



HOTEL EQUIPMENT PROCUREMENT NOT AS EASY AS YOU THINK!

ONCE THEY'RE PAST THE FRONT DOOR OF A HOTEL, WHAT THE GUEST SEES MOST OF IS THE FURNITURE, RIGHT?

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he chairs in the lobby, the front desk, the tables in the restaurant, and what goes on top of them (plates, glasses, silverware etc.), and in the bedroom of course there's the bed, and the sheets and towels, and so on. In the industry, we call it Furniture, Fixtures and Equipment (FF&E) and Operating Supplies and Equipment (OS&E). Simply put, FF&E is the big stuff, OS&E is the small stuff.

The trouble is, that all this stuff, large and small, tends to be the last to be purchased, and therefore often suffers when there have been cost overruns on the construction – take it from the FF&E budget, buy cheaper! Oh boy!

The importance of not doing that, and getting good advice from the get-go, cannot be emphasised enough. This is a specialist area, as are the structural design, the electrics, the plumbing, the operation of the hotel on completion. It's obvious that a specialist area needs specialist input, and the advantages of employing the services of a professional and experienced procurement consultant are huge. Sure, like any adviser, there are fees involved, between 3.5% and 5% of the cost of the goods sourced, but a good agent will save that and more in the discounts achieved due to their relationships with clients, and will help to ensure that other mistakes commonly made are avoided. The procurement

consultant also takes on all the grunt work of compiling all the lists, obtaining samples for approval, sourcing value engineered options for final approval and budget, and arranging delivery and installation.

For a midscale property of 150 guestrooms, the list of FF&E and OS&E items would easily be well in excess of 1,000 different items, from up to 100 different suppliers or manufacturers. Imagine the length of the lists for a 250-room luxury hotel with multiple restaurants and bars, a spa, outdoor and indoor pools – my goodness!

Too many hotel owners believe that they can merely go to China and order everything from one of those huge hypermarkets that specialise in hotel FF&E and OS&E, or just sit and search the internet for what's required (or what they think is required), believing that they can just as easily attain the best value by doing so, and therefore avoiding procurement fees. Well, truth be told, quality, warranties, back up supply and service, are all critical to the successful operation of a hotel. Short-term savings on poor or untested quality will very quickly prove costly to the hotel owner.

One thing to get right from the outset is the definition of FF&E, which more often than not is misinterpreted by the various parties involved and as a result the resultant duplication or omission can result in cost overruns, and/or delays in opening. Furniture is the obvious one, that's FF&E, but what about flooring? Is carpeting the responsibility of the general contractor or is it down to the FF&E procurement consultant? But what about the curtain tracks, and the light fittings? Similarly, hotel electronic door locks are often included under doors and hardware in the contractor's bill, but hotel operators insist on specifying them and then the procurement agent will purchase this for the project. If this was not clearly identified in the contractor's bill, removed from his bill and the cost reallocated, the client ends up paying double. These are the common errors encountered in the guest bedrooms – and we haven't begun looking at the other areas yet.

In the guestrooms, FF&E can be defined as all items after the builder has completed the bathrooms, walls, windows and any fitted wardrobes. Was the main contractor's bill specific enough, with the quantity surveyor drawing the line between "buildings" and FF&E sufficiently clearly?

Guestrooms, while accounting for the majority of the FF&E, can actually be the easy part, as these items are merely multiplied by the number of rooms. When the public areas are specified, then the range of FF&E items starts to multiply depending on the number of lobbies, bars, restaurants, meeting rooms, gym and spa, etc. Then there are the back of house areas, including the kitchens, laundry, housekeeping, storage, IT department, admin offices, uniforms, signage - and we haven't yet addressed the operating supplies and equipment (OS&E), which is hundreds and thousands of small items.

Having a procurement consultant on the team early enough will avoid double counting and omissions, to the benefit of the project, and therefore to the investment returns.

Effective procurement is more than compiling lists of products required for a property. Some of the errors in specifying responsibility can be eradicated by building a full-scale, fully operational mock-up room prior to confirmation of the final interior fit-out. The intent of the mock-up room is for the owner, operator, designer and procurement consultant to view and comment on the physical samples, in a prototype guestroom that is to all intents and purposes the final product; the lights work, the water flows hot and cold, the air conditioning works. The owner and operator can inspect the quality of the furnishings and fittings, make any final adjustments and view alternative samples, if any value engineering has been considered. The mock-up room is also the ideal time and place to identify if anything has been inadvertently omitted from

inventory, and to agree with the contractor what is and is not in his bill.

OS&E typically deals with all linen items (sheets and towels for guestrooms, restaurant table cloths, napkins, pool towels and the like), all tableware (crocery, cutlery and glassware; kitchen smalls such as pots and pans, whisks etc.), engineering and maintenance supplies, the list is very, very long. OS&E would normally be specified by the hotel brand in terms of quality and quantity, so there is assistance from them with their own lists, and it is important to ensure that these lists are compiled early in the construction process, otherwise the hotel can be nearing completion without the necessary equipment to operate the business when it opens. And in many instances, what is required, particularly for, say, an upmarket hotel's pastry kitchen, just cannot be sourced locally.

Compiling all these lists, obtaining samples for approval, then sourcing options for final approval and budget, is not the final step. Commercial terms need to be agreed with all the suppliers, warranties and back-up service for repairs and or replacements agreed and recorded, manufacturing lead times need to be confirmed to ensure that the various items are ordered in time, and then the logistics of arranging freight from the point of manufacture to the project site.

The logistics in itself is a complex process of consolidating various items for shipping, agreeing modes of transport; i.e. air, sea, road or rail. The importation logistics need to be fully understood and prepared for, to avoid delay or even detention of goods at the port of entry. Secure warehousing at the project site (or elsewhere) is essential, as all these FF&E and OS&E items need to be delivered in containers, offloaded, inventoried and then moved to their final location within the property when access is provided by the contractor.

The secret to timely success is to start at the end – when should the hotel open? Then work backwards from on-site installation, estimated freight time up to delivery on site, manufacturer's lead-time, to order processing, accounting and payment procedures, final budget approvals, mock-up room samples delivery, adjustment and reinspection, control samples approvals, final design specifications, etc. Allocating sufficient time to each of these stages will then provide dates when everything needs to happen in order to meet the scheduled opening date. **Ai**

