Assessing Supply Chain Management in the Context of Iran’s Five Star Hotel

The Case of Tehran Azadi Hotel

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Abstract

The end result and goal of any commercial service provider is to present quality service, satisfy customers in the most efficient and effective manner and in return sustain and gain profit. In order to do so, companies need to manage the entire chain of their supplies, from the upstream suppliers to the downstream end customers. The concepts may have begun from the manufacturing industry but it swiftly expanded into service and lodging industries. Hotels, as service providing business enterprises must have proper management over their supply chains in order to have satisfied guests, repeat business and profit. There is not much research available on the concept of hotels’ supply chain management and almost none in the case of developing countries such as Iran.

The purpose of this research is to provide a more comprehensive outlook and understanding of hotel’s SCM by showing the relationships between the three components of the supply chain (upstream, internal and downstream) of five-star hotel in Iran. It strives to find the relationship between hotel’s upstream supply chain component (suppliers) with internal operations of a hotel and downstream supply chain component (customers) and in overall the whole supply chain management system of the hotel. The research takes a qualitative approach, case study strategy and interview data collection methods.
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1. Introduction

This chapter gives a concise background of the topic of supply chain management, after which the problem discussions are presented followed by research purpose. At the end the research structure is sketched and outlined.

1.1. Background

Excessive competition have forced the companies in either manufacturing or service industry to adapt more comprehensive and thorough supply chain management (SCM) strategies to increase performance, agility and flexibility (Sigala, 2008). There is not a definite consensus on the definition of SCM, however, a more prevalent definition is “a network of organizations that are involved, through upstream and downstream linkages in different processes and activities that produce value in the form of products and services in the hand of the ultimate consumer” (Christopher, 1998, p.15). Agrell and Hatami-Marbin (2011) define it as a system of activities, organizations, technology, information and people that function together in order to transfer and transform a product or service from a supplier to the consumers. Definitions presented for the SCM reveal that, the end result of all subsections of this process is to satisfy and meet the needs and expectations of end-service customers in the most efficient manner.

The activities that the organizations do regarding the choice and management of the suppliers– moving material inward, are called upstream, whereas downstream refers to the activities which moves the materials outward and to the customers (Waters, 2003). “A service business is one where the perceived value of the offering to the customer is determined by the service rendered than the product offered” (Basu and Wright, 2008, p.120). The application of SC best practices from manufacturing to service industry is a relatively new process, stemming from the importance of service industry in mature economies (Aitke, Childerhouse, Deakins, Towill, 2012). There are some differences between manufacturing and service industries. These differences can be summed up by the service characteristics of intangibility, perishability, heterogeneity, inseparability (Jan, 2012; Aitken et al, 2012). SCM principles need to get modified in order to meet the demands and characteristics of the service industry.

Hospitality and tourism industries are true manifestation of a service industry. They grow on the relationships between the guest and the host- an existing dynamic which is present
since the dawn of early human modern societies (Clark and Chen, 2007). However, it is evident that the end-result of most hospitality establishments is to gain money and generate profit. In order to meet this goal, many factors come into play, such as marketing plan, current economy, competition and employees' conditions (Bardi, 2010). Moreover, the hospitality is dependent on two basic factors of the market i.e. supply and demand. The demand of the hospitality service leads to supply of things required for provision of service, such as labor, land, food and other productions (Barrows and Powers, 2009). SCM assists managers in breaking down the operations and understand the supply and demand side of their business better, in order to save time, energy and in turn, generate profit.

Iran Tourism and Tour Organization website (ITTO) lists more than 75 accommodation establishments within Tehran- the capital city of Iran. Given the scale of the city, most of the national and international events are hold in Tehran, rising the importance of proper management if these establishments (Sohrabi et al., 2012). Azadi International Hotel is a five star hotel located in the north of Tehran. Given the recent renovation and efforts initiated to modify the operational and strategic strategies, this hotel is selected for the purpose of this study.

1.2. Problem Discussion

In the time before the existence of SCM practices, there were always ways in which business owners tend to cut costs. These efforts were rarely accompanied by the concepts of best quality and usually just revolved around the lowest price in the market. The introduction of SCM changed how things work and introduced the end-to-end processing resulting in customer satisfaction. (Poirier, 2003) The notion of supply chain management began in manufacturing industry. In later years and with the introduction of service industry theories and related academic research, SCM practices were gradually adopted in service industries as well. (Basu and Wright, 2008) However, the transferring of these practices to service industry was relatively slow and began to interest academics much later than the former industry (Aitken et al., 2012).

Hotel managers just as any other service industry managers sensed the growing trend of informed customer expectations brought about by the advent of technology and WEB, ease of travel and also media and were forced to put extra attention and investment on managing the complete value creation system with the help of SCM principles (Basu and Wright, 2008).
Some researchers have strived to conduct academic studies on the application of SCM in tourism industry as a whole (Harewood, 2008; Sigala, 2008; Harewood, 2008; Gengeswari, 2011; Zhang et al. 2012; Guo et al., 2013), however there is a considerable lack of research on the concept of SCM in hotel industry in the face of all the associated benefits of such research (Clement, 2013). Most of the studies are focused on technological aspects of the hotel SCM such as on e-procurement and information technology (Kotari et al., 2005, 2007). Very few studies took a more comprehensive approach on the application of SCM practices in hotels and mostly focused on food and beverage procurement (Eastham et al. 2001; Wang et al., 2013; Feinstein and stefanelli, 2012). Fantazy et al. (2010) conducted a comprehensive study on the Supply management practices and performance in the Canadian hospitality industry, and concluded that strategic purchasing in hotels is positively related to relationship with the supplier, service quality, customer satisfaction, performances and communication.

Studied done regarding the Iranian hotel industry is very limited as well with just very few studies focusing on SCM-related issues such as internal marketing (Abzari, 2011), emotional intelligence and organizational commitment (Mohammadkhani and Nasiri, 2012), hotel selection factors (Sohrabi et al., 2012), customer loyalty (Ranjbaran et al, 2011), website adaptation and performance (Salavati and Hashim, 2011) and learning and new service development (Tajedi, 2009); with the most CRM-related study conducted by Saeednia et al. (2012) which examines the factors effecting the implementation of Customer Relationship Management (CRM) in Iranian international hotels.

Certain problems can occur between the hotel, its chain company, upstream suppliers, internal operations and downstream customers which will be further elaborated throughout the study.

1.3. The Purpose of Research

The purpose of this research is to provide a more comprehensive outlook and understanding of hotel’s SCM by showing the relationships between the three components of the supply chain (upstream, internal and downstream) of five-star hotel in Iran. It strives to find the relationship between hotel’s upstream supply chain component (suppliers) with internal operations of a hotel and downstream supply chain component (customers) and in overall the whole supply chain management system of the hotel. The research questions of this study are as follows:
1. How can the relationship between suppliers of a hotel and the hotel's supply chain management system be described?

2. How can the relationship between suppliers of a hotel and the hotel's internal operations be described?

3. How can the relationship between suppliers of a hotel and the hotel's customers be described?

1.4. Research Structure

This study commences by describing few definitions of SCM. Then, it reviews and represented some studies in the areas of SC process such as use of technology, management of supplier relationship, internal SC and customer relationship management, employee management and green supply chain in context of hotel SCM. In the next part of this Study; Tehran Azadi hotel is used as a case study with the purpose of answering research questions. The Study represents a brief review of the hotel, while identifying the hotel SC process map, and analyzes the hotel SC problems and issues. Finally it suggests certain SC solutions and recommendations.
2. Literature Review

In this section a literature review of the SCM elements is presented, explaining each section while finding and maintaining a solid link between each element.

2.1. Supply Chain Management

“Supply chain management (SCM) was introduced as a common scientific and managerial term in 1982 to describe a hierarchical control system for material, information and financial flows in a potentially multidirectional network of autonomous decision making entities” (Agrel and Hatami-Marbini, 2010, p.1) . It has gained a lot of attention in manufacturing and service industry for the reason that suppliers play a very important role in maintaining the cost and quality of the purchasing firms in the SC (Fantazy, et al., 2010). There are several definitions of SCM. Christopher (1998) defined SCM as managing upstream and downstream relationships with suppliers and customers for the purpose of improving value in the final market place at less cost and to the entire SC. Chandrashekar and Schary (1999) described it as management process to integrate and coordinate activities across organizational boundaries. Mentzer et al. (2000) defined it as management of close inter organization relationships while Lummus et al. (2001) describes SCM as process which coordinates the different entities participating directly and indirectly in the delivery of product to the final customer.

SCM started out in the manufacturing industry. It considers inventory and supply requirements for each item in the production line and monitors the inventory flow of the system, to distribute output to the consumers with the most efficient cost and time (Basu and Write, 2008). Blanchard (2010) states some characteristics for a well-designed SC system which are adaptability, transparency; focus on continuous improvement, having end to end perspective and adopting global view rather than regional one.

Developing new products and services are integral parts of any SCM system and institution of innovation is systematic approach toward developing new product or service. Moreover, innovation commences through examination of new opportunities (Drucker, 2002). In his famous book, Discipline of Innovation (2002), Drucker identifies several sources of opportunities within the company and the industry that could be an initial step for the SC’s new product and service development process. These opportunities include genius,
unexpected occurrence in a company or industry, incongruity, process needs, industry and market change.

SCM is successful when the condition for delivering a product to a customer with the lowest competitive price is possible. In this scenario the highest quality product for the customer and highest competitive advantage for the company is achieved. SCM uses different SC activities to maximize total value and profit of the business (CSCMP, 2011). In order to identify and measure the threats and opportunities of any business, it is needed that all the contributing elements of SCM such as customer service, cycle times, satisfaction level, costs, delivery and purchasing, etc. are evaluated (Kotari et al., 2007). It should not be undermined that the heart of an organization beats by the operations that produce and deliver the final product. In figure 1 a detailed depiction of an operation creating output is presented (Waters, 2003).

When a business wants to have a true return on investment, it decreases the time in which a new product or service is developed from original concept to final delivery. For this purpose, innovation and creation of new ideas are at the core of any SCM system and adds value to the time spent on developing new products and services by an organization. (Camerinelli, 2009) It also reduces the time for carrying out the processes such as purchasing, production, warehousing and sales, throughout the entire chain of stakeholders in the SC such as customers and service providers (Camerinelli, 2009). Streamlining SC systems can reduce lead time (time spent from ordering a product to its delivery) and demand uncertainty, and help to create reliable supply and quality products. In addition, as customer service level rises, so are the total satisfaction and competitiveness. This leads to the new competitive strategy which is SC to SC competition rather than business to business version. (Kucukusta and Tutuncu, 2007)
Regarding the design, control and monitoring of a chain, SCM takes an integrated system view. This approach is taken for the purposes of coordinating the movement of service and products, in order to serve the ultimate customer (Agrel and Hatami-Marbini, 2010). This makes sure that the right product or service is being delivered at the right time and in the right place. It also indicates that the market must be ready and waiting for the product which is easily transferrable along all the nodes of the SC when the expectations of sales and marketing are balanced with the demands of operations (Camerinelli, 2009).

Implementing SCM requires transformational changes in the methods through which companies function. It is not necessarily concerned with doing things better, it obliges managers to think outside the box and have an open mind regarding alternative methods of doing business such as whether make, buy or outsource. (Fearne et al., 2001) It also focuses on how these decisions are communicated through the company and how issues such as authority relationship, power balance and responsibilities are reformed in order to create a competitive advantage from the perspective of entire SC (Fearne et al., 2001).

2.1.1. Supply Chain Management in the Service Industry

“A service business is one where the perceived value of the offering to the customer is determined by the service rendered than the product offered” (Basu and Wright, 2008, p.120). In a service, the customer intimacy has led to this idea that service cannot be stored and has to be produced and consumed simultaneously. Services can be grouped into isolated or direct services. Isolated services such as in a hotel business, contrary to direct services such as emergency medical treatment, can be managed using the methods used in manufacturing operations (Basu and Wright, 2008). Boon-it and Pongpanarat (2011, p217-218) describe service supply chain management (SSCM) as:

A tool for forecasting, planning, implementing, and controlling the process of the SC with the objective to satisfy customer requirements in an efficient manner. It involves coordinating, integrating and controlling the product, information and finance flows both within the organization and among the partners.

