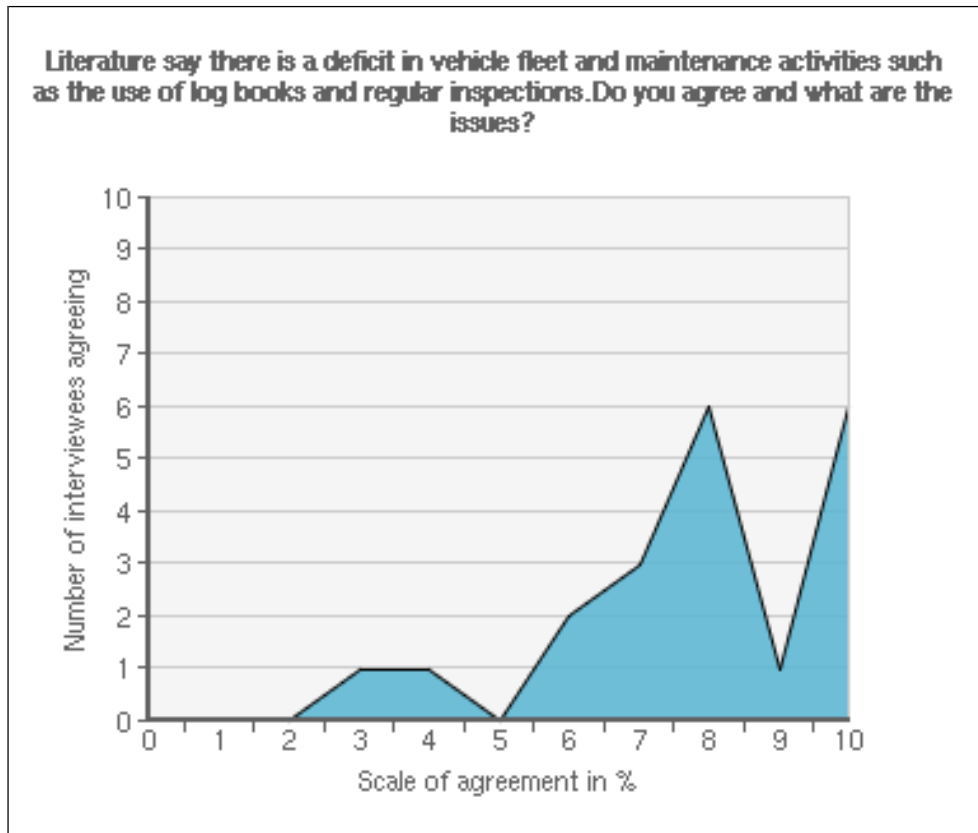
Scale of agreement for questionnaire question:

73% is the average scale of agreement that financial resources for transport infrastructure are a critical bottleneck. Most of the interviewees agreed with this statement and mention inadequate budgeting and lack of expertise concerning maintenance as reasons. There is a lack of accurate budgeting for transportation (65%) such as the allocation of funds for fuel, supervision or maintenance.

For example in Nigeria, which is a decentralized system, States need to release financial resources as well, which makes delivery more challenging, stated by interviewee. Furthermore, there is a poor understanding of total costs for transportation, especially for last mile distribution and thus, budgeting is difficult, outlined by interviewee. Interviewee outlines that a truck could cost \$50'000, but maintenance during vehicle life could sum up to \$200'000, which is not budgeted. Additionally, interviewee mentions that, there is a general shortage of financial resources (60%) for a whole range of activities due to a flow of responsibilities to top level managers, but a lesser flow of financial resources.

On the other side there is a lack of vehicle maintenance (40%), a lack of skills to repair broken down vehicles (35%), poor fleet management and lack of HR capacity (25%) and sometimes spare parts are not available (15%). Interviewee has an example, where a brand new vehicle broke down due to a small part, but instead

