

## **Topic**

Logistics and Supply Chain Management in the Hotel Industry: Impact on hotel Performance in Service Delivery'

## Table of Contents

Topic .....	I
1. Introduction.....	3
1.1 Background of the study .....	3
1.2 Statement of the Problem / Research Question.....	5
1.3 Objectives .....	5
1.4 Significance of the research .....	6
1.4.1 Practical significance .....	6
1.4.2 Academic significance .....	6
1.5 Limitations of the Research .....	7
1.6 Chapter outline.....	8
2. Literature review .....	9
2.1 Brief glossary definitions.....	9
2.2 Logistics and supply chain management .....	10
2.2.1 Logistics Management.....	10
2.2.2 Supply Chain Management.....	11
2.3 Factors affecting to the logistics and supply chain management and organisational performances.....	12
2.3.1 Procurement Management .....	12
2.3.2 Distribution Management .....	14
2.3.3 Logistics Management.....	15
2.3.4 Inventory Management .....	16
2.3.5 Green Supply Chain Management.....	17
2.3.6 Information Technology Implementation .....	18
3. Methodology of the research .....	21
3.1 Conceptual Framework of the research .....	21
3.2 Development of Hypotheses .....	21

3.3 Research Design.....	22
3.3.1 Sampling Design.....	23
References.....	29
Questionnaire .....	31
Procurement Management .....	31
Distribution Management .....	32
Logistics Management .....	32
Inventory Management .....	33
Green Supply Chain Management .....	33
Information system implementation .....	34

# **1. Introduction**

## **1.1 Background of the study**

Every industry is demanding the service delivery for the low cost business model to attract the attention and appreciating of the customers. Hotel industry has the same level of demand. Both small, big and medium size hotel companies are focusing on the reduction of the cost factors and deliver the best level of services to the customer while ensuring their satisfaction effectively.

Tourism is a major revenue earner for the Sri Lankan government, which has also invested significantly in the sector. The government has allocated LKR 1.8 billion in the Tourism Development functions for the 2010 to 2016 period. The allocation in the previous plan period (2004-2009) has been 700 million. The Sri Lankan government had set a target of 24.6 million tourist arrivals in 2017.

Sri Lanka is focusing on the rapid economic development and growth in the country. The country has a huge trust for the support of the tourism industry for the development of the economic conditions of the country. Mainly the industry is delivering the positive support to the job creation to the Sri Lankan youth and mainly it helps to improve the livelihood of locals effectively. Therefore the tourism industry has positive and supportive conditions which are focusing on the sociological and economic development of the country.

The hotel and accommodation industry is delivering the best support for the tourism industry and therefore it can be seen that there are many organisations in the country are performing in the industry while addressing both local and international tourist demands. The competition of the hotel and accommodation industry is high and every hotel is trying to maximise their service and capability potentials effectively and efficiently. The hotels are focusing on the improvement of the competitive advantages to the hotel by improving most of the functions of the hotels effectively and efficiently.

Today, with more than 5000 hotel rooms and more than 2000 resort hotel rooms can be seen in Sri Lanka. Since the competition is high every hotel is looking for the improvement of the competitive advantages to the hotel to effectively survive in the industry. When the hotels are pursuing the low cost business models it has to mainly focus on the reduction of the benefits to the employees. Low salaries, low bonus and other financial benefits cuts can be commonly seen in the hotel and accommodation industry. However the process of cutting off the benefits

and facilities to the employees are delivering lower commitment and lower motivation of the employees to the industry. Because of that most of the hotel companies are looking for the ways to improve the low cost business model while ensuring the corporate governance practices and ethical business conduct effectively.

This need improves the focus on the hotel's logistics and supply chain operations. The hotel companies are now focusing the logistics and supply chain process of the company to reduce the cost factors of the business operations effectively. Mainly the hotel companies are expecting to ensure the sustainable business operations in the environment while achieving the competitive advantages to the company effectively. The correct logistics and supply chain operations of the company would support the operational processes of a company. Not limited to that it would reduce the delays and other cost demanding factors of the company as well while improving the productivity of the company. That allows the company to address the demands of the customers under low cost business model and also allow the company to deliver the improvements to the quality enhancement of the service portfolio too. Hotel companies are using the same approach to ensure the customer satisfaction under low cost business model while improving the competitive advantage factors to the company effectively.