Unlike manufacturing industries, output in the service industries is intangible. In addition, qualitative measurement of performance is a more common practice. (Basu and Wright, 2008) Many of the manufacturing-based SC models have been modified to show the central contribution of customers in order to become applicable to service industry (Aitkenet et al., 2012).
A large percentage of any workforce nowadays, are engaged in service industry. This is due to continuous progress in technological inventions which has made manufacturing less labor intensive. Deskilling, information technology, robotics, automation, new ways of doing business and materials have led to the decline of manual labor. (Basu and Wright, 2008) In addition, bigger organizations, globalization and internationalization of business have changed the rules of the game in a way that companies outsource the manufacturing parts of the business to deprived countries and only focus on service aspects of business (Basu and Wright, 2008).

In the highly competitive market of modern business environment, service industries feel the force to improve their operational efficiency and control costs without compromising service quality. Increasing customer expectation and changing needs, vibrant market condition and technological breakthroughs create further challenges for the service providing businesses. (Boon-itt and Pongpanarat, 2011) In the face of all these challenges, businesses are forced to reduce costs in an efficient manner while maintaining quality, competitive edge and sustainability. Implementation of SC practices helps service providers to make balance between SC capabilities and customer expectations. (Boon-itt and Pongpanarat, 2011)

Service industries cannot make use of their inventories the same way as the manufacturing industries. The reason is special characteristic of service – in this case perishability. Their time-sensitive nature and the fact that their capacities cannot be stored easily, leads to possibility of service deterioration and queue-forming in the peak times. (Aitken et al., 2012) It should be emphasized that cycle time, costs of logistics and inventory are the main focus of SC in manufacturing industries whereas in service industry they prove to be less relevant since the service provided is nontransferable and intangible (Tigu and Calaretu, 2013). The focus of SCM in service industry is finding the most efficient and effective way for value creation. This can happen through cross-functional solutions to major issues related to meeting customer needs efficiently and effectively at the lowest cost. This cross-functionality can happen in an internal or external environment. (Fearne et al., 2001)

Delivering value to the customers in a cost-efficient manner requires managers to control their process and asset’s uncertainties to increase coordination and improve their decision making effectiveness. Having safety stocks are true examples of companies dealing with uncertainties whether in supply, demand, process or control. (Aitken et al., 2012) Service industries resort to various strategies such as outsourcing to alleviate these uncertainties.
Outsourcing is making use of specialized resources of external agents. It is provision of services or products from an outside agent, which would have previously presented in the company. Accounting, promotion, maintenance and security are amongst the most common internal functions to be outsourced by companies. (Lam and Han, 2005) Companies find outsourcing to be a practical way for cost-saving, enabling them to focus on their core activities by subcontracting parts of their service to external firms (Basu and Wright, 2008).

2.2. Supply Chain Management in the Hospitality and Hotel Industry

The success of each company and firm depends on that of the other organization in the chain as they enter into contractual relationship in order to supply products, goods and services. The concept of SCM can also be applicable in hospitality and hotel industry as an amalgam of actions, functions, businesses and stakeholders that together form the distinct SC. (Harewood, 2008) As the competition increases in the accommodation industry, the pressure to find new ways to create and transfer value to the customers rises as well. The growing realization of the importance of SCM led to more emphasis on management and study of contributing agents such as service quality, communication, technology, supplier relationship and financial performances. (Fantazy, et al., 2010) In hospitality and hotel operations, the consumption and creation part usually happens at the same time; as the end-product is not physical and is comprised of various services presented by different suppliers at different points of the SC (Harewood, 2008).

In the past, hotels and restaurants managed their supplies by maintaining great amount of products whether in freezers, warehouses or storeroom shelves. They reduced the risk of running out of supplies by buying more than enough goods too early in time; however, because of the tighter competition, this approach proved to be very expensive. (Wesbter, 2011) This shifted the inventory-driven systems to system-driven ones which are governed by customer demand rather than supply stream. SCMS in the hotel industry deals with the same issues throughout the system of transferring goods from supplier to the customer. However, it is mainly concerned with issues such as quality, customer satisfaction, cost control, service continuity and profit. (Wesbter, 2011)

Careful selection of suppliers in the case of hotels is a crucial step followed by defining the commutation strategies; accompanied by stock management and delivery systems. Different software can help in forecasting the future turn-over based on previous performance, preventing the hotels to go out of stock in busy times. In the case of forecasting demand and management of future demand, tourists’ preferences and satisfaction criteria
should be studied. This would help the hoteliers to improve the service quality and adapt their service and products to fit the needs of their target customers. (Tigu and Calaretu, 2013)

One of the strategies that hotels resort to in order to save cost and increase efficacy is outsourcing. Lam and Han (2005, p.3) describe hotel outsourcing as:

A management strategy in which a hotel utilizes a specialized outsourcing supplier, forming strategic alliances with it to have the supplier operate certain hotel functions, in an attempt to reduce costs and risks and improve efficiency. This allows the hotel to focus efforts on its core competency and strengthen its ability to adapt in the ever-changing business environment.

Lam and Han (2005) argue that hotels have to think critically in order to increase productivity, achieve high customer satisfaction and improving the bottom line. Contracting out some of their operations can pave the way for reaching these goals. On the other hand, hotel industry still lags behind the other industries such as manufacturing industry in managing its SC. One reason is that SC of a hotel is very complex, involving various sections and processes. Complexity in the relationship between different parts of the organization such as inventory, storage and distribution is another influencing factor. (Clement, 2013)

Moreover, many of the hotel managers do not have the necessary skills to manage a complex SC and only focus on procurement and inventory parts of the business while leaving out the lean and green management. They also lack the necessary skills i.e. problem solving, project management, communication skills and technological proficiencies. The required cost and time for implementing SCM operations can also pose some problems in the fast-paced business of hotel industry. (Clement, 2013)

2.3. Suppliers

The essence of supplier relationship management is on basis of trust. Many studies of SCM revealed that lack of trust leads to several obstacles in supplier relationship improvement and longevity (Fawcett, Ellram and Ogden, 2007).

Trust has been described as the foundation of effective SCM because it promotes collaboration, risk taking, and both shared information and share resources...trust has numerous antecedents, including open information sharing, clear expectations and follow through (Fawcett et al., 2007, 357).

Fawcett et al (2007), argue that open communication has significant role in managing supplier relationship. For instance, sharing long term hotel forecasts that are produced by hotel revenue management department with key hotel suppliers, paves the way for robust and dynamic relationships between hotel and key suppliers. It allows hotel to come up with new product and services while coping with demand fluctuation effectively and efficiently.
Fulfilment of promises through time improves trust as well. (Fawcett et al., 2007) Fawcett et al. (2007) cite that intensity of SC relationships differs greatly and thus a company must make strategic decisions to manage a wide range of relationships. They defined two broad categories of relationships: transaction relationships and resource intensive strategic alliances. Transaction relationship is required less managerial time and investment. This kind of relationship has transient nature and is managed for increase of efficiency. (Fawcett et al., 2007) To be more precise; the effort is directed to purchasing the require commodities with the best price available in the market. Contrary; strategic relationship is required management to invest carefully aiming to build a firm groundwork that allows long term relationship prospect. This kind of relationship needs open communication and share of information (Fawcett et al., 2007).

Hotel companies have endeavored improving strategic relationship between different stakeholders including suppliers, customers, distributors and other hotels as Díaz et al. (2006) express. They defined such lasting strategic relationship between two or more stakeholders as relational capability. They examined the links between the relational capabilities and the competitiveness of hotel companies. Aiming to improve relational capabilities; the authors proposed a model of outsourcing activities and collateral relationships maintained between different hotels. (Díaz et al. 2006)

Relational capabilities can be defined as superior skill(s) to manage resources shared between companies. From the process perspective they can also be defined as superior skills to manage the resources that play a part in a single process shared between companies (Díaz et al., 2006, 26).

Similar to other industry; within the hospitality and tourism industry relationships can establish in several directions. The figure 2 demonstrates a generic view of such relationships in hotel SC. The relationships establish between hotel and focal companies such as wholesalers and retailers that have transactional nature, however through time improve to strategic collaborative relationship. (Diaz et al., 2006) For instance the relationship that a hotel establish and maintain with online travel agencies (OTAs) or third party intermediaries such as Travelocity and Priceline.com can be classified in this category. The relationship can be developed between hotels with purpose of strategic competitiveness in area of market increase, cost reduction and so forth. For instance hotels may join to improve their negotiation power in regard of material procurement or they joint hotel reservation system or Internet sales. (Diaz et al., 2006)
Another category includes hotel relationship with service companies such as employment agencies, engineering and maintenance companies and security companies. Some of these relationships can take the form of outsourcing. This is where the hotel company and the outsourcing businesses put their limited resources together while making use of all their strength and power to gain a win-win result. However, outsourcing has its downsides as well such as redundancies and layoffs of personnel causing employee resistance, internal fear and disturbance of organizational culture. (Lam and Han, 2005) Finally the relationship the hotel has with customers with purpose of increasing added value by arising efficiency and efficacy of process and activities (Díaz et al., 2006).

2.3.1. Procurement

Selection can be defined as choosing between many alternatives on different levels, whereas procurement revolves around systematic and well-ordered exchange between a buyer and seller. It contains all the processes related to procuring service and goods, including all the activities related to defining the required products, purchasing, delivery and storing and managing purchased products. (Feinstein and stefanelli, 2012) Procurement strategies are practices to support the operational requirements of a company by concentrating on purchasing methods, transportation of goods, establishing and maintaining relationships with vendors through recognizing opportunities and managing the internal operations (Clement 2013). Finished services and products with value can only be transformed from raw materials.
when the flow of goods, information and service is designed in an effective and efficient manner (Pulevska, 2007).

Procurements departments were often seen as redundant sections of an organization, with only focusing on purchasing and providing the requirements of more important department i.e. marketing and operations, as cheaply as possible. Conversely, the next generation of managers found out that in order to have and keep their competitive advantage in the market, they should consider it a key activity worthy of more attention. (Basu and Wright, 2008) Many of the small hospitality operations do not have a separate procurement section; where special managers and supervisors do the very task of purchasing (Feinstein and Stefanelli, 2012). Procurement departments would provide the best value and costs for the customers by negotiating the best price with the suppliers through strategic relationships. Companies tend to make their procurement strategy clear and transparent, communicating their strategy and price structure so that they can reach a better understanding with the suppliers and generate a higher value for the customers (Clement 2013).

Basu and Wright (2008) explain that the purchasing activity of a hotel consists of a chain of processes. This chain begins with receiving a requisition, soliciting quotation, vendor selection and continues with negotiating with the suppliers and order placement and ends with receiving supplies and making payments. They also state that the quality assurance and inspections which are based on the hotel’s standards are also evident throughout the processes. Feinstein and Stefanelli (2012) clarify that the hotel procurement department holds many responsibilities which are elaborated in figure 3, although it should be noted that the managers would dictate the level of formality in the process based on the market and business condition.