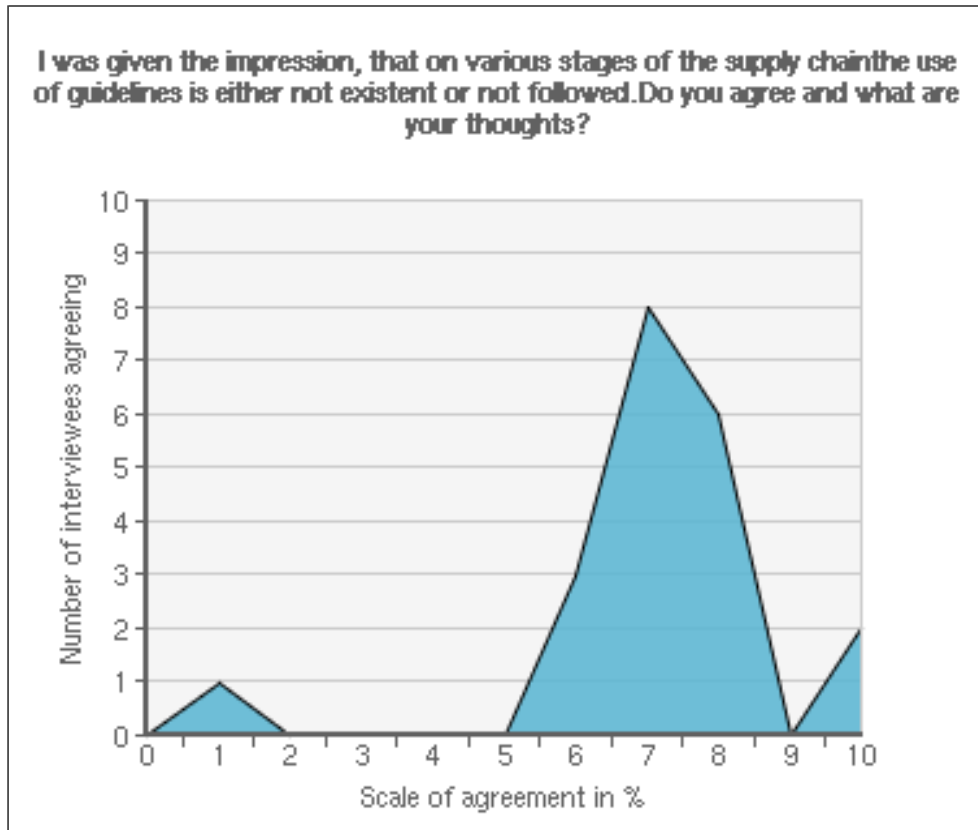
of repairing the vehicle, the facility used the vehicle for spare parts and lost the brand new vehicle.



Scale of agreement for questionnaire question:

The average scale of agreement is 79% that there is a deficit in vehicle fleet and maintenance activities. The interviews express that there are physical constraints and management constraints regarding vehicle fleet and maintenance activities. Physical constraints include unavailable spare parts, a lack of human resources with maintenance skills (50%) and an appropriate vehicle fleet (45%). Interviewee experienced how employees performed a quick look around vehicles to check obvious issues, instead of conducting appropriate maintenance such as oil checks and replacement of key components. The reason for insufficient maintenance is a combination of training issues and poor understanding of the importance of preventive maintenance (45%). This understanding needs to be on management level, as well as on staff level. Furthermore, there is a lack of financial resources for maintenance activities (45%) and the bureaucratic challenges that are faced in order for such funds to be released. On the other side there are management constraints such as a poor communication between management and staff to report necessary maintenance activities. It is important to define roles and responsibilities and set up a good maintenance program, as another challenge is the lack of accountability and responsibility for vehicle maintenance (25%). Additionally,

there are no incentives to create transparency (15%) e.g. the utilization of logbooks, where data is collected on the use of transportation resources, such as driven kilometer. In most cases, however, such data is neither analyzed nor is action taken (30%). England's hotels have a well-defined vehicle fleet system and transportation policy, which monitors costs per vehicle and costs per kilometer, maintenance activities, and fuel consumption and requires pre- and post-trip checks, it has just recently started in Pakistan as the name of careem system.