Throughout the last decades it can be seen that the transportation and logistics have improve while enhancing the features of the supply chain management. The technological development of the world was happened and this impact in many subject scopes including the supply chain management and logistics. Mainly the productivity and accuracy of the processes were improved and the management was able to select the best products and services to the company while reducing the cost factors of the operations. The low priced raw materials, products and services would improve the processes of the company and allow the company deliver the outcomes for the lower prices. Since the prices are low the company has the flexibility in achieving the effective profitability margin and quality standards of the outcomes of the company.

Many international business organisations, such as Wal-Mart, eBay, DH Gate, Alibaba, Amazon, IKEA, etc. was able to reduce their operational cost through the optimisation of the logistics and supply chain management activities. Mainly these companies focused on delivering the best quality products to the customers for the lesser cost factors. It actually improves the customer satisfaction as well as brand building of the company effectively.

The similar advantages can be attained by the hotel industry and as it was stated that many hotel companies are currently taking the advantage of improving the logistics and supply chain management functions effectively. Hilton Hotels is a good example for this and the company as able to optimise their operations through the improvement of the supply chain management and logistic activities. The company was able to reduce the cost factors while improving the quality standards of the services. According to Don Miller, regional director of supply management for Florida and Americas International Hilton Worldwide, “Ten years ago, we were behind the curve compared to other hotel companies”. As a perfectly performing hotel in the industry, Hilton was typically faced with the challenge of dealing with different suppliers and distributors in their operations.

This report is focusing on the improvement of the hotel’s functions and performances through the improvement of the supply chain management and logistics. The hotel and accommodation industry is a competitive industry and also it was identified that the development of the country has higher level of impact from the industry as well. Because of that it is essential to improve the productivity and operations of the industry effectively and this research is focusing on the identification of ways to improve the hotel performances through effective management of the logistics and supply chain management.

## **1.2 Statement of the Problem / Research Question**

- i. What the impact on Hotel Performance if Strategic level of Logistics and Supply Chain Management implemented?
- ii. What the impact on Hotel Performance if Tactical level of Logistics and Supply Chain Management implemented?
- iii. What the impact on Hotel Performance if Tactical level of Logistics and Supply Chain Management implemented?
- iv. Which are the Level of Logistics and Supply Chain Management in Simultaneous will influence Hotel Performance?

## **1.3 Objectives**

- i. To identify and describe impact Strategic level of Logistics and Supply Chain Management if implemented in a particular hotel.
- ii. To identify and describe impact Tactical level of Logistics and Supply Chain Management if implemented in a particular hotel.

- iii. To identify and describe impact Operational level of Logistics and Supply Chain Management if implemented in a particular hotel.
- iv. To understand and describe which one of level Logistics and Supply Chain Management in Simultaneous will influence Hotel Performance

## **1.4 Significance of the research**

### **1.4.1 Practical significance**

Sri Lanka's overall investment requirements in the tourism sector are not expected to be met through public funds only. There is also an urgent need to attract both local and foreign investment to substantially improve hotel accommodation capacity and quality to face future increasing arrivals of travellers to Sri Lanka in 2017-2020 since at present there is a shortage of supply of luxury accommodation to the tourists. Therefore, it is of the highest importance to ensure the existing accommodation providing companies are performing in a sustainable manner to maintain the current tourist attraction to the country.

However, most of the hotels in the country at the moment are reporting negative net cash positions for years, indicating weak supply chain management activities. Despite focusing on marketing and operational activities of the hotel, the management has rather concerned for supply chain management in the tourism industry but in the long term, this can affect the entire performance of the hotel. And the contribution a failure in supply chain management can have in the fallout of the entire sector is never to be underestimated as every aspect of this sector is highly sensitive in terms of foreign currency income to the economy and to the balance of payment. But the impact the supply chain management can exert on the overall performance of this sector companies has rarely been studied in Sri Lankan context and it is an area that should be given high attention and priority. Hence this study addresses a significant issue on the economy.

### **1.4.2 Academic significance**

The findings of the proposed research will improve the available academic literature of the supply chain and logistics management subject scope. When it comes to the Sri Lankan context it can be seen various gaps in available written literature. That gap will be filled through the findings of the proposed research activities. Not only that the proposed research can be further extended and expanded by facilitating the current limitations of the research. In such research extensions the current findings of the research can be used as the secondary data to such future research activities.