Procurement technology plays an important role in the hotel business, since they acquire large quantity of supplies for their daily operations and workload (Pulevska, 2007). When considering and estimating cost of acquiring a product, hotels not only should consider the original price of the product, but also all the operational costs concerning procurement and preservation of the product throughout its life-cycle. Depending on the type of business and product, these overhead costs can sometimes surpass the original price of the product. This becomes even more important for daily operational products essential for hotels to perform on a daily basis. (Kothari, Hu, Roehl 2007)
2.3.2. Technology

Technology has revolutionized the way businesses do their jobs, procure their supplies and deliver the products and services. This new business attitude is due to various factors such as just-in-time programs (JIT), point of sales data sharing programs, Customer relationship management (CRM), applications, Web ordering systems, Global Positioning System (GPS), electronic data interchange. (Lancioni, 2000) Usage of different software enables the hotels to match orders, develop better auditing, verify and track orders and consequently reduction in inventory level and associated costs. The use of technology has shifted the hotel industry from low-tech-low-touch to high-tech-high-touch business. However, there is doubt that hospitality industry has embraced the fast-paced technological breakthroughs and still lags behind other industries (Kothari et al., 2005). On the other hand there are researchers who believe that implementation of technology in hospitality industry is
extensive and even in some cases more innovative due to different nature of the business comparing to manufacturing industry (Kothari et al., 2005). Proliferation of technology has created numerous opportunities for the hospitality industry in addition to some threats. Opportunities are created through modifications in business procedures, alternative delivery channels and shifts in consumer behavior. On the other hand the prevalent exploitation of information technology has made instrumental expansion in accessibility and transparency of information, more complex form of competition and incremental speed of change and uncertainty in the business. (Kothari et al., 2007)

As for the purchasing department, technology has made activities such as communications with suppliers, price negotiations and making purchases more accessible and straightforward. Furthermore it brings about the reduction in staff, paper flow, order cycle-time and associated costs. (Lancioni, 2000) Ordering systems are facilitated with the help of software applications as well. Distributors can have their inventories counted, organized, and priced in their data-bases, allowing the hotels to access them online. In the old methods, hotels had to call and place their interests in desired items, followed by receiving the printed price lists; whereas in the new method buyers make use of web ordering systems that allows them to communicate directly and receive instant feedback on availability of the product in addition to pricing. (Feinstein and stefanelli, 2012) Use of internet in ordering system has also decreased the error rates with errors being detected without difficulty and corrected swiftly. Returning goods and out of stock notifications are also among the many advantages of online ordering systems. (Lancioni, 2000)

The new system eliminates the inefficiencies of the multiple-ordering process. Instead, a buyer enters the order and sends it directly to the distributor. This process reduces labor costs and time on the buyer’s and the distributor’s ends. Another distributor benefit of the process is the likelihood that users of this easy-to-use ordering system will become loyal customers who are sometimes referred to as house accounts or prime vendor accounts (Feinstein and stefanelli, 2012, p.22).

However regardless of various advantages, these systems are not without difficulties and risks. For one, they require significant investment in new IT technologies and associated trainings (Daghfous and Barkhi, 2009).

Inventory tracking and storage management has also revolutionized with the help of IT as more hotels make use of technology to increase their inventory and cost control efforts. For example, with the use of Microsoft Excel® hotels create detailed spreadsheets of their
inventory supplies followed by associated costs calculation with the help of related mathematical formulas. (Feinstein and stefanelli, 2012) The other main advantage of IT in inventory management is the ability to keep the inventory level low, decrease holding costs and still deliver a high quality customer service (Lancioni, 2000). Use of IT in the field of customer relations and also employee management is numerous. Hotels make use of specialized software to form valuable customer databases enabling them to forecast future needs and behaviors so that the fitting service and product would always be available. Customer relationship management (CRM) applications also assist managers with customers’ information such as satisfaction level, buying behaviors, contact information and product/service preferences. (Feinstein and stefanelli, 2012)

It should not be neglected that no advanced technology can replace human touch and human interactions in building up and maintaining business relationship. This is particularly vital in hotel business, where e-procurement acts as a refining agent in supplier-customer relationship, leaving the personnel more time to manage the operations that cannot be easily automated. (Kothari et al., 2005)

2.3.3. E-procurement

E-procurement offers real-time information about the availability and requirements of the product, level of inventory and the delivery status. It has evolved to a level that it considers the total-cost rather than low-price basis by allowing more strategic purchase and goal achievement. The benefits of e-procurement not only concern the hotel but also the suppliers through management of administration and material costs. (Kothari et al, 2007) The main concern of hotel’s procurement department is how to move away from traditional offline procurement process to real-time and online version, resulting in considerable savings, improved operational efficacy and enhanced productivity (Pulevska, 2007). This has driven hotels to make use of IT and technology in managing their SC and shift toward e-procurement. The final objective of e-procurement is to shift the procurement process online, connecting the operators and distributors in order to automate and streamline the stream of purchasing goods and service. It is evident that e-procurement reduces the purchasing costs by 10 to 20 percent; however the real benefit is the reduction in transactional and operational costs up to 70 percent. (Kothari et al., 2007) “E-procurement includes a company’s requisitioning, purchasing, transportation, warehousing, and in-bound receiving processes. E-procurement is a multi-stage process that begins with user logging into a computer
application and ending when the invoice for the products selected is paid” (Pulevska, 2007, p.2).

E-procurement offers a remedy for improving and enhancing both ends of the equation through reducing costs, improving control of audit and also revenue stream. In order to overcome the costs of fragmentation, hotels turn away from old economy business model to modern versions by bringing all parts of their business online. (Kothari et al., 2007) Pulevska, (2007) summarizes the advantages e-procurement business model in comparison to paper-based system:

- All the employees can participate in the process because of the easier and more accessible ease of use. In another word, anyone with a web-browser can participate.
- A dramatic reduction in ordering course because of more efficiency of the process.
- The e-procurement system communicates and coordinates with other application systems rather than simply storing repetitive data.
- It limits the individualist buying decision, reducing individual decision making mistakes and miscalculations.

E-procurement process is the main part of any hotel’s supplier relationship management, which facilitates partner collaboration and translating business strategy into effective implementation. It starts with purchasing department definition of the scope of products and invitation of suppliers to bid and negotiate the price. The agreed price is then stored in buyers electronic database and can be used by the end-user for comparing the various alternatives. The data-base information can also be updated manually with the help of software agents. These systems allow the end-user to order the products online and also permit the automatic fulfillment by the supplier in addition to electronic payments using credit cards. (Kothari et al., 2007) This process is shown in the figure 4.

Figure 4 Purchasing Process in the E-procurement Consortium (Kothari et al., 2007, p.7)
E-procurement in the hotel industry still faces many challenges. One is discrepancies in what supplies are purchased, how supplies are purchased and their associated costs. Sometimes hotels pay different prices for the same type of product from the same suppliers, which is the result of communication problems in the SC. There are also inconsistencies in recording and reporting of information in addition to lack of standardized purchasing operations due to the nature of some the products. The absence of standard centralized purchasing system that enables audit control and streamlined communications between accounting and operation personnel is among the other problems facing the hotel industry. (Kothari et al., 2007)

2.4. Internal Operations

Antecedent of managing effective SC is management of company’s internal SC. The foundation of company internal SC is management of an array of different functions and processes with purpose of high value creation. Hotel internal SC includes but is not limited to functions of management, departments, operation, service delivery, marketing and sales, human resource, accounting, finance and information technology. The competitiveness of a company is determined by the extent of communication and collaboration of these functions together as well as the upstream suppliers and downstream customers, which improve seamless internal process integration and superior performance. (Fawcett et al., 2007)

Zhang et al. (2012) explored the impacts of competitive strategies and organizational structure on hotel performance. The result of their study indicated a competitive human resource strategy has direct influence upon hotel’s behavioral performance. Similarly competitive information technology (IT) strategy has direct influence on hotel’s financial performance. This study proved the significant of integration and collaboration of hotels different functions together and their influence on hotel internal SC performance. They cited:

IT advances allow coordination between a hotel’s guest reservation system and online booking from a central location which, in turn, can boost a hotel’s sales volume and other financial figures. Even if IT advances are not a major competency in such lodging categories as resorts and motels/inns, they can still improve internal business operations and coordination among different departments, reduce employee workloads, and increase employee satisfaction (Zhang et al. 2012, 154).

Therefore lack of IT resources whether hardware or software or IT skills and competencies leads to internal value chain gaps and results in inferior hotel performance.
Similarly a comprehensive training and development programs within a standard framework contributes to service standard consistency and thus value creation within internal hotel SC.

Paraskevas (2001) illustrated the role of hotel departments within the hotel internal service chain. He believed hotel departments should treat the other hotel departments that are recipients of its output as an internal customer and attempts to provide high quality output in order for achieving effectiveness. This causes a high level of quality that provides to the external hotel customers. In this approach each department is the customer of the department that comes before it and is supplier of the department that follows in the hotel internal service chain. Paraskevas (2001) defined internal service chain as the part of the SC between hotel suppliers and hotel end customers. Figure 5 elaborates part of such a hotel internal service chain.

![Figure 5 Part of Hotel internal Service Chain](Paraskevas, 2001, 253)

Many of internal service chains can be identified in a full service hotel. Connections exist between hotel departments, which are in direct contact with hotel guests and provide added value, as well as other departments that do not directly contact guests and support frontline departments. Some hotel departments are internal supplier in one interdepartmental relationship and internal customer in another relationship. For instance housekeeping department is an internal supplier of front office department when it provides room status information for front office and it is internal customers when reports a mal-function of one of the rooms equipment such as mini-bar to maintenance and engineering department. (Paraskevas, 2001)
Paraskevas (2001) noted that the implementation of customer orientation within hotel internal SC which is an effective solution for improvement of service quality and added value for hotel customers. He suggested six sequential steps process for such implication which is depicted in the figure below.

Figure 6 implementation of customer orientation within hotel internal SC (Paraskevas, 2001)

The first step employs a mapping or a blueprint technique, identifying interaction between departments in the hotel. Second step involves training of all hotel employees, raising awareness based on the internal service blueprints. Third step studies expectations of different hotel department in regard with inter-department communication. Forth step communicates the essential competencies and potential obstacles to proper hotel department within the internal service chain. Fifth step is a problem-solving phase, which removes issues and problems of internal SC. Sixth step puts various measures in place, appraising internal service quality. (Paraskevas, 2001)

2.4.1. Service Quality Management

Hotel industry like other industries is concerned with management and provision of service quality. The problem of poor service is interpreted differently based on the perspectives that it is looked upon. For example, at an aggregate level it might be seen as an overall skill problem whereas managerial perspective may interpret it as personnel attitude problem. Regardless of the perspective, if the customer is not satisfied with the service presented, it means there is a problem somewhere along the service process. (Riley, 2007)
Elements of service are difficult to assess since quality exists as it is perceived and understood by the customers. Every customer sees quality as fulfillment and satisfaction of expectations. However it should be noted that service quality relates to consumers’ subjective perception of experience which varies depending on the specific and unique situation and circumstance. A business-man has different service criteria for a five-star hotel than a holiday tourist; nevertheless they both have sets of expectations build upon their notion of five-star service standards. (Eccles and Durand, 2007)

In today’s competitive business environment having satisfied and loyal customers is an invaluable competitive edge. It also increases revenue, build market share, decreases costs and enhances bottom lines. The importance of service quality management in achieving such competitive stand point cannot be denied. (Babakus et al., 2003) Service quality is followed by customer satisfaction and customer satisfaction is antecedent of customer loyalty. Perceived level of service is derived from different encounters between the customer and the service provider; during which customers assess the experience based on the prior expectations and form satisfaction or dissatisfaction. Customer expectation is formed by the internal and external cues that give signs regarding the particular encounter in addition to previous experience and other source of information. (Wilkins, 2007)

It is the job of hotel staff to anticipate and interpret the often unstated requests and wishes of customers and adjust their performance accordingly. Customers are demanding better and higher quality from hotel’s products and services; hence, hotels who fail to meet the increasing demand would eventually fail. On the other hand, hotels that anticipate these customer demands and change accordingly are more likely to benefit from this increasing quality demand and gain market share. (Eccles and Durand, 2007) This makes the measurement methods for assessing service quality a priority for hotels and other service providers. One instrument to measure the level of service is SERVQUAL scale, which explains the service quality by the gap between customer expectations and perception of the service they experience (Eccles and Durand, 2007). SERVQUAL was made in 1985 by Parasuraman and Berry and got revised in later years to meet the demands of the modern day and time (Wilkins, 2007). SERVQUAL considers five factors through which customer understand and perceive service qualities which are tangibility, reliability, responsiveness, assurance and empathy. Other factors also influence customer expectations such as word of mouth, past experiences, personal needs and influences of external communications. SERVQUAL helps managers to evaluate their activities on the basis of determinant factors in
order to understand what actions have yielded the most customer satisfaction. In addition, understanding changes to the customer expectations, would help managers design products and services that accommodate to their needs and expectations. (Eccles and Durand, 2007) To better fit the concept of SERVQUAL, the term LODGQUAL was coined, using similar dimensions in addition to new determinant i.e. conviviality. It is believed that the performances of front office, parking employees and housekeeping have the most impact on the perceived quality by the customers. (Wilkins, 2007)