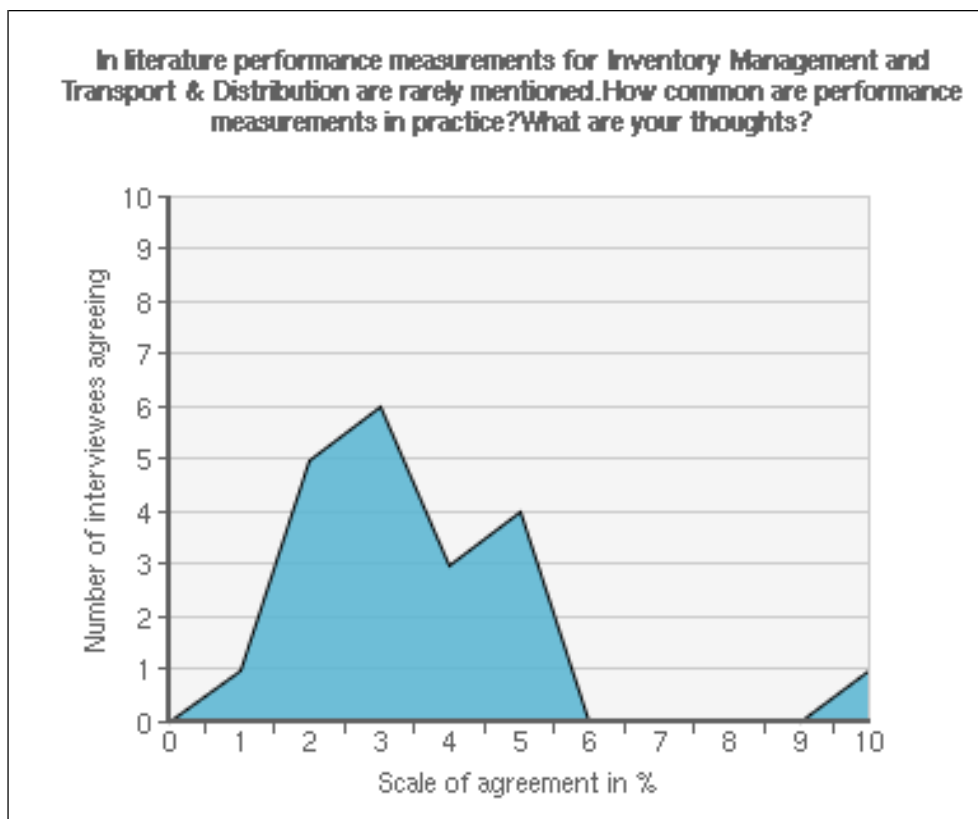


Scale of agreement for questionnaire question:

There is a 72% average scale of agreement that the use of guidelines is either non-existent or not followed. Guidelines often do exist (50%), but they are not always adhered to (45%). The main challenge is to have relevant guidelines and to communicate these properly. Interviewee outlines the importance of clearly defined procedures, tasks and responsibilities, because guidelines act as a reference for employees to know what they are supposed to do (15%). This is especially important e.g. in Mozambique, where in only 2 years in logistics, there is the very high staff turnover of 76%, mentioned by interviewee. Furthermore, interviewee outlines that it is necessary to have the right mindset about the importance of standardization (35%) and to see the benefits. Therefore guidelines should be adapted for each level and each job (45%) and staff should be engaged to develop SOPs (20%). Additionally, it is necessary to simplify

guidelines e.g. design pocket guidelines for a constant communication of Standard Operating Procedures, outlined by interviewee.

For an appropriate use of guidelines it is necessary to set up a regular monitoring system such as in Dubai where guidelines are displayed at work stations and published on posters, as mentioned by interviewee. Furthermore, guidelines need to be routinely re-enforced. On the other hand, sometimes there is a lack of financial resources (45%), which hinders adherence to SOPs e.g. there is no refrigerator vehicle available for a vaccine distribution or meat supply to hotel which results in a lack of motivation (50%) to follow guidelines, as stated by interviewee. Besides, there is a lack of training and HR capacity regarding the implementation and communication of guidelines (50%). In general it would be important to explore knowledge about Inventory Management and Transport & Distribution for under developed or developing countries due to different organizational cultures and approaches to achieve a high relevance of guidelines.



Scale of agreement for questionnaire question:

The average scale of agreement is 36% that performance measurements are commonly used. The main challenges faced, are the routine collection and use of data and the lack of expertise and ability. The interviewees agree that performance

measurements are not frequently used (55%), because of a lack of expertise and the capacity to measure and analyze data (15%). It is necessary to balance the work load and outcome of indicators (25%). Therefore, it is important to design the correct indicators, which are measurable, understandable and adjusted to suit the system, as highlighted by interviewee. Furthermore, it is necessary to have a regular, punctual and high quality data collection (40%). It is even more important to analyze and use the results of performance indicators for decision-making such as allocating budgets for problems based on such results (40%), as stated by interviewee. Therefore process performance measurements should be designed, for example, running costs per kilometer, fuel consumption, available vehicle days, and punctuality of orders, order fulfilment rates and stock-out rates, as suggested by interviewees. Interviewee outlines Dubai's routine performance measurements, because the hotel uses performance dash boards and employees fill out contributions for each day. The manager sets targets and measures these against actual performances. These results are published, e.g. for order fulfilment rate, and thus, employees are simultaneously motivated. However, some countries have a low level of organizational transparency and there is neither accountability nor incentives to implement performance measurements (15%). But in general, performance measurements are very necessary, because transportation is a huge cost factor and it is crucial to deliver eatables, lifesaving goods, and drugs thus, there is the obligation to make it more effective and as efficient as possible by monitoring performances and identifying bottlenecks, as outlined by interviewee.