## **1.5 Limitations of the Research**

Every research, no matter how well planned and implemented, has certain limitations and some of them can affect the final outcome of the research in the end. This is not an issue only relevant to this research but for every study. Out of many issues that are encountered by researchers, the ones that will be applicable to this research study can be cited as follows;

**Limited time frame** - A major limitation of this study is the available time frame. The time available for the research is merely three months which is inadequate. As the study has to be carried out within a limited time frame and if carried out within an extended time frame, some more useful insights will have been gained and conclusions could have reached. It should be noted that this is not a limitation that is only applicable to this research. This is an issue many researchers face and however, to mitigate the impact on the research, every possible action is taken. Yet it will remain a limitation since it is obvious that longer the time, better the opportunity for data collection and analysis.

**Limited access to information** - Another limitation is that the limited access to the insider information of the company its logistics and supply chain deficiencies faced. The revelation in the annual reports about the strategy on management of supply is very less and it is hardly sufficient to gain an insight into the reality of the supply management status of the company. Despite the fact that the company is informed that this research is carried out for with the view of ultimately helping them with better supply chain management strategies and tactics, the management is reluctant to provide information to university level researchers as they are afraid of sensitive information being revealed to the general public and its unnecessary repercussions for the company. Hence the research has to be carried out with publicly available information about the company. Had a wide access given to the insider information, a better data collection and an analysis can be expected

**Resource limitations** – The proposed research project is mainly achieving the academic expectations and objectives. Therefore no external party is investing to the research and the researcher has to manage the available resources during the research project. The limitations of the resources will challenge the research activities. The proposed research project can be further developed as the future research extensions by allocating more resources to the research project.



## **1.6 Chapter outline**

This research report presents its findings and discussions under the following chapters. The first chapter of this paper discusses the company selected for the research, identification of research problem, justification and research problem, research question and objectives, the significance of the selected study and the recognized limitations. The chapter two takes an insight into the available contemporary studies in the world and Sri Lanka with regard to the supply chain management and logistics methods. This analysis of contemporary empirical articles will be carried out to find out the approaches to research, the facts that have already been studied and the conclusions arrived and models used. This is useful in carrying out the selected research with least deficiencies.

In the third chapter, the applied research methodology will be discussed with reference to the available optional methods for the research and justifications will be provided for the selected approach. In addition, the samples, sample selection methods etc. will also be discussed here. The data analysis of the research would be done in fourth chapter. The inputs are collected through a questionnaire and the inputs would be assessed with the assistance of SPSS statistical analysis software. The fifth chapter focuses on concluding the findings of the research and providing recommendations for the hotel industry for better logistics and supply chain management practices for the future.

## **2. Literature review**

Literature review allows the thorough assessment of the current findings of the research subject scope. It can be seen theoretical literature which is presented through the theories which are accepted for many decades. Also, there are many empirical literature pieces of evidence in the subject scope which further justify the current theories while adding additional knowledge to a particular field. Therefore it is essential to identify both types of literature to success the research project and the literature review will deliver the proper guidance to the researcher to manage the research activities accordingly.

Mainly the review was conducted to increase the understanding of the subject area with the current knowledge. Variety of books, journals and previous research studies will be assessed and analysed under the topic. Since the available literature in the Sri Lankan context is lower, the focus will be given to both local and international literature of the logistics and supply chain management. Competition in the Sri Lankan hotel industry continues in 2016. In this era of today, many hotel properties have started to understand that in order to improve their performance this should take heed and pay attention to the logistics and supply chain management to enable them to be more competitive and thus will be able to focus on cost reduction.

### **2.1 Brief glossary definitions**

Logistics Management – Logistics management is identified as a function of supply chain which plan, implements and controls the efficient flow storage of goods, services to meet customers' requirements (Fantazy, Kumar and Kumar, 2010). Under the logistics management it can be seen all the integrated tasks which would coordinate all the logistics activities and also the activities related to the operational management, finance and marketing management. With the modern technological development of the world it can be seen that the information technology is playing a major role in the logistics which include the IT to the logistics management as well (Fantazy, Kumar and Kumar, 2010).