Regardless of all the efforts in providing an excellent service quality, failures and mistakes are common occurrence in the service delivery. Service failure if not satisfactory rectified can result in negative outcomes such as negative word of mouth, decline in customer confidence and permanent loss of customers. (Babakus et al., 2003) However, when mistakes are properly resolved, they can lead to the rise of customer confidence and loyalty. Moreover, positive outcomes might happen when unacceptable recovery is followed by a satisfactory recovery. In hotels the crucial job of service recovery is on the shoulders of frontlines employees which are at the heart of recovery operations. (Babakus et al., 2003)

2.4.2. Employee Management

From the historical perspective hotel employees were usually the domestic serving class who offered accommodation and service to the society’s elite and rich class during their travels. There is therefore a historical class relation to the way employees are managed and treated. (Lai and Baum, 2005) The success of hotel business is very much dependent on the technical skills, integrity, hard work, attitude and behavior of its personnel. Effective management of human resource can help hotels create a competitive edge in the fast paced labor intensive industry. (Ubedia-Garcia et al., 2013) Human resource management (HRM) activities begin with staffing need appraisal, followed by recruitment, selection and later on training, career development, performance appraisal and compensation. The appropriate activities of HR department can ensure hotel success through creating competitive edge, job satisfaction while minimizing negative word of mouth and the tendency to quit. If human resource standards are not applied within an organization such as a hotel, the employees would not have much trust towards the business, commitment to organization and also might bring about demoralization of workers. (Bavik, 2005)

However, in many cases, hospitality industry is still lagging behind other industries as the managers do not take HR activities seriously. Hotel job are looked down by the society with
usually low pay and are associated with negative features. Other negative features can be summed up in poor work conditions, high turnover, and absence of professionalism, lack of training and required skills for key areas. The irony is that these gloomy conditions are as regards the frontline staffs that have the crucial job of satisfying customer needs by presenting quality service. Unfortunately they are usually badly paid without any training, whereas in a perfect world they should take advantage of high wages, best training and motivational schemes. (Ubedia-Garcia et al., 2013) Biswass and Cassel (1996, p.3) describe the working condition in hotel industry as “a fairly large proportion of unskilled labour; the transferability of skills between broad ranges of hotel and catering establishments; high levels of labour turnover; absenteeism; and low levels of pay”. It should be noted that when considering HR in the context of hospitality industry the formation of supplier/buyer relationship is crucial. Outmost attention should be directed towards creating and maintaining good relationships between three actors i.e. recruitment industry, staff and the company. (Lai and Baum, 2005)

Another issue is regarding marginal workers and minorities whom do not have equal chance of promotion in hotel business e.g. women or immigrants. The number of female hotel managers is disproportionally lower comparing to the number of female workers in this industry. (Ubedia-Garcia et al., 2013) “Women occupy the low-status roles such as chambermaids, and men occupy the more prestigious roles such as managers and chefs. Indeed there appears to be an unspoken understanding within the industry that women are not really cut out for the more prestigious roles such as that of hotel manager” (Biswaas and Cassel, p.4). This calls for diversity management within the human resource practices to create better conditions for minority workers to thrive and go forward (Ubedia-Garcia et al., 2013).

To better manage the workforce in the hotel business, managers resort to different strategies and managerial remedies such as empowerment, training programs and flexibility schemes. Empowerment is giving out decision making power to lower-level employees which in hotels include frontline workers. The added decision making authority and delegated responsibility lead to enhancement of service quality and consequently customer satisfaction. (Klidas et al. 2006) Empowerment allows employees to act based on their own judgment and make decisions such as bypassing work routine, bending regulations, complaint ownership, giving discounts and in overall do whatever it takes to satisfy or exceed the expectations of customers (Klidas et al. 2006).
When implementing SCM in a hotel or any other business it is important to sustain the implementation. For this purpose, management should build a solid foundation bolstered by ongoing training programs. (Clement 2013) Training is one of the main HRM functions implemented to increase competition power in the business and also teaching the employees and managers to be more productive (Sezer, 2009). Training in the service sector such as a hotel is more important and essential than in manufacturing industries and involves employee training in addition to career development and organization training which would lead to organizational commitment in relation to the SC (Shub and Stonebraker, 2009). In the hotel business, training is still extremely neglected and in many cases involves only one day seminars introducing the very basic elements of the workplace leading to poor working standards, high employee turnover and also lack of retention which is very costly for the business as well as employees. Hotels can make use of cultural training programs for different ethnicities and cultures as well as recruiting more trained employees from the university graduate pool. (Jayawardena, 2013)

2.5. Customer Relationship Management

Customer relationship management (CRM) is a system which manages every level of organizational performances in order to delight the customers, build long term relationship and shapes customer loyalty. By recording details of each and every contact with customers and forming a picture of their needs and expectations, satisfaction of current and future customer needs and demands are guaranteed. (Basu and Wright, 2008) SCM in the contact of customer relationship management deals with use of computer programs in bringing together, sorting and storing customer data and in the end applying information in a practical manner (Luck and Lancaster, 2013).

Fawcett et al. (2007) elaborated on the importance of evaluation the profitability of customer relationships and explained proper relationship benefits, to both the company and its customers. They found that achieving customer satisfaction at any costs; is neither possible nor economically viable. CRM software can provide invaluable information about customer’s buying habits and profitability. The customer’s profiles have been built and stored in company’s databases and the relationship of a company with each individual customer has personalized on basis of the customer’s purchase pattern. These patterns outline customer’s preferences, likes and dislikes individually. CRM allows companies to distinguish high
profitable customers among others, although it should not justify intentional lower service to less profitable customers. (Fawcett et al. 2007)

Tiedemann et al. (2009) explored customer responsiveness in European four and five star hotels as well as the internal and external information sharing in context of SCM and marketing. They found that internal and external information sharing is vital part of customer responsiveness. The study proved that achieving cross-functional and inter-organizational information sharing entails application of market orientation approach. High level of customer responsiveness in hotel industry leads to greater customer’s satisfaction and loyalty.

One of the bases of market orientation and SCM is market information. Without market information hospitality companies cannot plan their activities. Market information consists of information regarding suppliers, customers and competitors that were shared across SC. (Tiedemann et al., 2009) “Information sharing provides transparency, and is necessary to strengthen the relationships between the different players, through trust and commitment” (Tiedemann et al., 2009, 14).

Lo et al. (2010) studied hotel CRM and practices. The study found the major goal of hotel CRM is guest retention through continuous evaluation and control with purpose of value creation. Most of studied hotel defined encouraging repeat customers as prime goal of CRM implication. Other objectives could be “making guests feel special, exceeding customers’ expectations, communicating and connecting with customers, and targeting the right customers […] making guests feel coming home” (Lo et al., 2010, 146). CRM contributed to identifying areas for improvement.

The study of Lo et al. (2010) specified hotel communication is tuned according to demographic characteristics, preferences and past transactions. The study suggested value added practices through CRM include service customization and communications, service guarantees and service recovery programs. Those hotels that positioned themselves as luxury full service hotels must provide more opportunities for staff and managers to interact with hotel guests informally. For instance duty managers, lobby greeters, hosts or hostess guest relation managers are supposed to attend at hotel lobby for a certain hours a day, to greet guests or offer goodbye to them which leads to closer relationships with the hotel guests. (Lo et al., 2010)
2.6. Green Supply Chain Management

Historically the study and understanding of the effects of industrials wastes and pollutions has been a controversial issue for societies. Industrial revolution was in some ways sparked by ideas of labor and corporations presented by Adam Smith which created the need for special suppliers and distributions systems and hence supply chain management. (Sarkiz et al., 2011) Some of the early concepts of SCM were presented by Henry Ford such as lean manufacturing, which is based on the idea of waste reduction. However, the definition of waste management on that time was purely economical and not slightly related to the environment. (Sarkiz et al., 2011) Environmental concerns snowballed in 1970 as the news of global warming and biological catastrophes began propagating by scientists. This stated a new era of green decade resulting in the advent of green consumers who were more conscious about their footprints on the environment. (Rahman et al., 2011) “Greening supply-chain management involves addressing the influences and relationships between supply-chain management and the natural environment. Similar to the concept of supply-chain management, the definition of GSCM depends on the goal of the investigator” (Wang et al., 2013, p.3).

Riding on these new concepts the ideas of green lodging and hotel came into existence, which is based on the environmentally friendly managerial ideas to save water, energy and reduce waste and costs (Rahman et al., 2011). This is also a good strategy for hotels to save money and gain market advantages and profit by improving efficiency and reducing environmental risks (Wang et al., 2013). There are different reasons as to why to go green; some include economic benefits, bolstering commitment among employees and customers, improving investor relationship and public relations and most importantly general social and environmental good (Rahman et al., 2011). Green management concepts take three systems of material, culture and environmental into consideration in way that they remain free from pollution. This happens by taking the sustainability standards into the process of product and service production, development and organizational systems. (Wang et al., 2013)

There were not quite solid regulations forcing the hotel industry to go green, hence the other drivers such as pressures from stakeholders were amongst the initial forces pushing hotels to adopt green business strategies (Alvarez Gil et al., 2001). Rahman et al. (2011) list competitiveness, ecological responsibility and legitimation amongst the most important incentives to going green in the organizations. Competitiveness relates to all the cost-saving
activities which result in profitability for the organization and also customers in the long run. Legitimation means abiding by all the ecological rules and regulations which results in sustaining the business, to call a business enterprise ecologically responsible means that it has chosen to go green based on ethical values however it should be stated that there is considerable profit in doing the right thing. (Rahman et al., 2011)

Hotel industry deals with different sets of stakeholders and satisfying these stakeholders is the crucial job in which the organizations have to abide by in order to sustain and flourish in the long term. On one hand there are constituents such as hotel chains, travel agencies and tour operators; and on the other, there are ecological groups, customers and government. Hotels change their strategies based on the power each of these constituents exert and also their own values and long-term business goals. (Alvarez Gil et al., 2001) It was not always easy to notice the customers’ behavior but in the uncertain modern business environment things have changed. Customers nowadays are amongst the most important set of stakeholders who increasingly request green hotels that takes environmental considerations into account. Their understandings of environmental issues have increased significantly due to technological advances such as internet and World Wide Web. They want to invest in an organization that preserves the natural environment for their children and future generations and respects their sense of personal well-being. (Kleinrichert et al., 2012)

Alvarez Gil et al. (2001) consider size, facility age and chain affiliations to be amongst the other issues affecting the green movement of hotel industry. They believe that:

- Large facilities tend to deploy more extensive ecological and environmental practices than small sized hotels. This is due to economy of scale and also availability of flexible resources required for such renovations such as human or financial resources.
- Age of hotel’s facilities has a negative correlation with deployment of environmental management practices. Since some of these practices require state-of-art equipment requiring modern and up-to-date facilities and amenities.
- Chain affiliation also has a positive influence on taking up environmental management practices due to better access to resources and taking advantage of economic scale.

Unfortunately some hotels choose to go green just based on financial benefits and they do not consider the true meaning of sustainable development concept. The lack of proper certificating organizations has led to confusion among customer as to how truly green these
properties are or the ways to compare them based on certifications gained from inconsistent organizations. Hotels can simply claim to go green without obtaining proper certifications or by only paying the fees of acquiring a certificate without any actual adjustments. There are some organizations such as Leadership in Energy and Environmental Design (LEED) certifications and Green Hotel Associations (GHA) that have proved to be trustworthy certifiers of green hotels. (Rahman et al., 2011) Other well-known standards in this regards which provide a comparison for environmental and social practices are: ISO 14001 (environmental accountability); Fair Labor Association (FLA); SA 8000 (social accountability) and Forest Stewardship Council (FSC) (Kleinrichert et al., 2012).

It should be mentioned that In order for the hotel to act green, it should stay green not only through the internal operation performances, but also in upstream and downstream sections of the supply chain as well (Wang et al. 2013). As Wang et al. (2013, p.2) express the real GSC is:

Interconnected series of greening activities concerned with the planning and controlling of raw materials, components and finished products from suppliers to the final consumer, and also focus on how to protect the environment by each other’s cooperation in the future between upstream suppliers and downstream customers. GSCM process included some greening concepts, for example, green marketing, green purchasing, green design, and green production.
3. Conceptual Framework

A well-managed supply chain will lead to business success and profitability. To better understand the SC of a hotel and answer the following research questions a model (figure 7) is presented by the authors which makes use of different concepts reviewed in the chapter two.