**Question 12:**

**There are a lot of trainings for Inventory Management and Transport & Distribution available and it is a critical topic, because the impact can't be measured.**

**What are your thoughts?**

The two most important aspects are to provide on-site monitoring, supervision and follow-up training to make knowledge more sustainable by on-going performance measurements and support (45%) and to make training information applicable and adapt it to real world challenges (35%) in the specific work environment. Interviewee outlines that recently a lot of donors are dissatisfied with the effectiveness of training and are looking for ways to upscale skills of people in innovative ways e.g. supervision or rotation. Training is only successful if the right instructors train the right audience (30%) e.g. interviewee invites directors, supervisors and hands on staff to training seminars, and does follow ups and visits to check implementation difficulties. In order to provide applicable training, the whole organization should be involved with the aim of gaining a more structured change management approach (30%), as in-depth

training for a few employees doesn't ensure changes, due to the same institutional cultures and dis-enablers. The management should be in support for improvements/changes and action should be taken (20%). It is necessary that tools and enablers for improvements are available and management strategies are adapted to training, mentioned by interviewee. Interviewee outlines that if drivers make pre-drive checks, but can't repair defects, it will undermine the whole 'safe' training process. Additionally, it is necessary to train both procedures and background knowledge and to underline the impacts on the distribution network (20%), such as the connection between individual tasks and higher level responsibilities, as expressed by interviewee. Most products need sophisticated knowledge and employees have different tasks and shouldn't be responsible for IM and T&D. In general, there is a lack of logistics and supply chain professionals, as stated by interviewee and transport planning, asset management, quantification and forecasting are seen as important training.

**Question 13:**

Research suggests that vertical programs are common due to the following reasons:

- Smaller group of stakeholders within program
- Substantially lesser level of program coordination, collaboration, and political will necessary
- Lesser supply chain requirements for one commodity
- Financing method and source is separate
- Functions, which need to be managed centrally are overwhelming the systems in use

What are your thoughts?

Important aspects of vertical programs are that there is a transfer of knowledge and capacity from such networks towards supply chains (40%) and that, integration possibilities according to supply requirements (45%) are explored. Interviewees demand more integration by segmenting commodities considering storage requirement, predictability, manufacturing facility and distribution cycles to redesign distribution networks according to optimal supply chains rather than according to funding methods. It is a huge challenge to integrate and collaborate due to specific procedures and equipment (30%), but it is worth the effort, as outlined by Interviewee. However, interviewee estimates an optimization potential of only 25%, due to continuous development. Interviewee outlines that cost-savings are minimal regarding low utilization of trucks, but that it is more important to strengthen and improve deliveries and logistical systems. Interviewees have a different view about vertical programs and mention financing source (40%), weaknesses in public supply chains (20%) and global politics (10%) as reasons for establishing vertical programs. Some interviewees

state that complex product requirements for bar and café needs more funds, more commitment and more expertise and receive this from vertical programs (15%). Although, interviewee highlights that, funds from external donors can be used in vertical supply chains or in public supply chains, which is, however, dependent on its maturity. It is important that top level have transparency across different programs and that programs are under surveillance of government. In Dubai for example all programs are managed by the owners, which enables the use of a standardized, common Logistics Management Information System (LMIS) and roves transparency. Interviewee appreciates vertical programs because it is more reliable and effective and thus, has a higher impact. On the other side interviewee is against vertical programs because it creates parallel systems with own distribution plans but same delivery locations. Interviewee believes if funds of all vertical programs are consolidated, it would be possible to create a stronger single system and could improve economies of scale. For a successful integration, they need to be built up into a pro-active holistic system. There are good examples such as Nestle for water, which distribute supplies for different programs on an urgent basis between hotels and collect data. But there are lots of challenges with this collaboration due to different funding mechanisms, as stated by interviewee. Interviewee mentions another example in Liberia, where coordination is achieved by regular meetings of a supply chain technical working group.

Frequency of Main Challenges	
Human resource capacity and skills	78
General management and management of processes	72
Transparency and communication between levels	51
Budget planning	40
Physical capabilities and resources	36
Use of data for management decisions	25
Commitment and motivation	19
Accountability	12

#### Frequency of main challenges

The table outlines that human resource capacity and process management are the most critical factors for a well-functioning IM and T&D. There is a lack of HR capacity to take care of all responsibilities. Interviewee mentions research which shows that warehouse staff, including warehouse managers would do fulltime supervision in order to fulfil all their supervision responsibilities. Furthermore, there is a lack of skills and expertise. Focus should be on on-site training and supervision and should be applicable into practice. General management and management of processes are poor, which results in inefficiency and waste of resources due to unclear tasks and responsibilities e.g. vehicles maintenance. Processes are poorly displayed and

enforced. Additional challenges are a lack of transparency and communication possibilities and inadequate budget planning and allocation of financial resources e.g. for transportation. These challenges include difficulties to communicate high quality and punctual data to higher levels and to transfer data. Achieve real-time consumption data. Understanding total costs would improve distribution because of realistic allocated budgets for particular supply chain steps. Afterwards interviewees highlight physical capabilities and resources of the system such as tools, vehicles and warehouse infrastructure. The use of data for management decisions, commitment and motivation of staff and a lack of accountability is mentioned less. It could demoralize staff and hinder the report of accurate and punctual data e.g. stock levels, if data is not used for decision-making and thus, inventory stock levels don't improve. Besides, inaccurate data could worsen forecasting due to the bullwhip effect and additionally, there is a lack of responsibility and accountability within the public supply chain system.