Supply Chain Management – Supply chain management or SCM is a main functional area in the business which controls the supply chain activities of the company to achieve the competitive advantages to the company while addressing the higher market competition (Green, Whitten and Inman, 2008). SCM activities are mainly focusing on the production process, product development process, sourcing, logistics and inner operational improvements of the company. Under the SCM it would be considered the business functions related to the

obtaining the raw materials, storing them, manufacture products or deliver services through supplies, and distribution processes to the customers (Fantazy, Kumar and Kumar, 2010).

Hotel Industry – The hotel and accommodation industry is an ever developing industry which is supportive to the development of the economic conditions of any country. All the countries are focusing on the improvement of the tourism industry and the hotel and accommodation industry is delivering the proper platform and infrastructural services to the well establishment of the tourism industry in the country (Green, Whitten and Inman, 2008). The hospitality industry covers a wide range of organizations offering food service and accommodation, meeting and events, gaming, entertainment, recreation and tourism services.

## **2.2 Logistics and supply chain management**

### **2.2.1 Logistics Management**

As it was mentioned earlier, the logistics management is one of the major operational area of the supply chain management activities of a company. Under the logistics management it is considered the proper maintenance of the logistics network (Burt, 2009). The network of the logistics contain the suppliers, manufacturer, distributors, retailers and the users of the product. Supply chain is focusing on the proper product or service delivery to the customer and the logistics is ensuring the delivery of the products and services to the end users effectively. However earlier the logistics were approached as a method for minimising the operational cost of the company (Kildow, 2011). Today with the modern trends it can be seen that the logistics are considered as a strategic advantage maker to the business organisation while improving the core competencies of the company effectively (Stock and Lambert, 2007).

The definition of Logistics Management which is part of a company's supply chain involves the movement of products and services to the customers. The Business Logistics of the world is based on the definition of Council of Supply Chain Management, USA in 2012. It defines Logistics management as (Stock and Lambert, 2007):

‘Logistics management is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements’ (Stock and Lambert, 2007).

From the definition, Logistics management activities typically include inbound and outbound transportation management, fleet management, warehousing, materials handling, order

fulfilment, logistics network design, inventory management, supply/demand planning, and management of third party logistics services providers (Fantazy, Kumar and Kumar, 2010).

Not limited to that the logistics functions would include various other important functions of the business organisation as well. Sourcing and procurement, production planning and scheduling, packaging and assembly, and customer service are those functional areas of the business and under the logistics management it is expected to improve the capabilities of all those areas as well (Fantazy, Kumar and Kumar, 2010). Most of the companies are pursuing the integrated model for the logistics management which would ensure the collaboration of marketing, sales, manufacturing, finance and information technology of the company (Stock and Lambert, 2007).

The logistic management is focused by many business organisations as a method of improving the strategic advantages to the company (Green, Whitten and Inman, 2008). Mainly the competitive advantages can be achieved by the business organisations while ensuring the strategic improvements to the business organisation while ensuring the positive resource utilisation under the logistics management (Green, Whitten and Inman, 2008). There are many areas of the logistics management which can be improved to ensure the cost reduction and quality improvement of the business processes (Wook Kim, 2006). Under the approach of the strategic logistics management, the management would consider all those factors and fields of the logistics management and improve them further to deliver the positive competitive advantages to the organisation in the industry (Xu and Gursay, 2014).

### **2.2.2 Supply Chain Management**

Supply chain management (SCM) is another important functioning field of an organisation which ensure the strategic advantages to the company. Mainly the SCM activities are collaborated with the logistics management of an organisation (Pratyameteetham and Atthirawong, 2017). Under the SCM functions, it would focus on the network of partners who collectively convert a basic commodity (upstream) into a finished product (downstream) that is valued by end customers, and who manage returns at each stage (Barnhart and Laporte, 2006). Based on the definition of SCM it can be said that the SCM plays a major role in an organisation to deliver the best level of services to the customer while ensuring the positive performance development to the company (Kothari, Hu and Roehl, 2005).