1. How can the relationship between suppliers of a hotel and the hotel's supply chain management system be described?
2. How can the relationship between suppliers of a hotel and the hotel's internal operations be described?
3. How can the relationship between suppliers of a hotel and the hotel's customers be described?

The basic idea to analyze the supply chain of a hotel is constructed by the various definitions of supply chain management, defining it as a system consisting of upstream and downstream relationship with suppliers and customers which participate to deliver the final product to the customers (Christopher, 1998; Lummus et al., 2001, Waters, 2003). Waters (2003) describe upstream component of the SC as the activities which move the material inward to the system from the suppliers whereas downstream component of the SC moves the material downward to the customer. Waters (2003) also calls the internal operations the heart of the business which produces and delivers the final rendered product.

In order to explore the relationship between upstream component of the hotel’s SC with the internal operations and downstream component and also the whole SCM system of the hotel; different parts of these components alongside the other influential factors are identified. The different parts of SC should coordinate and communicate for the system to work. The key to SCM in a hotel is to integrate the activities of front-office with the activities of back office (Kothari et al., 2005). Flow of information between different parts of hotel’s SC is also a crucial factor (Kothari et al., 2005). The use of technology and internet is also a big determinant as more hotels are making use of technology in their businesses. By using technology in different parts of SC, hotels can have real-time information about their inventory condition, availability of product and requirement and shipment conditions .(Kothari and Hu c, 2005) The upstream part is comprised of goods and service suppliers who provide the input for the business, alongside with tour operators which provide the customers (Diaz et al., 2006; Feinstein and stefanelli, 2012; Basu and Wright, 2008) and
human resource providers which are responsible for training and recruiting competent workforce (Clement, 2013; Shub and Stonebraker, 2009; Jayawardena, 2013). On the other hand downstream component of the SC consists of customers of the hotel which provide hotel with income and profit allowing it to sustain. CRM is used to better manage the downstream component of the SC in order to delight the customers, build long term relationships and shape customer loyalty. (Basu and Wright, 2008) Luck and Lancaster (2013) assert the use of technology in the CRM programs in bringing together, sorting, storing and applying customer’s data. Other influential concepts such as application CRM activities, customer dissatisfaction presented by Fawcett et al. (2007), information sharing by Tiedemann et al. (2009) and guest retention by Lo et al. (2010) have also been taken into consideration. Internal operations as Fawcett et al. (2007) describe is an array of different functions with the purpose of value creation. Human resource management plays a crucial role in internal operation section of the SC as well, based on the ideas presented by Ubedia-Garcia et al. (2013) who relates the success of a hotel’s SC on the technical skills, integrity, hard work, attitude and behavior of its personnel.

In order to link the three SC components, different influential factors are also taken into consideration. Outsourcing as Basu and Wright (2008) state, are used for cost saving and a tool allowing the hotel to focus on its core activities. Lam and Han (2003) also link outsourcing with upstream activates of the SC emphasizing on building strategic relationship with the outsourcing company. Technology plays a vital role in this study as it affects every aspect of the SC. As Basu and Wright (2008) point out, technology transforms the way hotels function by making hotel business less labor intensive with more deskilling, information technology, robotics, automation and new ways of doing business. Lanconi (2000) also presents different technological breakthrough examples such as Internet, just-in-time programs (JIT), point of sales data sharing programs, Customer relationship management (CRM), applications, Web ordering systems, Global Positioning System (GPS), electronic data interchange. Kathori et al. (2005, 2007) and Feinstein and stefanelli (2012) also contribute immensely to the topic by bringing the concepts of e-procurement offering real-time information about the availability and requirements of the product, level of inventory and the delivery status. The other influential factor shaping the relationship between different components of the SC with other components is sustainability which as Wang et al. (2013) believe influences the process of product and service production, development and organizational systems. Alvarez Gil et al. (2001) also lists the stakeholders influencing the hotels sustainability and put hotel chains, travel agencies and tour operators on one end of the
spectrum while place ecological groups, customers and government on the other end striving for balance. For exploring the relationship with of suppliers, different supplier relationship choices were identified based on the ideas presented by Fawcett et al. (2007). He emphasizes on the notion of trust and open communication in the choice of suppliers and managing supplier relationship. He proposes two types of relationship i.e. transactional and strategic relationship. Diaz et al. (2006) also propose the idea of relational capabilities as lasting strategic relationship between two or more stakeholders. The relationships established between hotel and focal companies such as wholesalers and retailers are considered a transactional nature, however through time they should improve to strategic collaborative relationship (Diaz et al., 2006). In the following chapters through using the ideas presented in the conceptual framework, the relationship between the different parts of the hotel SC and the whole SC going to be explored with the help of analyzing Azadi hotel as the case study.

![Figure 7 Conceptual Framework for SCM of a Hotel](image)

**RQ= Research Question**
4. Methodology

This study takes a qualitative approach in research design and methodology. In addition, a case study strategy is chosen for examination of the hotel and its SC. Moreover, different methods such as interview and the use of secondary data such as websites, data bases are chosen.

a. Research Purpose

The social research process is categorized into three groups of exploratory, descriptive and explanatory purposes. However, an individual study can take one or all the mentioned purposes (Sue and Ritter, 2007). The purpose of this research is mixed method of descriptive and exploratory. Descriptive studies describe people, situations and products and in general have more guidelines. They usually have some research questions, although they are not always bound to structured research hypothesis (Sue and Ritter, 2007).

Exploratory research on the other hand is for the purpose of problem formulation, concept clarification and also to form hypothesis. Exploration studies begin based on many strategies such as literature search, case studies or focus group studies. (Sue and Ritter, 2007) In this research in addition to describing the supply chain process of Azadi hotel, the researchers tend to assess and answer the question of the effects of single source supplier strategy in the selected hospitality establishment. Data in the exploratory studies is generally qualitative such data drawn from interviews with a few experts instead of number ordinary people (Sue and Ritter, 2007).

b. Research approach

Research strategies and methods all contribute to a research approach, whether qualitative, quantitative or mixed. Researcher’s personal experience and also research problem and audience are key determinants in choosing a research approach (Creswell, 2009). Based on the exploratory and descriptive purpose of the research and in addition to the conditions governed in the Iranian hotel industry and the researchers past experiences of working in the hotel, the qualitative approach is selected for this research.

QUALITATIVE RESEARCH

Qualitative research aims to develop an understanding of the context in which phenomena and behaviors take place. It focuses mainly on experiences and emotions and is designed to be probing in nature, thus encouraging informants to introduce concepts of importance from their perspective, rather than adhering to areas that have been pre-determined by the research (Altinay and Paraskevas 2008, p75).
Creswell (2009) states that by examining a context and asking open ended questions, quantitative researcher strives to understand the setting of a phenomenon. Participants in this approach can express their views and opinions better and with more details. The process of doing such research is inductive, with the researcher making sense of the data collected in the field. Fossey et al. (2002, p1) also describe it as:

Qualitative research aims to address questions concerned with developing an understanding of the meaning and experience dimensions of humans’ lives and social worlds. Central to good qualitative research is whether the research participants’ subjective meanings, actions and social contexts, as understood by them, are illuminated.

When a researcher does not have a definite and fixed idea as to what variables to study, qualitative approach becomes more suitable. Moreover, when the research is original or the studied sample is not in accordance with the existing theories (Creswell, 2009). The researcher’s personal thoughts and opinions, alongside with the participants consideration, feelings and emotions on the topic can find their way into the qualitative research process (Flick, 2006). In this study the findings based on study of secondary date, in addition to information drawn from the interviews would be processed based on a qualitative approach to be able to understand the application of SC principles fully and completely.

c. Research Strategy

A research strategy determines the type of evidence that is gathered, its origins and the way it is evaluated and understood, accompanied by how it helps answering the research questions. In another word, the proper research strategy gives direction to the research and consists of case-study, ethnography, grounded theory, survey research, action research and also experimentation. (Altinay and Paraskevas, 2008)

The strategy used in this qualitative research is case study strategy. By using case study strategy, the researcher takes a thorough investigation in order to understand events, processes or a phenomenon (Creswell, 2009) which in this case is Azadi hotel. The researcher collects much information over a fixed span of time by the use of various data collection methods (Creswell, 2009). To be able to make sense of a complex case, social science scholars, developed this research strategy. Later, this strategy expanded from social science field such as economics, psychology and sociology to practice-oriented subject such as business studies and education. (Johansson, 2007)
Case studies show the complications of running a business or developing a destination (Altinay and Paraskevas, 2008). Having more than one source for data gathering increases the validity of a case study. It is usually an amalgam of methods such as interviews or surveys accompanied by the use of secondary data such as archives, data bases, journals, documents and broachers which would increase the consistency and weight of the gathered data and obviously findings of the research. (Creswell, 2009)

Despite all the positive views on the use of case studies, there are some criticisms as well. Case studies can mirror personal opinions or prejudices of the data collector and examiner. Regardless, some scholars believe this may even play to the benefit of the study which is meant to be personal and multi-faceted. (Richards and Munster, 2010)

d. Data collection

There is a range of different techniques in which data can be collected in order to achieve the goals of the research such as interviews, observation, questionnaires and content analysis of documents (Altinay and Paraskevas, 2008). Interview technique was selected for this study. The same as other data collection methods, the primary purpose for having an interview is to gain information, collect data and find out about people's opinions and thoughts about an issue. It is asking questions in a systematic manner, followed by jotting down, or recording the responses which later are analyzed, resulting in better understanding and knowledge of the research topic Altinay and Paraskevas, 2008).

In this study interviews were limited but thorough, deep and lengthy. This is best when the researcher tends to find rich and comprehensive information from a small number of participants (Creswell, 2009). The questions were semi-structured and designed beforehand in order to better control the interview process and keep it to the point and focused. Above all, it is useful for keeping the answers valid and more reliable for the analyzing part. It was not completely structured so that it can flow more freely and can have room for changes and further explanations.

Just like other data gathering methods, interviews have some drawbacks. Their time consuming nature such as formulating and organizing the interview process in advance in addition to the time spend for finding the right people and its necessary arrangement are amongst some common problems associated with interviewing. (Altinay and Paraskevas, 2008) The questions asked for the purpose of this study revolved around the three main
components of SC with the main theme of single-supplier strategy adopted by main organization, which are presented in the appendices.

e. Sample Selection

“Sampling is the process by which researchers select a representative subset or part of the total population that can be studied for their topic so that they will be able to draw conclusions regarding the entire population” (Altinay and Paraskevas, 2008, p.89). For this study Azadi hotel is selected as a case for data gathering purpose. The selection of respondent within the case for the purpose of the interviews was done among the high level managers and directors. The researchers approached the hotel and presented their interest in the research and the hotel appointed two high level managers for this matter. Given, the nature of the questions, lower level employees were not considered in the sample. It should be noted that employees wanted to remain unknown due to special working politics of Islamic Republic of Iran.

- They both have university education
- They both have at least 5 years of experience in the hotel business
- They both hold managerial task in the hotel and service industry
- They both have at least 1 year experience since the renovation of the hotel
- The male interviewee is expert in upstream and downstream sections of SC
- The female interviewee is expert in internal operations section of SC
- They both requested to remain unknown due to special political working condition prevalent in Iran at this point of time.

The benefit of research sample is having a relatively small number of cases which can be generalized to larger population making the research time-efficient, manageable, less costly and more accurate (Altinay and Paraskevas, 2008)

f. Data Analysis

The next step in any research is analysis of the data gathered and making sense of it. Without the analysis and giving meaning to these raw data, the whole research process would be futile and fruitless. There is a need for a link between theory and data in order to make sense of sense of data and also contribute to the theory. (Long, 2007) In another word, it is the researcher’s interpretation of the raw data, and transforming them into an understandable description of a phenomenon (Altinay and Paraskevas, 2008).
The data analysis was done based on the guidelines offered by Long (2007) which are as follows:

1. Listening to the whole recorded interview audios once or twice to better familiarize themselves with the contents which would result in understanding key points of the interview and data reduction.
2. Paraphrasing and summarizing the data while transcribing the recorded audio.
3. Organize the data
4. Display the results
5. Draw conclusion based on the research questions and conceptual framework

**g. Quality Standards**

For increasing the credibility of the research it is essential to assess the suitability of the research process, for the purpose of evaluating the results of the study. These results can be assessed against two quality criteria i.e. reliability and validity (Altinay and Paraskevas, 2008). Reliably is “degree to which the same methods used by different researchers and/or at different times produce the same results – consistency when repeated” (Long, 2007, p.236). The researchers tried to demonstrate the steps taken in a way that it is possible for other researchers to follow the same path and get similar results.

