



# Adopting e-Procurement technology in a chain hotel: An exploratory case study

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## Abstract

As the lodging sector evolves into a more technology-oriented industry, the need to understand e-Procurement practices becomes more important. The main purpose of this study was to understand the challenges faced by decision makers at a chain hotel company in its adoption and implementation of e-Procurement. Results indicated that the company suffered from a lack of purchasing standardization across properties. Furthermore, this study suggests that not all vendors of e-Procurement solutions may be ready to partner with hotel companies. e-Procurement offers considerable potential for the industry but uncertainties such as those exhibited in this case must be addressed before significant resource commitments are made to e-Procurement.

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## 1. Introduction

The proliferation of Information Technology (IT) creates opportunities and threats in the hospitality industry that are pushing and pulling IT implementation. Opportunities are

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created due to changes in the behavior of consumers, and development of alternative service/product delivery channels, and changes in business operations (Fesenmaier et al., 2004). On the other hand, the widespread use of IT has changed the rules which govern the industry. These changes have resulted in a substantial expansion in the availability and transparency of information, new forms of competition, and an increase in the speed with which changes occur (Kanter, 2001).

When estimating the total cost of purchasing a product, an organization considers not only the product price but also the operational costs involved in the procurement and maintenance of the product throughout its life cycle. Depending on the type of product and business, these overhead costs can be higher than the original price of the product. This concern becomes even more significant when the business operator has to purchase many such items frequently for daily operations. Given the magnitude of these costs it is imperative to understand the business process that generates them. This challenge for lodging operators characterizes their crucial need in procurement improvement.

This study explores the hotel purchasing function in order to better understand the purchase process and identify barriers to the adoption of e-Procurement. This will be accomplished through a case study methodology that integrates observations and interviews with the executives of a hotel chain company with an analysis of the services offered by vendors offering e-Procurement solutions.

## 2. Literature review

### 2.1. *Supply chain management (SCM) and procurement management*

SCM has become more visible as a major managerial concern over the last few years. This has been driven by the exploitation of new information and communication technologies, in particular the Internet, and their potential to revolutionize, streamline, and enhance supply chain operations has flourished (Patterson et al., 2003). By definition, SCM is the integration of key business processes from the end user through original suppliers that provides products, services, and information that add value for customers and stakeholders (Stock and Lambert, 2001). The performance of an existing supply chain needs to be measured and evaluated in order to identify threats and opportunities for a business. While many SCM aspects (customer service and satisfaction, cycle times, delivery, responsiveness, costs, etc.) contribute to supply chain performance it is argued that the key link, the one that sets the foundation for the others, is the performance of supply management on the input end of the chain (Dobler and Burt, 1996).

Recent literature in SCM, e-Commerce, and procurement has advocated the benefits of e-Procurement (Davila et al., 2003; Kheng and Al-Hawamdeh, 2002; Lancioni, et al., 2003; Presutti, 2003). The potential benefits can make the often overlooked purchasing function into a competitive weapon, contributing to the overall corporate strategy (Knudsen, 2003). Procurement management refers to the coordination of all those activities involved in the process of purchasing goods and services necessary to accomplish the mission of an enterprise. Radstaak and Ketelaar (1998) suggested that e-commerce purchasing would enhance supply chain efficiency by providing real-time information about product availability, inventory level, shipment status, and product requirements.

e-Procurement has been identified as an important element of e-business operational excellence for large firms (Barua et al., 2001). e-Procurement is defined as any information

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