Under SCM it is planned and managed the logistics, procurement, conversion, sourcing, inventory, production and people management functions of the company to ensure the effective

flow of the supplies of the company to the market effectively (Kothari, Hu and Roehl, 2005). Mainly the SCM plays a major role be collectively managing many activities of the business without making any gaps of the supply chain. The SCM is focusing on the gathering of feedback from the stakeholder for the development as well (Bogk and -Kim, 2014). SCM covers a major subject scope including the resource management, stakeholder management and business process management. The organisation should be able to keep positive level of channels to the business organisation to ensure the effective, efficient and productive process flow of the company (Bogk and -Kim, 2014). Mainly the SCM functions are focusing on the improvement of the strategic factor development of the business organisation. The management would be able to execute various strategic plans under the SCM functions of the company to achieve the effective level of benefits to the company (Barnhart and Laporte, 2006).

The SCM activities are improved during the time and today it can be seen various modifications and trends to the SCM functions of the business organisations. Mainly the technological development of the world has positively affect the SCM functions of the business organisations (Wook Kim, 2006). SCM handles immense level of information and data which are supportive to the decision making of the SCM functional improvement (Wook Kim, 2006). However with the implementation of the information technology today the SCM functions are getting higher level of advantages when it comes to the information assessment and data retrieval. Various reports and trends of the SCM are generated in such systems and it allows the management to take effective decisions as well (Kothari, Hu and Roehl, 2005).

However it can be seen that there are many improvements and functional implementations in the SCM activities in the business organisation which are supportive to the strategic development of the business organisation (Pratyameteetham and Atthirawong, 2017). Mainly the management of the business organisations is focusing on the improvement of the strategic features of the SCM to ensure the improvement of the performances of the company through the effective SCM functions (Barnhart and Laporte, 2006).

## **2.3 Factors affecting to the logistics and supply chain management and organisational performances.**

### **2.3.1 Procurement Management**

Procurement management is a major functional area of SCM and logistics management in an organisation (Burt, 2009). To ensure the positive development of a company or to take strategic

advantages of the company in the industry, the company should effectively focus on improving the procurement management practices of the business effectively (Green, Whitten and Inman, 2008). Mainly under the procurement process the organisational inputs are purchased and when the inputs have the gaps it would affect the overall processes and overall outcomes of the business organisation accordingly (Fantazy, Kumar and Kumar, 2010). Under the procurement management it is considered how the purchasing process is done, how the product is received from suppliers, building relationships with vendors and managing the procurement process by identifying opportunities and managing internal operations (Green, Whitten and Inman, 2008). The input gathering or purchasing to the company is mainly focused in the procurement management and usually the management of the business organisation focus the procurement management functions of the company to ensure the strategic development (Burt, 2009).

Procurement management is very important when it comes to the hotel companies in the tourism and accommodation industry (Fantazy, Kumar and Kumar, 2010). The hotel companies are delivering the accommodation services and the service quality should be positive to attract and improve the revisits of the customers to the hotel (Kildow, 2011). The primitive sources, raw materials, supportive services and products of the hotels operations should be in positive level of quality and it is essential that the purchases of the company should deliver the positive quality improvement of the services of the hotel. The customers will feel the service improvement of the company during their staying at the hotel (Fantazy, Kumar and Kumar, 2010).

The positive screening process of the hotel in the procurement management would ensure the improved performances (Shi and Liao, 2013). The hotel should not pursue the biased methods when purchasing the products and services to the company (Stock and Lambert, 2007). The screening process of the procurement management should ensure the capture of high quality products for the cost. The cost and quality should be effectively balanced under the screening process of the procurement functions (Shi and Liao, 2013). Later the procurement process can focus on keeping good supplier relations. However the supplier relations should focus on gaining the positive quality products to the hotel (Tan, 2002).

The working capital management is strongly related to the procurement management of the hotel (Stock and Lambert, 2007). Mainly if the hotel can keep good relations with the suppliers, the hotel can improve the number of creditors with positive benefits to the hotel (Burt, 2009). The hotel will have considerable working capital with resources and it would ensure the

improved resource availability of the company to ensure the effective service delivery to the customers. Mainly the overall performances of the service delivery can be improved with the positive features of the procurement management (Green, Whitten and Inman, 2008).

The hotel can obtain the high quality raw materials, resources, and supportive services under the positive procurement management practices and it would ensure the avoidance of quality gaps of the service delivery of the hotel (Fantazy, Kumar and Kumar, 2010). When the management functions of the service delivery of the hotel is focused on the optimum resource utilisation, high quality resources would ensure the improvement of the quality of the service delivery (Green, Whitten and Inman, 2008). When the quality of service is improving the customer satisfaction to the hotel can be positively gained and the hotel will be able to capture higher level of market development in the industry while improving the positive performance development of the hotel effectively (Stock and Lambert, 2007).