Validity is the extent to which the data collection methods and research results are accurate and portraying what they proclaim to be (Altinay and Paraskevas, 2008). Creswell (2009) believes that in a qualitative research, reliability does not carry the same meaning as it does in a quantitative one and it is not a companion to stability, consistency or generalization of responses. He states that in qualitative research generalizability (the validity of applying results to a new sample and setting) and reliability play minor roles, whereas validity is seen as the strong point. In this study the researchers asked their peers to review the research and aid them in this regards.
5. Data Presentation

Data gathered through interviews, and hotel website is presented in this chapter. To answer the research questions, Azadi hotel was selected as a case study and two sets of interviews were done and their data was collected from two top level managers of Azadi hotel. The interview questions were formulated based on the conceptual framework of the study and research questions. They were structured in three main areas of SCM process i.e. upstream, internal operations and downstream with special focus on the upstream component and supplier relationship. Different influential factors shaping the relationships between the components were also identified.

5.1. Azadi Hotel Case Study

Data gathered from the website and interviews about Azadi hotel and its SC revealed that Tehran Azadi Hotel is one of the properties of biggest Iranian hotel chain Parsian International Hotels Co. This hotel is located in north of Tehran, adjacent to Chamran highway with about 60 minutes driving distance to Tehran international airport. According to the hotel website (www.Azaditehran.pih.ir); this hotel has 475 rooms and suites, which were recently renovated and refurbished by Switzer, Italian and Chinese contractors. This hotel position itself as a five star luxury hotel, which targets business traveller segment.

The hotel offers various types of room including junior suites, duplex and presidential suites, connected, handicapped compatible, and twin and double standard rooms. According to the official website of the hotel; all the hotel rooms are equipped with high-speed Internet access, interactive TV with great view of Alborz Mountains. There are several food and beverage outlets within the hotel including Parseh fine Persian dining restaurant on 26th floor, 24 hours Orchideh Coffee shop and restaurant, Asemaan coffee house, Yasaman breakfast room, Niloo lounge, Paniz VIP executive restaurant, Bice Italian restaurant and 24-hour room service.

Meeting and convention facilities include Zarrin Multi-functional banquet capacity with the capacity of 360 people, Zomorrod Ballroom with capacity of 110 people, Almaas meeting room with capacity of 80 people and Brelian with capacity of 80 people. Hotel proprietary website does not offer online reservation and was out of order during the time of the research process. The hotel does not use any global central reservation system (CRS) and it is not listed on any online travel agencies (OTAs) such as Expedia.com or Travelocity.com.
It became obvious that supply of raw material, utilities and amenities of Azadi hotel is provided by Pishrou Co. which is owned by Parsian tourism and recreational centers owned by Bonyad foundation. The skill and human resources of the hotel has been supplied by two organizations: institution of training and consultancy of tourism (INSTROCT) and governmental employment agency known as Moheb Samei. The hotel is required by the chain to work with these organizations and cannot change their suppliers without the approval of Parsian International Hotel Co. Table 1 depicts the 20 holdings of Bonyad Fundations and Table 2 shows the sub-organizations of Parsian Tourism and recreational Centers (Bonyad Website).

<table>
<thead>
<tr>
<th>Bonyad Fundation’s holdings</th>
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| PARS  
Tourism And Recreation  
Centers |
| PARS  
Milk And Meat Animal  
Husbandry Investment |
| PARS  
POOSHAN Industries Investment |
| PARS  
WOODEN And Cellulose Industries Investment |
| KAVEH PARS  
Mining Industries Development |
| PEYVAND  
FERDOUS  
PARS  
Agriculture And Gardening |
| ALAVI  
Urbanizing And Engineering Services |
| Sina Paya Sanat Development(General Industry) |
| PANIZ PARS  
Sugar Investment |
| SINA Energy Development |
| SABA  
Power And Energy Industries |
| RAHNEGAR  
PARS Investment Management |
| PAYA SAMAN PARS  
Investment |
| IRAN  
Housing Development |
| SINA Investment Management |
| ATIEH SAZAN  
Project Management |
| ZAMZAM IRAN |
| ALAVI Foundation |
| SINA  
Communications And Technologies |
| SINA  
Food Industries Development |

Table 1 Bonyad Fundation’s Holdings

<table>
<thead>
<tr>
<th>PARSIAN Tourism And Recreational Centers</th>
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<tr>
<td>Pishro Siahat Commercial Co</td>
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<tr>
<td>Persian Esteghali International Hotel.</td>
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<tr>
<td>Persian International Hotel</td>
</tr>
<tr>
<td>Azadi International Hotel</td>
</tr>
<tr>
<td>INSTROCT</td>
</tr>
<tr>
<td>Moje Siahat Co</td>
</tr>
<tr>
<td>Isfahan AliQapu Hotel</td>
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<tr>
<td>Ato Co</td>
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<tr>
<td>Isfahan Kowsar Hotel</td>
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<tr>
<td>Persepolis Co</td>
</tr>
<tr>
<td>Iranians club of Dubai</td>
</tr>
<tr>
<td>Tehran Kowsar Hotel</td>
</tr>
<tr>
<td>Shahid Chamran Complex</td>
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<tr>
<td>Eram Sabz Co</td>
</tr>
<tr>
<td>Yadavaran Shalamcheh Institute</td>
</tr>
<tr>
<td>Mashhad Tourist Tous Hotel</td>
</tr>
<tr>
<td>Touchal Tele Cabin Co</td>
</tr>
<tr>
<td>Yazd Safaviyeh Hotel</td>
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<tr>
<td>Parsian International Hotels co.</td>
</tr>
</tbody>
</table>

Table 2 PARSIAN Tourism and Recreational Centers

This showed that the hotel is in a very big and complex corporate chain, making the management of the supply chain very different than the other smaller hotels.

5.2. **How can the Relationship Between suppliers of a hotel and the hotel's supply chain management system be described?**

When asked about the suppliers, producers and distributors’ relationships with the hotel, participants answered that the Azadi hotel has a set of rules regarding the choice of suppliers
and distributors dictated from the head corporation Bonyad Mostazafaan which is one of the biggest corporations in the country. The hotel does not have any say regarding the selection of suppliers in general. One of the subsidiaries of Bonyad Mostazafaan is the Pishro Siahat Co. which is the main supplier of the hotel. Azadi hotel procures almost all its major requirement from Pishro Co., however in the food and beverage section the procurement department sometimes acts directly for supplying the hotel’s minor operational needs.

The hotel plans to get some quality standards concerning its supplies such as ISO 8, ISO 9001, ISO 22000, ISO 18000, ISO 14000, HACCP, and HALAL. Based on the ISO 9001 standards the hotel has created a set of standards to abide by regarding the selection and assessments of suppliers, however it is yet to be implemented and for the time being, the choice of suppliers -besides the main supplier, are according to managers’ personal judgment. For one occasion they might procure their food and beverage needs from one supplier and the other day from another. It should be noted that the wholesale supplies such as rice; oil and meat are procured by Pishro Co. The hotel cannot change its supplier, however, in some occasions they can choose their preffered product brands but for other types of staple food supplies hotel does not have any decision making power. For example mineral water and beverage or meat should be purchased from specific companies such as Zamzam or Gooshtiran. Every item that represents the hotel and the chain should be procured through the predestinated supplier (Pishro Co.) such as all of the room equipment printed with hotel logo. In other cases such as small item like hangers, nuts, or slippers hotel acts on its own.

The participants answers to the questions about storing the previous hotel statistics, making sense of them, forecasting the annual sales and the related communications was that: the hotel makes use of Protel application and it has great qualities but it is not yet comprehensively used by the staff and management and many of its main potential are unused. Regarding the prior sales statistics, the hotel has just started working under the new system and management since last year; hence, there is not much information to begin with. They also noted that the departmental managers play a role in forecasting future requirements of their department and send notices to procurement department through notes or a phone call requesting the purchase. Regarding the making sense of the previous statistics, the top management philosophy is still traditional business model and there is not much proactive, pre-emptive and practical long term strategy regarding the business. It should be noticed that
the new business model is based on modern economic and business ideas; however, it is not yet put into practice and needs time to be implemented.

As regards the inventory management, the inventory-supplier, inventory-internal sections relationships and communication of forecasted sale to the suppliers; they believed that there is no specific program between the hotel and suppliers acting as a real-time intermediary. For its financial and storage management the hotel use an application called Hamkaran System. The procurement section of the application is not yet activated and only the inventory and financial capabilities are active at the moment. The internal departments inventories are managed by the head of departments and they have paper forms that are updated regularly to keep them informed about the availability of the necessary items. However there is no application or system in this process. The inventory is still yet to be managed based on the required standards. For the time being there is not much of reliable information about how much goods they have, want or have excess of.

They emphasized the problem about lack of trust stating that although the hotel and the supplier are parts of one whole corporation, the supplier does not always take the hotels benefits into consideration and acts according to this own benefits. For example, meat price offered by the hotel’s chain supplier is in many cases more expensive than the market price; nevertheless, it should only be procured from predestinated supplier. About the transportation and lead time they have to add that most of the transportation and distribution systems are managed by Pishro. Co. In addition to that the Azadi hotel has its own transportation mechanism. As for the lead-time, there is not any specific information.

When asked about the relationship with upstream guest-suppliers such as domestic or international travel agencies in addition to the relationships between reservation/sales sections and domestic and international sellers they answered that: this is Azadi hotel most problematic section. The communicative channels with guests are twofold. On one hand, there is marketing and sale department, and on the other hand there are reservation and front office and sometimes these two collide. The main corporation (Bonyad Fundation) has two key travel agencies as subsidiaries which are Aito and Perspolice agencies. They have the responsibility to supply all the 22 hotels which exist under Bonyad Fundation and they receive exceptional discount from hotels to be able to corner the market. However, they sometimes act destructively by presenting unstable and fluctuating prices.
The main problem is integration and management of all the different sources. Diplomatic and business guests are among the main market of the hotel and Azadi hotel has focused its utmost attention on corporations which are working in this area. The focus on travel agencies for ordinary guests is not a priority for the time being. Hotel is not affiliated with any international travel company; however it works with international business corporations such as Samsung as regards the management of its workforce, exhibitions or related accommodation needs.

In Iran there is an absence of electronic banking system, and since the embargos, Iranian banking system is disconnected from the world’s financial system. Hence, there is no support for credit cards preventing the international travellers to pay beforehand through their bank account. Only Iranian debit cards work inside Iran. External problems such as political condition of Middle East and Iran have affected the Iranian hotel business as well. Last year’s occupancy rate was only 17% increasing to 40% this year, meaning the hotel is not having any profit; although this is improving as the hotel gains experiences and moves forward.

5.2.1. How can the relationship between suppliers of a hotel and the hotel's internal operations be described?

When it came to internal operations and how the different sections of the hotel communicate they added that the Protel application is very useful in managing the activities of different departments. However, it is yet to be used and for the time being most of the communication is paper-based or via telephone. The reason for that is lack of education of the maintenance and lower level employees. At this time, only housekeeping and front office employees make partial use of this application. The hotel managers hold meeting every three months; however, some departments have briefings for their own employees every morning.

The next question was about outsourcing. They stated that there is a high intention for making more use of outsourcing; however, the operational strategies are yet to be formed. All the maintenance and engineering personnel and activities of the hotel are outsourced. The Italian restaurant Bice is also outsourced which is an unconventional act for Bonyad Foundations. Departments usually have the permanent employees covering up to 50% occupancy with the policy of hiring daily workers in the more crowded times.

The next issue presented covered areas of employee training, reward and penalty policies and employees retention and loyalty programs. It became obvious that INSTROCT institution holds the training classes and courses. They also hold different university courses. However,
the problem is that the university graduates are not easily absorbed into hotels due to lack of appropriate job conditions. Azadi Hotel also has an educational department which connects INSTROCT institute and the hotel.