## 10.0 CONCLUSION

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Logistics and supply chain management practices which help reduce costs and deliver high quality service to customers are still underutilized in the hotel industry even with its success in hotel companies like Serena in their operations. The research has shown that efforts on eliminating waste in hotel operations are valid and important ways to reduce costs through adopting logistics and supply chain practices, one area that hotel managers overlook in their operating budgets. It is important that in today's competitive environment, hotel companies need to make commitments to learn how these practices provide superior customer service and return on investment.

The literature review also revealed a low level of understanding by the hotel industry of how logistics and supply chain practices can be applied in the service industry. The use of logistics and supply chain management practices in the hotel industry will teach managers the best mixture of practices to implement in the complex logistic and supply chain network. A lot of solutions need to be considered to guarantee that hotels benefits from these practices to help catch up with the fast growing competitive market. Factors like technology, skill sets, and capital investment play a big role in the success of logistics and supply chain practices in the hotel industry.

Finally, this section focuses on what the future holds for the hotels and managers that adopt these practices in their operations and how logistics and supply chain management practices with a great degree of operational and costs efficiency will contribute to sustaining a competitive advantage.

In today's competitive environment there is an increased interest in logistics and supply chain management practices since performance is not only determined by actions and decision, but also the improvements on return on investment and greater profitability. Even though logistics and supply chain is considered an operations management strategy in the hotel and other service industries, they can use these strategies to help add value to their properties.

The literature review has shown that for successful participation in the hotel industry, logistics and supply chain collaboration and integration are important at all levels. Collaboration can help the hotel industry gain competitive advantage by improving the overall performance through a group approach, rather than

independently. Increased collaboration by logistics and supply chain partners will lead to an easy and synchronized approach that helps create lower costs and higher profits since there is better flexibility and improved utilization of resources.

Logistics and supply chain integration helps with sharing benefits, resources, and risk which helps create complete process efficiency and effectiveness. Compared to a single company integration also allows faster delivery of products of good quality at a low costs which helps identify issues and solutions immediately, since integration adds information on new ideas.

In hotel logistics and supply chain management, supplier partnerships and relationships are very important. The long-term partnership helps the organization and its suppliers achieve major benefits through their direct, long-term union, and encourage joint planning and problem solving efforts. These strategic relationships allow hotels to work well with a small number of vital suppliers who are prepared to share accountability for the success of the products and work together to reduce inefficient time and effort.

Relationships are used to improve customer satisfaction and prevent customers from going to the next hotel. With changes to customization and personalized service for customers, building relationships has become important for corporate survival. The relationships allow hotels to differentiate themselves from competitors, maintain loyalty, and in turn pass off value to its customers.

Hotel companies that use logistics and supply chain management strategies experience a high level of information sharing based on the quality and quantity of information. This has to do with how information is communicated between the different partners (Yang, H & Fu, 2007).

The level of information shared is used as a basis of competitive advantage, since together they understand the needs of the final customer better and can respond quicker to changes. The biggest issue with implementing logistics and supply chain management in the hotel industry is its complex nature. From the literature review, as service levels can be improved to meet customer expectations, so can the nature of logistics and supply chain management (Vickers & Kodarin, 2006). For example, the Islamabad Hotel will request 2,000 products based on its small size, while the Serena will order 20,000 based on its larger size. Both hotels need to use different logistics and supply chain strategies to

make sure the right products are available for customers. The different levels of complexity create a situation where the different hotels manage their complexity better than other hotels in areas of costs reduction and achieving higher return on investment.

Another issue with implementing logistics and supply chain strategies in the hotel industry is change. Change can be very shaky which leads to intense, challenging, and uncomfortable situations since it is seen as a bad thing. In the hotel industry there is resistance because people feel adopting logistic and supply chain strategies will lead to changes in their current employment status and possible fear of the unknown in the new job. Also seasoned management find it hard to play an important role in the change process since they feel the old strategy has worked in the past and no change is needed.

## **11.0 RECOMMENDATIONS**

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IBM'S 2009, Global Chief Supply Chain Officer Study conducted for the metals and mining industry mentions that 82% of companies believe that, the increase in supply chain competition is very aggressive in today's logistics and supply chain environment. The competition has led to new revenue opportunities which represents new competition. The article talks about how it is important for companies to implement better strategies to reduce costs and manage the complexity of logistics and supply chain management by collaboration and sharing information across the network, as well as using analytics and simulation to evaluate the increasing complexity (IBM, 2009).

Different concepts have been developed to understand how the successful implementation of logistics and supply chain management can be achieved. For the hotel industry logistics and supply chain activities are grouped into tactical, strategic and operational levels to help create a more systematic approach by focusing on how implementation will happen from a higher level, then linking that to long-term goals and finally how these results translate in the short-term.

