Seventh Edition

Purchasing Selection and Procurement for the Hospitality Industry

ANDREW HALE FEINSTEIN AND JOHN M. STEFANELLI



John Wiley & Sons, Inc.

Contents

Preface xi

1 The Concepts of Selection and Procurement

- The Purpose of This Chapter 1
- Introduction 2
- Types of Hospitality Operations 4
- Purchasing Functions in Different Types of Hospitality Operations 5
- The Use of This Book 8
- Key Words and Concepts 11
- Questions and Problems 12
- Experiential Exercises 13
- References 13

Technology Applications in Purchasing 15

- The Purpose of This Chapter 15
- Introduction 16
- Technologies That Distributors Use 16
- Technologies That Buyers Use 18
- What Lies Ahead? 31

- Key Words and Concepts 40
- Questions and Problems 40
- Experiential Exercises 41
- References 44

3 Distribution Systems 47

- The Purpose of This Chapter 47
- Introduction 48
- Distribution System for Food, Nonalcoholic Beverages, and Nonfood Supplies 48
- Distribution System for Beer, Wine, and Distilled Spirits 55
- Distribution System for Furniture, Fixtures, and Equipment 56
- Distribution System for Services 57
- Retailers 58

- What Happens Throughout the Channel of Distribution? 58
- Ultimate Value 60
- The Buyer's Place in the Channel of Distribution **61**
- The Optimal Economic Values and Supplier Services 62
- Key Words and Concepts 66
- Questions and Problems 67
- Experiential Exercises 68
- References 69

Forces Affecting the Distribution Systems 73

- The Purpose of This Chapter **73**
- Introduction 74
- Economic Force 74
- Political Force 77
- Ethical Force 78
- Legal Force 79

- Technological Force 91
- Other Forces 95
- Key Words and Concepts 95
- Questions and Problems 97
- Experiential Exercises 98
- References 99

An Overview of the Purchasing Function 103

- The Purpose of This Chapter 103
- Introduction 104
- Purchasing Activities 105
- Purchasing Objectives 114
- Problems of the Buyer 116

- Evaluation of the Purchasing Function 117
- Key Words and Concepts 118
- Questions and Problems 118
- Experiential Exercises 120
- References 121

The Organization and Administration of Purchasing 123

- The Purpose of This Chapter 123
- Introduction 124
- Planning 124
- Organizing 125
- Staffing 129
- Training 130
- Budgeting 130

- Directing 130
- Controlling 131
- Key Words and Concepts 132
- Questions and Problems 132
- Experiential Exercises 133
- References 134

V

7 The Buyer's Relations with Other Company Personnel 135

- The Purpose of This Chapter 135
- Introduction 136
- The Buyer's Relations with the Supervisor 136
- The Buyer's Relations with Colleagues 149
- The Buyer's Relations with Hourly Employees 150

- Key Words and Concepts 151
- Questions and Problems **152**
- Experiential Exercises 153
- References 155

The Purchase Specification: An Overall View 157

- The Purpose of This Chapter 157
- Introduction 158
- Why Have Specs? 159
- Who Decides What to Include on the Specs? **159**
- What Information Does a Spec Include? 160
- What Influences the Types of Information Included on the Spec? **166**
- Who Writes the Specs? **167**
- Potential Problems with Specs 171
- The Optimal Quality to Include on the Spec 175

- Who Determines Quality? 175
- Measures of Quality 176
- Is the Quality Available? 180
- The Buyer's Major Role 181
- The Optimal Supplier Services to Include on the Spec 181
- Key Words and Concepts 183
- Questions and Problems 184
- Experiential Exercises 186
- References 187

9 The Optimal Amount 189

- The Purpose of This Chapter 189
- Introduction 190
- Optimal Inventory Level 190
- Correct Order Size and Order Time: A Common Approach 191
- Correct Order Size and Order Time: Another Approach 193
- Correct Order Size and Order Time:
 Variations of the Levinson Approach 197
- Correct Order Size and Order Time: Combination Approach 198
- Correct Order Size: A Theoretical Approach 199

- Correct Order Time: A Theoretical Approach **202**
- Correct Order Size and Order Time: Other Problems with Theoretical Approaches 206
- Correct Order Size and Order Time: Some Benefits of the Theoretical Approach 208
- Key Words and Concepts 211
- Questions and Problems 212
- Experiential Exercises 214
- References 215

10 The Optimal Price 217

- The Purpose of This Chapter 217
- Introduction 218
- How AP Prices Influence Buyers 218
- How AP Prices Are Determined 221
- Ways to Reduce AP Price so That Overall Value Is Increased 224
- Opportunity Buys 240
- Key Words and Concepts 247
- Questions and Problems 248
- Experiential Exercise 251
- References 252

11 The Optimal Payment Policy 255

- The Purpose of This Chapter 255
- Introduction 256
- The Objective of Payment Policy **256**
- Cost of Paying Sooner Than Necessary 256
- Cost of Paying Too Late 258
- What Is the Best Policy? 258

- The Mechanics of Bill Paying 259
- Another Word About Discounts 261
- Key Words and Concepts 262
- Questions and Problems 263
- Experiential Exercises 263
- References 264

12 The Optimal Supplier 265

- The Purpose of This Chapter 265
- Introduction 266
- The Initial Survey **266**
- Trimming the Initial List 268
- The Relationship of Purchasing Policy to Supplier Selection 268
- Buying Plans 269
- Other Supplier Selection Criteria 271
- Most Important Supplier Selection Criteria 283

- Make a Choice 284
- Supplier-Buyer Relations 284
- Salesperson-Buyer Relations 287
- Evaluating Suppliers and Salespersons 289
- Getting Comfortable 290
- Key Words and Concepts 291
- Questions and Problems 292
- Experiential Exercises 294
- References 295