One of the interviewees stated that for the matter of selection and hiring, hotel works with an outsourcing company called Moheb Samen which provides daily work-force when their exigencies demanded. The initial strategy was selection based on entrance exams but it did not yield proper results. There is no active human resource department, and not much employee retention or royalty programs schemes. Workers lack the required job motivation and the elements of job satisfaction are also not maintained. In addition, there is a very high employee turn-over due to lack of correcting strategies.

The other interviewee believed that the employees are usually not adequately trained by the employee supplying company and have to pass the on the job training within each department. Inside each department, there are programs such as reward programs, or celebration of employees’ birthdays. There is no retention program for the employees and the turnover is high wasting a lot of training and energy. The other problem is that there is no employee satisfaction measures which costs hotel with various vandalisms inflicted by unsatisfied employees.

The interview came to the topic of quality control and the participants answered that there are ongoing efforts in regards to quality control standards; however, there is not much progress for the time being to match the hotel’s standards with the world’s standards of five star hotels. Sometimes the managers of a specific department have to return the purchased items since they could not pass the minimum standards of their department and the procurement section has to repurchase. On some other occasions hotel departments have to act on their own for quality control, since the supplier which provided the equipment did not follow through with the necessary after service. In some cases the Pishro Co. has bought merchandises without the required after service equipment so the hotel departments have to act on their own to find them in order to be able to continue using them.

Regarding the sustainability, waste management and recycling they understood that hotel has the ISO 14000 certificate, but there is an ongoing work regarding implementing all the required standards to the fullest. There are workshops planned for the employees introducing them to these concepts. Some activities in relation to waste management and recycling are already underway but there are no definite guidelines or future prospect for them. Hotel
employees such as housekeeping personnel have been told to collect the empty water bottles from rooms. The department sells these bottles and uses the money to buy birthday cakes and other gifts for the employees. There is no long-term and systematic sustainability programs; however, each department has some sustainability measures dictated to the employees.

5.2.2. How can the relationship between suppliers of a hotel and the hotel's customers be described?

When asked about the strategies and technologies provided by the managers and suppliers for assessment of customer needs, wants, and expectations; the managers believed that the only communication channels with customers for the time being are questionnaires which are not also managed well. There are not properly trained employees at the moment who are expert in customer relationship management and also even the technologies required for this very task is not fully available such as the proper communication channels with the customers. Lack of communication channels and customer feedback technologies has left the hotel with no plans for assessing individual wants or possible changes in the future trends of customer expectations.

The next discussed issues were about CRM programs and customer club. They hold the argument that Protel program which is used in the hotel is customer focused, and is based on CRM principles but is not fully active for the time being. It is not very much used at the current time and the data is unused. Customer club (which has recently started working) helps in this regard but it is for the whole chain and does not solely focus on the Azadi’s hotel’s business. The last topic to be discussed covered the areas of complaint management and satisfaction and it was concluded that there are some discounts and gift cards but there is absence of any planned strategies for that matter. For the time being only the managers and front office personnel can access the CRM programs and there is still a lot to be done in this regard and there is no automation or special program designed for meeting the needs of the dissatisfied customers.
6. Data Analysis

In this chapter the data gathered from the interviews are analysed based on the research questions, and compared to the literature presented in chapter two and conceptual framework presented in chapter three.

6.1. How can the relationship between suppliers of a hotel and the hotel’s supply chain management system be described?

Christopher (1998) defines the SCM as a network of organizations that are involved in the upstream and downstream linkage which add value to the products through different internal activities. This definition was chosen as the basis for the analysis of the hotel. Based on this idea and data drowned from in-depth interviews; it became obvious that if the three components of the SC do not function properly and in accordance to each other many problems may occur in the SCM system of a hotel. From upstream section of the SC such as relations with the suppliers to the internal operations such as communications between the departments and lack of up-to-date technology, to downstream problems such as absence of customer relationship managers practices. The list of the problems that might occur in a hotel’s SC which are gathered from analysing, reduction and display of the qualitative data are listed below:

- Lack of up-to-date technology
- Improper communication channels
- Low communication
- Insufficient training
- Limited information sharing
- Low practice of sustainability measures
- Improper employees relations
- Lack of demand assessment
- Low market knowledge
- Lack of CRM
- Improper recruitment systems
- Lack of standards
- Not abiding by the standards
The empirical data proves Fawcett et al., (2007) theory of supplier trust and relationship. They argue that lack of trust leads to several obstacles in supplier relationship improvement and longevity. Empirical data also showed that in case there is not a solid trust between hotel and suppliers, the SC would fail to function. The hotel has to trust that the supplier has its best interest in mind. In case this trust is damaged between the hotel and suppliers, managers should have the authority to change the suppliers. Results revealed that communication also plays a big role shaping trust and relationship with the suppliers proving Fawcett et al (2007) declaration that open communication has significant role in managing supplier relationship. It also became obvious that when the demand fluctuates hotels would have difficulties in procuring sufficient amount of supply if there is lack of essential supply forecasting and properly communicating the available forecasts to the suppliers. If there is not a real time communication technology available as Kothari et al. (2005, 2007) argue, hotels would fail to communicate effectively with the key suppliers through the chain. Consequently, the hotel falls short in evolution of open communication and information sharing through the chain and thus disappointment the strategic relationship.

Diaz et al. (2006) discussed the relational capabilities of hotels with their suppliers and stakeholders stating that relational capabilities are skills aiming to improve the competitiveness of a hotel and its SC. Diaz et al. (2006) also state that the relationship between a hotel and its wholesalers have transactional nature but through time can take the form of strategic relationship. The data gathered from the respondents regarding the supplier relationship and hotel SCM is to some extent congruent to Diaz et al. (2006) theory, as it showed that in case the relations between a hotel and suppliers is not strategic and is solely based on personal judgements and decision makings of managers of the chain organization the proper relationship between suppliers and the hotel will not be established. The relationship can be to some degrees categorized as transactional, due to the lower prices of the chain bulk purchases; however it lacks the strategic and relational capabilities required for managing a sound SC. The joint material procurement for properties of a chain hotel organization improves the negotiation power and economic of scale in relationship with upstream supplier. However if this relationship is one-way and does not consider the benefits of both parties the result will be negative. Moreover, if hotels hold strategic relationship with service companies such as employment agencies, engineering and maintenance companies and security companies, it can provide them with competitive advantages through enhanced value creation.
6.2. How can the relationship between suppliers of a hotel and the hotel's internal operations be described?

The respondents confirmed Zhang et al. (2012) theory that IT advances can boost the internal operations of a hotel such as the relationship between guest reservation system and reception and other departments reducing employee workloads, and increase employee satisfaction. The respondents both concurred to indications of poor communication and dissemination of information between the hotel departments. It became evident that if communication and collaboration of different hotel department are not at the acceptable degree, the communication lines would be blurred; interdepartmental relationships would be broken and managers cannot communicate clearly to the staff. Kothari et al. (2005, 2007) and also Basu and Wright (2008) believe that hospitality industry would thrive if it shifts from low-tech-low-touch to high-tech-high-touch business with the use of proper up-to-date technology. The empirical data also proves the same theory in a way that hotels who fail to embrace technology into their internal process linking their departments, streamlining their workflow would fail to meet the modern customer demand and manage a well design SC. Hotels should make use of software platforms connecting all hotel departments and functions by appropriate IT infrastructure. Shortage and the failure of the suppliers to provide hotel with necessary technological equipment in this regards, as the empirical data shows, would increase employee workloads and problems in the hotel’s supply chain system. Undoubtedly, lack of IT resources—whether hardware or software, or IT skills and competencies—leads to internal value chain bottleneck, and results in inferior relationship between the departments of the hotel. Suppliers should provide the hotel with adequate technological equipment and up-to-date amenities, so that the hotel can better communicate internally and connect different components of its supply chain.

The interviews proved another important idea presented by Clement (2013), Shub and Stonebraker (2009) and Jayawardena (2013). They all believed that the common problem in the most hotels is lack of skills among hotel staff and also deficiency in trained staff. Jayawardena, (2013) trusts that lack of proper training leads to poor working standards, high employee turnover and also lack of retention which is very costly for the business as well as employees. Empirical data also supports this and shows that if hotels are supplied with employees who do not know what the appropriate behaviour is and how their current behaviour affects the guests, they would fail to meet the real needs of the customers and as
results have high employee turnover. The reason for the deficiency in trained employees as Klidas et al. (2006) believe is poor supply of adequately trained staff. The data from the interview also shows that when supplier cannot provide the hotel with trained workforce, the hotel should carry the costs of trainings and waste of time and resources.

As for the sustainability Alvarez Gil et al (2001), believe that if a hotel is bigger, newer and part of a chain, it would behave in a greener manner, however, the empirical data showed to some extent different. Data suggests that hotels that are bigger and newer would benefit from advantage of modern amenities but the main driver for hotel sustainability is management and owners’ dedication in addition to proper trainings and education of the employees as well as customer and most importantly adherence of suppliers to the sustainability principles. If the chain organization and the selected suppliers do not abide by the sustainability measures, it would also have detrimental effect on the operations of the hotel. Supplier’s sustainability adherence would affect the sustainability of the follow-up internal operations in the hotel. In the case of quality management empirical data suggest that the quality management of the service and goods offered by suppliers have positive relationship with the quality of the rendered service and products offered in the hotel. Not abiding by or lack of proper quality measures as Eccles and Durand (2007) state, would lead to management failure in preparing acceptable service and also understanding of what actions leads to more satisfaction and what parts of the internal supply chain are problematic and in need of change and modifications.

6.3. How can the relationship between suppliers of a hotel and the hotel's customers be described?

Wesbter (2011) emphasizes that in order for a hotel to have well-managed supply chain, it should be governed by customer demand rather than supply stream. Tiedemann et al. (2009) and Basu and Wright (2008) also emphasize on the importance of information sharing in SCM and customer responsiveness. The respondents also emphasized on the lack of market research hence low customer-driven demand leading to the SCM failure. Communication and relationship problems are not confined to upstream suppliers of the hotel; the empirical data shows that communication and relationship problem are common between the hotel and its customers as well. Market knowledge would prevent hotels from being able to develop of new product and service according to customer’s preferences and true needs. Eccles and Durand (2007) discuss customer expectation formation and believe that understanding changes to the customer expectations, would help managers design products and services that
accommodate to their needs and expectations. Tiedemann et al. (2009) also states that without market information hospitality companies cannot plan their activities. Data from the study also reveals that hospitality-market changes constantly and lack of awareness of the hotel about these changes in the prime market variables such as current and potential customers’ demographic, perception, value, and psychographic changes confines the hotel’s opportunities for modifying and developing new hotel products and services that reflect these changes. If a hotel fails to communicate with its customers, understanding their expectations, it would fail to deliver a right product at the right time as well. When hotel fails to understand the needs of its end-customer it cannot develop strategic relationship with customers and distributors, which leads to failure in development of new hospitality product and service meeting the needs of end service customers. Feinstein and Stefanelli (2012) and Luck and Lancaster (2013) asset that technology plays a vital role CRM and technology can assist managers with flow of customers information such as satisfaction level, buying behaviors, contact information and product/service preferences Empirical data also proved that if there is not customer relation management practice in a hotel, managers would not have access to any information about past, current and potential customers, their buying habits, preferences and profitability. This would cause managers to see all customers as homogenous; completely similar to each other, therefore no service delivery customization will be defined at the hotel SC. Empirical data also proves Fawcett et al. (2007) theory that CRM programs can assist managers with distinguishing sources of customer dissatisfactions which are insufficient employee training, low empowerment, inflexible policies and improper measurement. They showed that supplier might influence the downstream component of the SC in two ways. First is inability to properly supply the hotel with up-to-date CRM software; moreover, lack of proper staff training would cease the hotel to use the full potential of the acquired technology as well. Guest retention is another important part of the downstream SC as Lo et al. (2010) proclaim. Interviewees confirmed that when hotel fails to make guests feel special, communicating and connect with customers, and target the right customers, major goal of hotel CRM which is guest retention is unachieved.
7. Findings and Conclusion

In this chapter the conclusions and findings of the study are presented. The purpose of this study has to provide a more comprehensive outlook and understanding of hotel’s SCM by showing the relationships between the three components of the supply chain (upstream, internal, and downstream) of five-star hotel in Iran. It strives to find the relationship between hotel’s upstream SC component (suppliers) with internal operations of a hotel and downstream SC component (customers) and in overall the whole SCM system of the hotel. For the purpose of answering the research questions qualitative research approach and the case study strategy were chosen. Later on deep-interviews were conducted with two knowledgeable and high ranking managers of the hotel regarding the SCM of Azadi hotel and its suppliers relationship with the hotel’s SCM.