### **11.1 TACTICAL LEVEL**

It is important that, during the tactical stage of implementation there is 100 % executive support and buy-in from senior managers and having the right people in place who understand the value logistics and supply chain implementation will bring to their properties. Managers need to take a lead in communication and making sure all employees understand why the initiatives are essential to the company's business strategy. For example, when Owens & Minor decided to implement logistics and supply chain management practices in their distribution centers, the executive management team played a big part in its transition, by helping spread knowledge on the benefits the new strategy will bring, as well as transferring that knowledge to others in the company from purchasing, finance, and supply chain teams to ensure active collaboration.

#### **11.1.1 Visibility and Control.**

It is important to have visibility and control to implement logistics and supply chain practices to help make better decisions. The hotel environment has seen an increase in the need for visibility and control to help understand the decisions made by

vendors and suppliers to help managers make well-informed logistics and supply chain decisions (Partridge, 2011). This helps hotel managers make important decisions on parts of costs in areas of transportation and shipping. Pat Welch of Adaco Services, who provides software to the hotel industry, states that "That lack of control, coupled with the volume of product that hospitality companies manage, causes them to lose money that should go to the bottom line." Technology plays an important part in visibility and control since it gives hotels a good picture of inventory at the property and suppliers are able to monitor operations through real-time data within the network, as well as to implement efficient procurement strategies with better controls (Terry, 2007, p.2).

#### **11.1.2 Benchmarking.**

This goal of benchmarking during logistics and supply chain implementation is to enhance design and operational effectiveness. It is important for hotel managers to measure set targets against results in the different areas of operation like order filling, transportation, and vendor compliance. Hotels can use information from benchmarking to improve processes and make better decisions. Organizations like the Supply Chain Council use the supply-chain operations reference (SCOR) model as a benchmarking tool, where there is a great deal of information on best practices and data on benchmarking analysis for members to use as a source of reference when implementing logistics and supply chain management in their operations.

#### **11.1.3 Creative solutions and risk taking.**

The goal of developing creative solutions and willingness to take risk during logistics and supply chain implementation is important since a lot of focus has been placed on reducing costs and increasing margins wherever possible. This helps focus on negotiating better costs and focus is placed on the customer's demands. For example, Yum! Brands Inc uses a third party to negotiate its procurement for all its restaurants by using a strategy called redistribution. This strategy helps to cut costs since goods bought from the different manufactures are stored in one warehouse and transported to their stores using truck load (TL) instead of less than truck load (LTL) carriers which are more expensive (Partridge, 2011).

### **11.2 STRATEGIC LEVEL**

Change management. The strategic level of implementation of logistics and supply chain management is linked to the long-term

benefits over a period of time. Change management plays a big part in logistics and supply chain implementation in different areas, from making changes to the whole process or fixing issues with vendors. With the fast pace of the hotel industry during implementation, it is important for managers to think and act in real time to help enable innovation and change, as people will always challenge the process.

Developing a clear vision also helps the team with the change process, since it gives a clear picture of which aspects of the operation are changing, which in turn gets employees more motivated about the process and its future. Lastly it is important to create and manage the change process with trust and over communication within the whole supply chain network to help understand the requirements and impact on future hotel logistics and supply chain operations (Harps, 2002).

#### **11.2.1 Think Lean and Green.**

Even though lean started in the automotive industry, it can be used in any business process like in the hotel industry. Hotel managers need to use lean strategies when logistics and supply chain is implemented immediately instead of later. Since lean is focused on the end user, the main focus during implementation is to maintain profitability, save money, and add value that fulfills customer needs. During the lean implementation phase, it is important for managers to identify the service value stream focusing on design layout, development, procurement, and distribution process strategies. In the hotel industry, lean practices help in the optimization of logistics and supply chain from start to finish.

Hotel managers need to ensure that, while maximizing efficiencies, one function does not improve at the expense of the other. Lastly it is important that service is flowing efficiently by identifying any bottlenecks, and once identified managers need to add activities that add value without interruption. While lean initiatives focus on cutting down on activities that do not add value to the logistics and supply chain management process, green thinking focuses on the environmental issues involved when implementing logistics and supply chain management practices. During implementation, hotels need to focus on things like environmentally friendly packaging of products from suppliers as well as carbon-footprint reduction in transportation to help lower costs and provide a competitive advantage. In today's logistics implementation, with the increase in environmental compliance requirements, high costs related to logistics, supply chain

sustainability, and corporate social responsibility programs, green solutions are vital in hotels logistics and supply chain management.

