

6 Service Purchasing at the Sunny Hotel¹

Teaching Note

Discussion Questions

1. What makes the procurement of services different from that of the purchase of goods and materials?

The distinguishing characteristics of services such as intangibility, simultaneity, perishability and heterogeneity make service purchases different. Also, human aspects in service industries requires notable consideration, especially the employee dimensions. Based on these distinctive characteristics of services, the following aspects become significant while analyzing a service purchase:

the value of the service (high, medium or low value), degree of repetitiveness, degree of tangibility, direction of the service (whether or not it is directed at people), production of the service (by people or equipment), nature of demand (continuous, periodic or discrete), the nature of service delivery and degree of standardization.

2. Define alternative or additional services that could be purchased by the hotel.

Advertising, architectural, auditing, consulting, courier services, environmental cleanup, mail service, maintenance of the equipments, payroll, recruiting, sales promotion...

3. Do you think a centralized purchasing department is a logical way to increase purchasing efficiencies? Is it an advantage to manage service purchases by the Purchasing Department? Are there any other ways to improve the purchasing efficiency of services?

“Cross functional sourcing teams” will increase the efficiency of service purchases. The first reason is that each service purchase, due to its nature, requires specialized knowledge. Also, service purchases are more complex than the purchase of goods. Therefore, a purchasing team, including the experts of a particular service that will be purchased, will increase the value of service purchase.

4. In Table 1, the Supplier Selection and Evaluation Matrix for “purchasing goods” is illustrated. The same criteria and techniques are being used to purchase services at the Sunny Hotel. Do you think that some other distinctive criteria for the supplier selection and evaluation of service purchases are needed? If yes, please briefly define them, and how would you present them to the company as a consultant?

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All criteria mentioned in Table I are appropriate for service supplier evaluation. However, some others should be included, such as timing of delivery, degree of standardization, sufficient capacity, skills of the experts in the service company. More significantly, importance weights of each criterion become more critical in service purchase. For instance, trust and past performance should have the highest percentages of importance during service supplier selection and evaluation processes.