

# Outcomes of Survival

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***In addition to the economic impact . . .***

- **Hilton was acquired in mid-2007.**
- **Widespread management and organizational restructuring.**
- **Domestic (*i.e.*, “*The Americas*”) and International procurement consolidated into an integrated department to:**
  - **Apply unified strategies across supply chain.**
  - **Incorporate domestic principles globally where applicable to increase efficiencies, reduce costs, and improve value.**

# 7-Lever Approach . . . *Applied globally*

Lever	Typical Activities
<b>Supplier Management*</b>	<ul style="list-style-type: none"> <li>• <b>Systematic review of supplier base: alternative suppliers/supplier consolidation</b></li> <li>• <b>Systematic supplier development</b></li> <li>• <b>Best practice negotiations; multi-round, e-auctions</b></li> </ul>
<b>Bundling*</b>	<ul style="list-style-type: none"> <li>• <b>Coordinated purchases across business groups and geographies</b></li> <li>• <b>Global tenders and master agreements in order to capture scale advantages</b></li> </ul>
<b>Best Cost Country Sourcing</b>	<ul style="list-style-type: none"> <li>• <b>Leveraging of global economic trends to lower cost</b></li> <li>• <b>Optimize BCCS (Best Cost Country Sourcing)</b></li> </ul>
<b>Demand Management*</b>	<ul style="list-style-type: none"> <li>• <b>Proactive planning by purchasing department: adequate volume and quality</b></li> <li>• <b>Definition of governance model: policies and processes to reduce maverick buying</b></li> </ul>

**\*Most likely sources of near-term opportunities**

# 7-Lever Approach *(cont'd.)*

Lever	Typical Activities
Process Optimization	<ul style="list-style-type: none"><li>• Optimization (internal and external) of operational interfaces, optimized decision making</li><li>• Commercial &amp; administrative optimization on purchasing process</li><li>• Global supply chain optimization, including quality improvement</li></ul>
Standardization and Redesign	<ul style="list-style-type: none"><li>• Optimization of specifications to meet customer requirements</li><li>• Standardization across products / projects</li><li>• (Re)design to minimize cost without compromising key customer requirements</li></ul>
Make-or-Buy	<ul style="list-style-type: none"><li>• Assessment of make-or-buy opportunities</li><li>• Identification of the ideal ration= of own production and purchased products / services</li></ul>

**\*Most likely sources of near-term opportunities**

## Improved management of the distribution of and access to goods and services.

- Allocating existing resources based on need.
- Driving to revenue and profit targets through prioritization of customers, channels, products, geographies, and the demand stimulation programs available to the enterprise.

**Supports supply chain transformation initiatives that enable the company to utilize advanced forecasting and modeling techniques and afford improved synergies across our business divisions.**

# Demand Management

Category	Sample Initiatives / Opportunities
<b>Telecom</b> <ul style="list-style-type: none"><li>• Mobile Communications</li><li>• Data</li><li>• Voice</li><li>• Landline</li></ul>	<ul style="list-style-type: none"><li>• Enforce “one device per person” rule</li><li>• Downgrade cell phone service plan</li><li>• Automate invoice tracking</li><li>• Overage charge caps</li><li>• Eliminate extra voice lines</li><li>• Replace PBX systems w/ cheaper VoIP systems</li></ul>
<b>Software &amp; IT Projects</b>	<ul style="list-style-type: none"><li>• Eliminate non-critical IT low ROI projects</li></ul>
<b>Travel</b>	<ul style="list-style-type: none"><li>• Eliminate paid upgrades &amp; business/first class</li><li>• Require minimum # days advance purchase</li><li>• Utilize teleconferencing for internal meetings</li><li>• Reduce rental car size</li></ul>
<b>Advertising</b>	<ul style="list-style-type: none"><li>• Limit last minute ordering / changes</li><li>• Use standard sizes / materials</li><li>• Move from ad-hoc to contractual purchases</li></ul>

# Demand Management *(cont'd.)*

Category	Sample Initiatives / Opportunities
Office Supplies	<ul style="list-style-type: none"><li>• Eliminate shadow stock</li><li>• Default printers to print double side</li><li>• Use standard paper sizes and lower grade paper</li><li>• Use non-branded generics</li><li>• Buy high-yield toner cartridges</li></ul>
Fleet	<ul style="list-style-type: none"><li>• Reduce number of models and right-size fleet</li><li>• Extend lease term</li><li>• Benchmark services for competitiveness and efficiency</li></ul>
Temp Labor	<ul style="list-style-type: none"><li>• Eliminate temp labor use for &lt; 3 days</li><li>• Require director-level approval</li></ul>

# Demand Management *(cont'd.)*

Category	Sample Initiatives / Opportunities
Small Packages	<ul style="list-style-type: none"><li>• Eliminate 8 am delivery; require 10 am or later</li><li>• Use 2<sup>nd</sup> day delivery as standard vs. overnight</li><li>• Set default shipping setting to lower cost options to drive behavior change</li><li>• Encourage use of inter-modal transport to reduce costs</li><li>• Consolidate and (re)negotiate supplier contracts</li></ul>
Legal	<ul style="list-style-type: none"><li>• Request formal concessions for prioritized firms</li><li>• Consolidate and RFP transactional activities</li><li>• Bring certain activities in-house</li></ul>
Translation Services	<ul style="list-style-type: none"><li>• Create master agreement with primary supplier</li></ul>
Benefits and Human Resources Services	<ul style="list-style-type: none"><li>• Consolidate and renegotiate supplier contracts</li></ul>



# Food & Beverage Opportunities

Opportunity	Description
Food Waste Reduction	<ul style="list-style-type: none"><li>• Develop tool and processes to reduce banquet and buffet food waste</li><li>• Track waste, set targets, and modify production</li></ul>
Portion Size Standardization	<ul style="list-style-type: none"><li>• Establish portion size policy to be standard across all properties</li><li>• Track / monitor against quarterly milestones</li></ul>
Product-Level Compliance	<ul style="list-style-type: none"><li>• Develop tracking tool for product-level compliance</li><li>• Validate accuracy of tool via results</li><li>• Roll-out and conduct milestone checkpoints; review and follow-up with non-compliant units</li></ul>