7.1. How can the relationship between suppliers of a hotel and the hotel's internal operations be described?

It was shown that gathering and disseminating information within the hotel SC is crucial for the hotel. The hotel managers both at the property level and at the chain head office should focus on escalating the extent of information exchange and develop closer relationships with their business partners such as online travel agencies and third party intermediaries. The information sharing should become significant philosophy in the hotel. Hotels should store and maintain a detailed database for their customers concerning dissemination of information across the hotel departments. It was found out that managers and employees should have access to information that concerns the effectiveness of their work. For instance the hotel housekeeping department should have access to information about guest special needs via the hotel database. Suppliers should provide the hotel with up-to-date and necessary equipment connecting departments of the hotel with each other as well as the suppliers and customers. If suppliers’ relationship management activities fail to communicate the necessary information to and from the suppliers, hotel departments cannot function and coordinate properly. If hotels improve product and service distribution system by utilizing effective customer database and data mining techniques and transferring the information to the suppliers they can have a better communication within the departments. Moreover they should provide the infrastructure for connecting the hotel to the global reservation system (GRS), while it offers the hotel rooms on online travel agencies (OTAs), third party intermediaries, and the hotel proprietary website. These new channels of
distribution will enhance the hotel responsiveness and relationship through the downstream chain.

It was also found out that the other reason in which the suppliers can affect the internal operations of a hotel is through supply of adequately trained workforce. If the employees are not sufficiently trained the hotel should carry the cost and the resource of retraining them or other problems which leads to increasing employee turnover and decrease of retention. Hotels should properly communicate their needs to the supplying companies so that they can supply the hotel with all the required skills essential for the hotel to function according to the standards.

Hotels should also improve service quality and thus added value for hotel end-customers by implementation of customer orientation within the hotel internal SC. The hotel should employ a mapping or blueprint techniques, identifying interaction between departments of the hotel. Meanwhile the hotel should study expectations of different hotel department in regards with inter-department communications. It should communicate the essential competencies and potential obstacles to each hotel department within the internal service chain. Finally, it should attempt to solve issues and problems of the internal SC with close communication with the suppliers in order to find equipment, technology or knowledge for solving the problems.

The hotel must put various standards in place, appraising internal service quality, for example LODGQUAL instrument (Wilkins, 2007) and communicate these standards to the suppliers. It became obvious that if the suppliers are not committed to the standards as well as the sustainability measures and standards, consequently the whole internal operations of the hotel would also suffer and lack the proper sustainability or operational standards.

7.2. How can the relationship between suppliers of a hotel and the hotel's customers be described?

Hotels should identify its true hotel customer needs and then the hotel core competencies in relation to the customer needs. Moreover managers should have ongoing communications with the customers in order to find their needs. Ongoing assessment of customer satisfaction should be taken place at the hotel and corrective actions will be carried immediately. Therefore the hotel requires formal and informal program seeking customer feedback through the development of an effective CRM programs and software. Also, lack of market
knowledge would prevent hotels from being able to develop of new product and service according to customer’s preferences and true needs. Understanding changes to the customer expectations would help managers have better relationships with the suppliers so that they can design products and services that accommodate to their needs and expectations. In case the suppliers fail to provide hotel with the necessary knowledge or technology this very function would fail to accomplish.

Moreover, service recovery is one of the main tasks of customer relationship management. A well designed complaint and service recovery system is necessary for any hotel. This system collect invaluable information about the hotel guests, and will spread and use this information aiming to improve the hotel service delivery by essential service and product modification, service enhancements, and preventive measures according to customers’ requirement. All guest’s complaints should be handled within a standard predefined framework through the system that records and disseminates details of complaints and follow ups across the hotel departments. These complaints then should be analysed, managed and communicated to the suppliers so that a change in workforce and amenities supplies or policies regarding the supply of goods and resources are implemented.

Customers can also shape the way suppliers behave according to the sustainability measures and standards. If they side with the ecological groups and none governmental organizations they can assert their power to lobby and change how supplier provide hotel’s supplies. These relationships can also go beyond the conventional communication channels provided by the hotels and suppliers and take the form of petitions and campaigns to implanted customers’ ecological wants and needs.

7.3. How can the relationship between suppliers of a hotel and the hotel's supply chain management system be described?

Based on the analysis, many of the problems in the studied hotel could be directly or indirectly traced back to the impacts of the main suppliers of hotels- which are training institutes, recruitment agencies and main suppliers of equipment, amenities and food and beverage. These negative impacts are ranged from direct impacts such as suppliers’ low practice of sustainability measures to indirect impacts such as insufficient training or low communication level between departments.
As for the direct impacts, it became evident that suppliers’ errors and incapability to properly supply a hotel can directly affect the hotel. Furthermore, for the indirect impacts, they were caused due to the failure of the hotel suppliers in providing the hotel with adequately trained employees or infrastructural updates and required trainings. Hence, it can be claimed that in both cases the main problem goes back to the wrong choice of suppliers or improper relationship with them. Hotels in order to have better relationships between different parts of their supply chain should have more choices of suppliers and freedom in selection of suppliers whether for products and services or training and recruitment agencies. It was revealed that that trust and open communication should be created in order to have a better relationship with the suppliers. These would help hotels to go beyond the usual transactional relationship to more of a strategic one. Hotel should rationalize their supply-base by establishing strategic relationship with its key suppliers. Suppliers’ database should be also collected for the hotel key suppliers and competitors. Database of the suppliers should provide information history regarding the suppliers’ responsiveness and ability to meet the needs of hotel through specific period of time.

The hotel should also be aware of the extent that the staffs; whom were supplied by education and human resource suppliers match the hotel skill requirement. The hotel should communicate any human resource problems and personnel evaluation to both human resource and education supplying agencies letting them plan necessary training and development required for the current and future hotel staff. In supplier relationship aspects of the hotel; hotels should work closely with suppliers to continuously revise the hotel material purchasing specifications, to match with the hotel customer’s needs. It also should provide numerical projections such as the hotel sales forecasts to the suppliers allowing them to plan the supply of the hotel.

In the end it should be noted that the joint material procurement for properties of a chain hotel organization improves the negotiation power and economic of scale in relationship with upstream supplier. However, if relations between a hotel and suppliers are not strategic and only focus on transactional relationship concerning the prices through bulk purchases; the end-result will be not be satisfactory for the hotel and the future relationship with the suppliers and the whole supply chain management of the hotel would suffer as a result.
7.4. Limitations

The research was faced with some obstacles, problems and limitations. The first one was the lack of proper data on the subject of hotel SCM. The next was the closed environment of semi-governmental hospitality industry in Iran which makes the task of research difficult. The most important limitation was due to the fact that one of the interviewees was too careful about what is being said about the problems in the departments and in relation to the chain organization or the designated suppliers. For solving this problem, the interviewer tried to ask questions that the participant felt more confident and at ease, then managed to ask the more controversial ones from the other participant. The other issue was the complex nature of hotel’s SCM which made the thorough analysis a complicated task. Researchers tried to take notice of all the important steps. However it is obvious that it cannot be done in such a short research and some aspects will be left for further research, hence, the researcher strived to focus on the most important elements which are decided in conceptual framework of the study.

7.5. Recommendations for Future Research

This study was possible with the help of many documents and articles presented for the manufacturing and service industry added by personal work-experiences of the authors, demonstrating the lack of proper research on the concept of hotel SCM. Other researches can focus more on other parts of the supply chain such as distribution or transportation. The other recommendation is assessing the SCM of hotels based on determinates such as size, chain affiliations and age which might differ depending on the country’s political business environment, rules and regulations.
8. References


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9. Appendices

In this section the interview questions are presented in both Farsi and English.

9.1. Interview Questions in English

**Upstream**

1. Who are the suppliers for food and beverage?
   a. Does hotel have any relation with producers?
   b. Does hotel have any relationship with distributors?
2. Who are the suppliers for hotel equipment and amenities?
3. Are the contracts with suppliers' short term or long term?
4. Why does the hotel only work with limited suppliers?
5. How does the hotel forecast its annual sale and how are they communicated with suppliers?
6. How does the hotel store its statistic data and how are they processed and made sense of?
7. How is the inventory-supplier and inventory-internal sections relationships and is there any application or intranet system that they use?
8. How are the transportation and distribution system managed?
9. What is the lead-time?
10. How does the hotel communicate with travel agencies? (Domestic and International)
11. How is the relationship between reservation/sales sections and domestic and international seller?

**Internal Operations**

1. What parts of the operation are outsourced?
2. How do different parts of the hotel communicate?
3. Do they use any application?
4. How are the employee training procedures managed?
   a. Employee retentions and loyalty programs?
   b. Reward and penalty policies
5. How is the quality control procedures managed?

6. Is there any sustainability and green supply chain programs?
   a. Recycling
   b. Waste reductions

**Downstream**

1. The customer needs/wants/expectations assessment strategies?
   a. How the results affect the product/service development?

2. How is the customer relationship programs managed?
   a. Customer clubs
   b. CRM programs
   c. marketing schemes

3. Customer retention and loyalty programs

4. What is being done to manage unsatisfied customers?

5. How do all the employees contribute to customer relationship programs

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9.2. **Interview Questions in Farsi**

(Upstream)

**بخش ورودی**

- تهیه کننده‌گان مواد غذایی مورد نیاز هتل چه سازمان‌ها و یا شرکت‌هایی هستند؟
  - هتل با چند تهیه کننده مواد غذایی همکاری مستقیم دارد؟
  - هتل با چند واسطه پخش مواد غذایی همکاری دارد؟
- ارتباط هتل با تولید کننده‌گان و یا فروشنده‌گان تجهیزات هتل چگونه است؟
- قراردادهای همکاری چنین‌الا بسته می‌شوند؟
- برای پیش‌بینی فروش هتل در دوره‌های زمانی آینده چه اقداماتی انجام می‌شود و چگونه بی‌اگاهی تولید کننده‌گان و فروشنده‌گان می‌رسد؟
- استفاده از امار‌های فروش گشته و استفاده از آنها برای پیش‌بینی سال بعد؟
- استفاده از اینترنت و اینترنت‌برای هماهنگی بین بخش ابزار- تهیه کننده و ابزار- داخلی؟
- از نرم‌افزار بخصوص استفاده می‌کنند؟
- روش‌های حمل و نقل به چه گونه است؟
- زمان سفارش تا دریافت سفارش؟
- Led-time
- ارتباط با آژانس‌های مصارفی چگونه است؟
- با چند آژانس ارتباط دارند؟
- سیستم رزرواسیون مرکزی دارند؟
- آیا با واسطه‌های خرید و فروش خارجی در ارتباط هستند؟

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بخش داخلي (Internal Operations)

• چه بخش‌هایی از کار Outsource می‌شوند؟
• ارتباط بین بخش‌های مختلف از طریق انجام می‌شود؟
• از چه شرکت‌های افزاری استفاده می‌شود؟
• ارتباط سیستم رزرواسیون و پذیرش با فروشندگان داخلی و جهانی چگونه است؟
• آموزش کارکنان از چه طریقی انجام می‌پذیرد؟
• استراتژی حفظ کارمندان حرفه ای؟
• سیستم های پیاده و تنظیم به چه صورت است؟
• کنترل کیفی محصولات
• کنترل کیفی خدمات
• کنترل قیمت رقابتی
• روش‌های کم‌کردن ضایعات
• روش‌های مدیریت پایدار

بخش خروجی (Downstream)

• روش‌های سنجش نیاز مشتریان و تولید و پروز رسانی محصولات و خدمات بر اساس آن
• کلیپ مشتریان
• CRM
• نرم افزار راه‌های ارتباط با مشتری
• روش‌های جذب مشتری
• روش‌های حفظ مشتری
• راه‌های مدیریت نارضایتی مشتریان
• پروز رسانی اطلاعات مشتریان توسط همه کارکنان