

HOTEL INDUSTRY GROUP PURCHASING ORGANIZATION SUPPORT

Identified Problem: Hoteliers using GPOs frequently find that they have not optimized savings due to a lack of engagement and reporting.

AT A GLANCE

INDUSTRY CHALLENGES

- GPO contracts with suppliers are complicated and hoteliers do not always know how to ensure compliance
- GPOs have limited resources to ensure optimal engagement at property level

EVALUATION & SOLUTION

- Compare AP data with GPO reported spend
- Identify any GPO suppliers where reported spend is below AP report and determine if gap is valid
- Examine suppliers not on the GPO list to see where they can be replaced by GPO suppliers

RESULTS



\$16,500

average annual savings



Engagement

more spend with suppliers increased savings



Reporting Accuracy

attention ensures supplier compliance

OBJECTIVES

A 23-unit management company discovered a gap in supplier engagement during an audit of spend through a hospitality GPO. A review of the client's AP data relative to the reported supplier spend would determine if the gap could be reduced and the balance explained. In addition, suppliers outside the GPO program were examined to determine if there were suitable substitutes within the GPO portfolio.

FINDINGS

Client received a more complete description of actual program engagement and generated additional savings from price adjustments based on GPO pricing. Additionally, action steps were provided to enhance compliance and increase saving even further.

Primary Findings:

- 25% of AP expenses with contracted suppliers was unreported
- 20% of reviewed spend recaptured, equal to 5% of total spend
- 80% of reviewed spend was legitimate, outside of GPO program

PROBLEM-SOLVING SOLUTION

Client was able to better align its spend with the appropriate suppliers and ensure the properties were properly registered to receive the savings brought about by the GPO program.

BENEFITS ACHIEVED

1. Additional savings through better reporting and property engagement

Client enhanced its savings by ensuring that properties were using correct account numbers, contracted products and holding suppliers accountable for applying GPO pricing to all qualified purchases.

2. Enhanced supplier engagement

From the results, GPO suppliers were highlighted to the management company corporate staff to ensure properties were using them. GPO suppliers experienced additional sales when properties transitioned from non-GPO suppliers.

3. More accurate reporting

Suppliers recognized that the management company was going to be tracking their spend more carefully, so the reporting was more in line with the AP data.