13 Typical Ordering Procedures 299

- The Purpose of This Chapter 299
- Introduction 300
- Purchase Requisitions 300
- Ordering Procedures 302
- The Purchase Order 304
- Change Order 309

- Expediting 309
- Streamlining the Ordering Procedure **309**
- Key Words and Concepts 315
- Questions and Problems 315
- Experiential Exercises **316**
- References 317

14 Typical Receiving Procedures 319

- The Purpose of This Chapter 319
- Introduction 320
- The Objectives of Receiving 320
- Essentials for Receiving 321
- Invoice Receiving 323
- Other Receiving Methods 337

- Good Receiving Practices 340
- Reducing Receiving Costs **342**
- Key Words and Concepts 343
- Questions and Problems 344
- Experiential Exercises 347
- References 347

15 Typical Storage Management Procedures 349

- The Purpose of This Chapter **349**
- Introduction 350
- The Objectives of Storage 350
- What Is Needed to Achieve Storage Objectives? 352
- Managing the Storage Facilities 357

- A Value Analysis of Storage Management Procedures 367
- Key Words and Concepts 368
- Questions and Problems 369
- Experiential Exercises 371
- References 372

16 Security in the Purchasing Function 373

- The Purpose of This Chapter 373
- Introduction 374
- Security Problems 375
- Preventing Security Problems 379
- Who Checks the Checker? 389

- Key Words and Concepts 390
- Questions and Problems 391
- Experiential Exercises 393
- References 393

17 Fresh Produce 399

- The Purpose of This Chapter **399**
- Introduction 400
- Selection Factors 401
- Purchasing Fresh Produce 414
- Receiving Fresh Produce 416
- Storing Fresh Produce 417

- Issuing Fresh Produce 421
- In-Process Inventories 422
- Key Words and Concepts 425
- Questions and Problems 426
- References 427

18 Processed Produce and Other Grocery Items 431

- The Purpose of This Chapter 431
- Introduction 432
- Management Considerations 432
- Selection Factors 436
- Purchasing Processed Produce and Other Grocery Items 451
- Receiving Processed Produce and Other Grocery Items 456

- Storing Processed Produce and Other Grocery Items 457
- Issuing Processed Produce and Other Grocery Items 458
- Key Words and Concepts 459
- Questions and Problems 460
- References 463

19 Dairy Products 465

- The Purpose of This Chapter 465
- Introduction 466
- Selection Factors 468
- Purchasing Dairy Products 478
- Receiving Dairy Products 480
- Storing Dairy Products 480

- Issuing Dairy Products 481
- In-Process Inventories 481
- Key Words and Concepts 482
- Questions and Problems 483
- References 484

20 Eggs 487

- The Purpose of This Chapter 487
- Introduction 488
- Selection Factors 488
- Purchasing Eggs 498
- Receiving Eggs 500
- Storing Eggs 501

- Issuing Eggs 501
- In-Process Inventories 501
- Key Words and Concepts 503
- Questions and Problems 503
- References 505

21 Poultry 507

- The Purpose of This Chapter **507**
- Introduction 508
- Selection Factors **509**
- Purchasing Poultry 519
- Receiving Poultry **521**
- Storing Poultry **522**

- Issuing Poultry **522**
- In-Process Inventories **523**
- Key Words and Concepts **523**
- Questions and Problems 524
- References 526

22 Fish 527

- The Purpose of This Chapter **527**
- Introduction 528
- Selection Factors 529
- Purchasing Fish 542
- Receiving Fish 547
- Storing Fish 549

- Issuing Fish 549
- In-Process Inventories **550**
- Key Words and Concepts 551
- Questions and Problems **552**
- References **554**

23 Meat 555

- The Purpose of This Chapter **555**
- Introduction **556**
- Types of Meat Items Purchased 556
- Management Considerations 556
- Selection Factors 561
- Purchasing Meat **581**

- Receiving Meat 585
- Storing Meat 586
- Issuing Meat **587**
- In-Process Inventories 587
- Key Words and Concepts 588
- Questions and Problems 589

24 Beverages 595

- The Purpose of This Chapter **595**
- Introduction 596
- Management Considerations 598
- Selection Factors 603
- Purchasing Beverage Alcohols 609
- Receiving Beverage Alcohols 611
- Storing Beverage Alcohols 612
- Issuing Beverage Alcohols 615
- In-Process Inventories 616

- Nonalcoholic Beverages 617
- Selection Factors 618
- Purchasing Nonalcoholic Beverages **622**
- Receiving Nonalcoholic Beverages 623
- Storing Nonalcoholic Beverages **625**
- Issuing Nonalcoholic Beverages 625
- Key Words and Concepts 628
- Questions and Problems 629
- References 631

Nonfood Expense Items 633

- The Purpose of This Chapter **633**
- Introduction 634
- Management Considerations 634
- Purchasing Nonfood Expense Items 640
- Typical Nonfood Items That Hospitality Operators Use 642
- Key Words and Concepts 655
- Questions and Problems 655

26 Services 659

- The Purpose of This Chapter 659
- Introduction 660
- Management Considerations 660
- General Procedures in Service Purchasing 663
- Typical Services That Hospitality Operators Purchase 665
- Another Word About Security When Buying Services 683
- Key Words and Concepts 684
- Questions and Problems 686
- References 688

Furniture, Fixtures, and Equipment 689

- The Purpose of This Chapter 689
- Introduction 690
- Management Considerations 690
- General Procedures in FFE Purchasing 694
- Selection Factors 696
- Financing the FFE Purchase 715
- Key Words and Concepts 720
- Questions and Problems 721

Glossary 725 Index 765