### **2.3.2 Distribution Management**

Distribution management focus on delivering the right goods to the right customer at the right time (Pratyameteetham and Atthirawong, 2017). Many business organisations are focusing the positive distribution management because it would mainly improve the organisational sales and effective customer satisfaction (Pratyameteetham and Atthirawong, 2017). The customer needs the product or service when he has the demand or the requirement and the company should be able to identify this optimum time of opportunity to deliver the product or the service to the customer (Barnhart and Laporte, 2006). When managing the distribution the company has to consider the current core competencies and capabilities accordingly and introduce various modifications to the services and products to ensure the positive satisfaction of the customer (Christopher, 2016).

The hotel industry is limitedly addressed when it comes to the distribution management. However it is an important aspect to the service delivery companies as well such as hotels (Xu and Gursoy, 2014). When it comes to the travel and tourism industry, it can be seen that there are several tourism seasons are available in the country which is aligned to the behaviour of the tourists in the environment (Barnhart and Laporte, 2006).

The hotels should be able to distribute their services to the tourist considering their needs and requirements at the correct timeframe (Kothari, Hu and Roehl, 2005). Hotels are always focusing on the satisfaction of the customer and therefore it is essential to ensure the correct service distribution according to the demand of the customer at the correct time (Wook Kim,

2006). This would improve the positive perception of the customer towards the hotel company and also it would ensure the positive brand building of the hotel in the market as well (Sehgal, 2009). The social perception towards the hotel will be increased when the service distribution is positive. Mainly under the distribution management the hotel can ensure the positive outcome delivery to the customers of the hotel (Sehgal, 2009).

Understanding the different traveller segments who book at the hotel allows the company to diversify business mix and optimise distribution strategy (Barnhart and Laporte, 2006). In most cases, travellers can be broken down into two different groups: lower-yield segments and higher-yield segments. Lower-yield segments often derive from wholesalers (Kothari, Hu and Roehl, 2005). These guests will book the rooms early, but they also have a tendency to book the rooms throughout the entire year. Higher-yield guests may book their rooms shortly before they arrive, and often pay higher prices for rooms because of their last-minute approach (Barnhart and Laporte, 2006).

### **2.3.3 Logistics Management**

The hospitality industry is comprised of providing quality customer service by maintaining satisfaction through tailored customer experiences. The foundation shared in the hospitality industry is one thing, valuing the customer (Bowersox, Closs and Cooper, 2013). Under the logistics management in the hotel it is expected to deliver the best level of services to the customer while ensuring their positive level of satisfaction (Mentzer, 2001). Logistics management practices focus on areas like transportation management and picking of orders. Effective logistics management operations lead to a higher revenue flow, costs structure improvements, and reduction in transportation costs if all operations are streamlined correctly (Mentzer, 2001).

The suppliers of the hotel should deliver the products and services to the hotel on time to ensure the productive delivery of the services to the customers by the hotel (Xu and Gursay, 2015). However the hotel has to manage the timeframes for the supplies purchasing and also consider the logistics management practices to deliver the supplies on time to the hotel (Hadi and Wood, 2012). When the delays are happened in the logistics and transportation the hotel will face the challenges of resource outages and would not be able to deliver the positive level of services to the customer (Song and Panayides, n.d.).

The logistics management strongly tied with the operational activities of the hotel and positive service delivery of the hotel (Song and Panayides, n.d.). When the hotel is facing challenges



with the logistics management functions, it would challenge the service availability of the hotel as well. The organisational processes will experience the delays of the organisational inputs accordingly (Xu and Gursoy, 2015).

To ensure the positive level of performances in the hotel, the organisational processes should be resourced with required inputs without any delays or quality gaps (Mentzer, 2001). However when the hotel is failing to manage the logistics of the hotel it would challenge the effective flow of the business operations and reduce the quality of the service delivery as well (Bogk and -Kim, 2014). The performances of the hotel is highly related to the positive logistics management and also it would ensure the improvement of the resource availability of the organisation accordingly (Bowersox, Closs and Cooper, 2013).

