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## **Operating supplies and equipment procedures for your new hotel**

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So, you have a new hotel project on the boards. As a general rule, construction costs are 85% of your costs. Furniture, fixtures & equipment (FF&E) is typically around 10%, with operating supplies and equipment (OS&E) around 4% to 5%. It is axiomatic that your priorities mirror this; focused first on construction, then the FF&E, and only at the end is attention shifted towards OS&E. It doesn't need to consume a lot of your attention, but it should not be an afterthought.

OS&E consists of the following depending on the property:

- \* Linens and towels;
- \* Guestroom amenities;
- \* Soaps and shampoos;
- \* Electronics;
- \* Decorative but functional accessories;
- \* Cleaning equipment;
- \* Cleaning supplies;
- \* Chinaware;
- \* Flatware;
- \* Glassware;
- \* Serving ware;
- \* Kitchen Equipment, and the list goes on...

Buying sheets and towels should be easy, this isn't rocket science! All that's needed is a shopping list. And yet, the typical process for selecting OS&E and buying is most often, at best, chaotic. Where do you start? How far do you go into sampling? How much time do you take for each item? Who makes the decision? Take, for instance, a clock radio for your guestroom. There are a lot of clock radios. The technology is changing all the time. Required features need identifying in order to isolate the market search: model number, color, size, etcetera. Price it to see if it fits in the budget. Sample and test three or four options. Make a selection. This is just one of thousands of items required for the hotel to operate.

For the past 25 years we have procured OSE for new construction hotels and reflags. Here is the usual process. The procurement team obtains an MS Excel file, usually listing OSE that was purchased for the most recent project, most similar to the new hotel. The list is distributed to edit for scope, project specific requirements, quantity, and selection. The F&B director edits their portion and the housekeeping edits theirs, while the property operations director is editing the engineering tools and equipment portion of the list (of course, this is only if the pre-opening team is on the

project and willing to get this done). It gets modified, copied, saved and emailed by multiple parties, often simultaneously. Eventually the entire project team is confused about which list is most current. The answer might be: none of them.

A logical place to begin is to contact the operator, because they operate hotels and should know, right? Be prepared, because there is brand repositioning, technological changes, and movement in the executive levels of hotel management that will keep operator's OS&E lists in a constant state of in-progress "versions." If they even have a list. Independent hotels usually start from scratch. Brand Standard OS&E changes a lot more frequently than physical plant and Brand Standard FF&E, for obvious reasons. The operator will identify the OSE decision makers. Amy Moore, director of marketing and business development for OS&e, Inc. in Newburyport, Mass. advises "Determine your budget and distribute the accountability to the departments for scope, selection and budget controls. The purchasing agent tracking should align with the project budget for accurate tracking."

But there are mutually opposing forces here. It costs the project money to have the preopening team on site, so they are brought on sparingly and the clock is usually ticking on the selection, pricing, ordering, production, shipping and installation of OS&E. A lot of OS&E items are in stock, but there are many items that are custom or logoed or specialized that can take up to 12 weeks just for production, not including shipping.

To take advantage of comparative pricing and sampling, the process needs to have its own schedule, identifying the parties to be involved in decision making. Many items within the OS&E list can require the input of the interior design consultant to ensure compatibility of colors and theme. Custom decorative accessories are best manufactured in markets where costs are advantageous to the owner. This translates into longer times to produce and ship.

Then there is budget control. Panic buying causes a loss of budget control and yet often projects shift towards "getting the hotel open." This leads to inefficient buying. OS&E, unlike the other capital costs, begin to translate into operational resupply, which will impact future operational revenues. The owner and project team should look at the OSE selections with long-term resupply costs in mind. "And most importantly, allow enough time to select and review samples and cost alternatives," Moore said.

There is also an overlooked logistical concern with OS&E. After orders are placed thousands of items end up warehoused, and this massive pile of OS&E needs to be identified, counted, inspected and only then can they be distributed for the hotel to prepare for operations. No simple task as a project works to complete construction and FF&E installations.

Consider some logistical tips:

- \* Require the warehouse to include organized packing lists and turnover documents for proper identification of the deliveries.
- \* Schedule OSE deliveries and access to the hotel site the same as FF&E.
- \* Linens and towels can ship to laundry service for initial laundering and held until needed. If the laundry is in house, bring the towels and linens to linen storage directly.
- \* Any OS&E that need to be mounted can ship to the FF&E installer to be fixed when they are installing the FF&E.
- \* Stage and label OS&E by department in areas in the hotel predetermined in the area turnover schedule from contractor and project team.

Hotel project teams should be aware of the potential chaos of OS&E list building, budgeting, sampling, selection, ordering, and the logistics of receiving and site distribution. There are technological solutions to developing and maintaining OS&E lists that are online, editable, shared, and can translate immediately into budget control, approvals, sourcing, purchasing and tracking. Simplify the process, reduce the chaos and give the OS&E buyout enough time. OS&E should not be an afterthought.

Gus Sarff, ISHC is president and owner of GS Associates, Inc., a procurement consulting firm providing FF&E and OS&E services locally, nationally and globally for luxury, convention, resort, limited service hotels, fractional ownership properties, restaurants, and function facilities. For over 25 years, GS Associates, Inc. has continued to develop procurement technology and creative sourcing to maintain its leadership in the industry. GSA's services are transparent, expert, and will make a positive impact on any project.

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