Top talent and Accountability. When implementing logistics and supply chain management in any company, it is important to be able to sustain the implementation, which involves building a solid foundation that includes top managers to drive the process with deep expertise in logistics and supply chain functions and business skills. Starbucks recruits from top logistics and supply chain management programs and provides ongoing training for current employees (Cooke, 2010). In the hotel industry, this will help companies focus on quality and costs. Starbucks also uses rotational programs to help increase skills as processes continue to improve over time. Hotel managers need to make sure that, even though employees understand their job responsibilities and understand how the decisions they make will take the company to the next level, holding employees accountable plays a big part in its success.

Right information technology. Today as information technology has become an important and integral part of every business process, when implementing logistics and supply chain management in the hotel industry, it is important to have the capabilities of ensuring that most company decisions are done at the speed of light. With the right information technology, the hotel can communicate information on supply chain and demand changes easily in areas of inventory, distribution, transportation, and logistics management, since the accurate information is produced due to the analytical and visibility capabilities to make efficient business decisions quickly (Harps, 2002).

### **11.3 OPERATIONAL LEVEL**

#### **11.3.1 Costs.**

The operational level of logistics and supply chain management implementation focuses on decisions that are related to how to make the tactic approach happen in the short term.

Today hotel costs associated with logistics and supply chain strategies have placed the emphasis on increasing efficiency and reducing total costs to stay competitive (IBM, 2009). During implementation, costs need to focus on purchase and inventory costs. It is important to monitor purchase costs with products that have a short life cycle and have to be replenished frequently, since hotels usually buy too many stock-keeping units (SKU) for the same use. It is important that during implementation, hotels

have a product portfolio and suppliers that are consistent and develop a strategic relationship with each other to help keep costs down in the process.

Inventory costs during implementation need to focus on supplier relationships and using strategies like just-in-time inventory to reduce inventory costs in the hotel industry. Inventory costs can be cut down by forecasting, planning, and scheduling orders in the most costs-efficient way which allows the hotel to react to changes in demand and supply (Constantine, Ruwadi, & Wine, 2009).

### **11.3.2 Simplifying complexities.**

It is important in logistics and supply chain implementation for hotel managers to manage strategies to eliminate complexities that do not add any value to the organization. It is important that logistics and supply chain functions are broken down into different areas based on which areas matter the most in the supply chain. This segmentation helps hotel managers easily identify the relationship between costs and price with suppliers and helps in negotiating better prices (Constantine, Ruwadi, & Wine, 2009). For example, one way

Starbucks eliminated complexities in its logistics and supply chain transformation, was they made changes to how coffee beans were delivered to its processing plants. They decided to build facilities in those regions that helped reduce lead times and labor costs. (Cooke, 2010). This makes it important during implementation for hotel managers to regularly look at their logistics and supply chain operations and eliminate complexities that do not add value.

### **11.3.3 Risk management.**

Considering risk management is critical during logistics and supply chain implementation for hotel managers in order to evaluate risk associated with implementation in their strategy. Managers should have a good understanding of the benefits involved with sharing risk information across the network. It is important to be able to manage risk, using information available on the difficulties of monitoring risk and to be able to react to risk through the use of standardized information (IBM, 2009). Hotel managers need to make use of past history as a benchmark for future risk and it should be used by hotel managers as a tool to achieve better logistics and supply chain visibility.

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## **13.0 APPENDICES**

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Appendix A: List of Interviewees.

Appendix B: Questions for interviews.

### **13.1 APPENDIX A: LIST OF INTERVIEWEES:**

- Ali Hassan , Head of Programs, Serena
- Chris Wright, Senior Technical Advisor, Inc.
- David Sarley, Senior Program Officer, Gates Foundation
- Deepti Tanuku, Senior Program Officer, Johns Hopkins Program for International Education in Gynaecology and Obstetrics
- Gary Forster, Chief Executive Officer, Serena
- Hamadou Dicko, Supply Chain & Community Advisor, Agence de Médecine Préventive
- Mahmood Ahsan, Procurement manager Serena
- Jeffrey Turner, Visiting Lecturer and Independent Consultant, Institute for Transport Studies, University of Leeds
- Johnson Skate, Supply chain advisor, UK
- Zubair Abad, hotel Manager, uk
- Farooq Sadiq, warehouse manager, PC
- Moh. Ali Raza, transport officer, Serena
- Asad Khan, director logistics, Mariot
- Musonda Kasonde, Capacity Development Specialist, Supply Division, UNICEF
- Noel Watson, Executive Director,
- Norbert Kasingwe, Transport and Logistics Officer, National Store, Uganda
- Olivia Reyes, Senior Associate, Rabin Martin
- Hassaan Khan, senior manager, Serena
- Hira, front office administrator, Serena
- Gohar Mahmood, Technical Assistant, Islamabad Hotel

## **13.2 APPENDIX B: QUESTIONS**

### **Questionnaire:**

Dear participant,

This questionnaire is designed to identify challenges of supply chains and logistics regarding the hotel performance due to inventory management and transport and distribution.

I'm undertaking a literature review and qualitative assessment to highlight examples of challenges and best practices relating to the distribution in Pakistan. The research will also cover the role of inventory management in ensuring consistent availability of resources.

The literature review is now 60% complete, and is, we believe, potentially the first time that so much material has been gathered on the subject of distribution. The next stage is to ensure that I have captured all of the relevant research on the subject, and secondly to interview key stakeholders with practical experience supply chains in the Pakistan context.

It is part of my master thesis at the Bahria University Islamabad. The questions have three parts, which I would like to discuss in an oral interview / in a chat. The questionnaire acts as a guideline. If you can't answer a question, I would suggest we go forward to the next topic.

Scale of Agreement / Scale of Challenge

Reasons for situation / Impact on availability / your thoughts

Example of good practice

If you agree, I would like to audio record the interview.

Many thanks for your participation. Best regards,

**13.2.1 Organizational data:**

Could you please briefly summarize your background and experiences?

Name:

Title:

Organization where you are currently working or worked for:

Country/Regions where you have experience:

φ Do you agree that warehouse infrastructure is not adequate according to the storage requirements for drugs?

What would be the most important improvement?



φ How challenging is it to keep track of actual and accurate stock levels?



and why is it challenging?

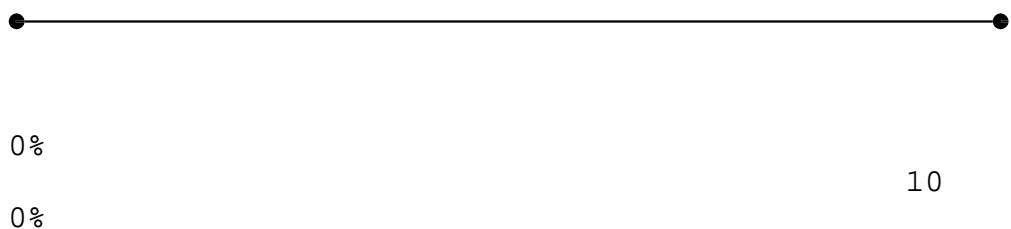
φ The literature say that stock outs of essentials is a regular situation. Do you agree and what are the reasons for that?



φ How challenging is it to collect consumption data/order forms from Hotels and what are the difficulties?



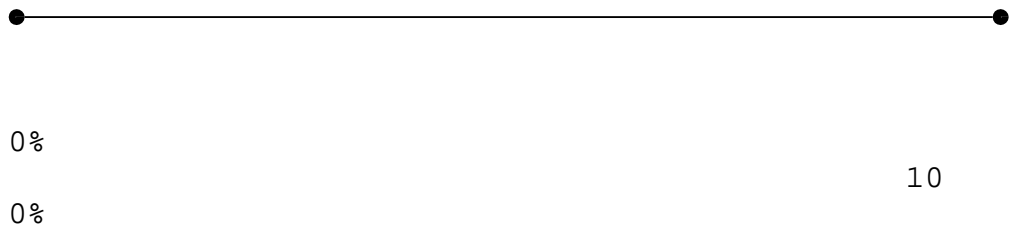
φ How difficult is it to execute deliveries according to plan to Hotels?  
Why it is challenging and what is the impact?



φ Research suggests different transportation systems such as collection, delivery-by- warehouse or outsourcing.

What are your thoughts about the different options?

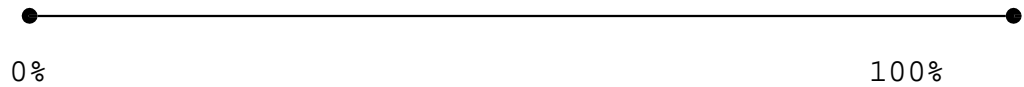
φ Do you agree that financial resources for transport infrastructure are one of the critical bottlenecks and what is the impact?



φ Literature says there is a deficit in vehicle fleet and maintenance activities such as the use of log books and regular inspections. Do you agree and what are the issues?



φ I was given the impression that on various stages of the supply chain the use of guidelines is either not existent or not followed. Do you agree and what are your thoughts?



φ In literature performance measurements for Inventory Management and Transport & Distribution are rarely mentioned. How common are performance measurements in practice?

What are your thoughts?



φ There are a lot of trainings for Inventory Management and Transport & Distribution available and it is a critical topic, because the impact can't be measured.

What are your thoughts?

φ Research suggests that vertical programs are common due to the following reasons:

Smaller group of stakeholders

Substantially lesser level of program coordination, collaboration, and political will necessary

Lesser supply chain requirements

Financing method

Functions, which need to be managed centrally are overwhelming the systems in use

What are your thoughts?

Thank you very much for your time and support!