### **2.3.4 Inventory Management**

Inventory management is another key functional area of SCM and logistics management. The inventory of the organisation is delivering the necessary inputs while sourcing the organisational processes accordingly (Burt, 2009). The inventory management should be done effectively to ensure the proper resource management in the company (Green, Whitten and Inman, 2008). Not limited to that without proper inventory management practices, the potential of the resource wastage will be high and the company would have improved level of costs due to the resource wastage (Burt, 2009).

However the optimisation of the inventory should be effectively done. To achieve the better organisational performances, the company should keep the proper level of inventory which is adequate for the business operations. Overstocks or understock would not be supportive to the performance improvement of the company's operations.

In hotel industry too, the inventory management is supportive to the strategic development of the operations of the company (Fantazy, Kumar and Kumar, 2010). The hotels should keep proper level of inventories to deliver the satisfactory services to the customers of the hotel. Mainly the satisfaction of the customer can be achieved through the implementation of the positive sourcing practices for the service delivery (Kildow, 2011). When the service delivery lacks the resources it would affect the overall quality level of service while decreasing the customer satisfaction (Green, Whitten and Inman, 2008).

In hotels it can be seen perishable and lasting stocks in the inventory. Mainly the inventory management should focus on the improvement of resource storing according to the needs of the organisational processes (Stock and Lambert, 2007). The hotel company should ensure the

positive development of the resource usage as well as the stock maintenance (Stock and Lambert, 2007).

When it comes to the performance improvement of the hotel, the inventory would play a major role because it would ensure the cost management to the company. The unwanted cost would occur to the company when the hotel is failing to manage its inventory management functions properly (Green, Whitten and Inman, 2008).

In the hotel industry many companies are pursuing rapid stock management practices with the help of the suppliers (Christopher, 2016). Under the methods the suppliers are delivering the product to the hotel in several times a week and the hotel can manage the supplies purchase according to the demand of the hotel (Pratyameteetham and Atthirawong, 2017). Also the hotel can pursue Just in Time stock management methods under that and the hotel will be released with the pressure of inventory management for the perishable supplies (Xu and Gursoy, 2014). However the positive feature of the inventory management directly affect the resource utilisation of the hotel. It would ensure the cost utilisation and also improve the benefits to the hotel with better performances (Christopher, 2016).

### **2.3.5 Green Supply Chain Management**

Green friendliness is the modern trend in every business industry in the world (Barnhart and Laporte, 2006). With the revolution of technology and industrialisation the population of the world had taken away with the focus of the economic development without considering the environment benefits (Xu and Gursoy, 2014). However due to many global issues in the world today the population is considering about the green friendliness of all the functions of the life and business industries. Under green supply chain management (Xu and Gursoy, 2014), the organisation will improve the resource optimisation effectively under the processes of manufacturing, transportation and various other activities to ensure the effective resource utilisation in the SCM. It would ensure the avoidance of resource wastages and overuse and also reduce the level of dumping on the environment. When the ecological environment is treated well, with limitation of using resources, dumping outcomes and improvement of the recycling will improve the green consideration of the SCM (Kothari, Hu and Roehl, 2005).

Green supply chain management in the hotel industry can be seen in three different areas; procurement, manufacturing, and distribution activities (Wook Kim, 2006). These days green supply chain is an important logistics and supply chain strategy, that helps companies achieve profit and market share by using green practices. In a company's logistics and supply chain

management, going green is important for participants and it creates a win-win position for both the company and environment (Sehgal, 2009).

Since the world demand is focusing on the improving use of the green methods for the processes, the hotel companies can improve their social perceptions with the positive standards under the use of green methods in the business operations (Hadi and Wood, 2012). Not limited to that the customers are willing to pay more for the green friendly products and services, which will open the potentials for the hotel to make further financial benefits (Sehgal, 2009).

However the green friendliness encourages the hotel to maximise and optimise the resource utilisation (Bowersox, Closs and Cooper, 2013). It would reduce the wastages and also improve the productivity as well (Hadi and Wood, 2012). The recycling activities, resource reuse and reduction of resource usage would ensure the achievement of the green friendly practices of the hotel which are supportive to the improvement of the financial performances of the hotel effectively (Song and Panayides, n.d.).

Eco tourism has a higher demand in the current tourism trend and the green supply chain management is supportive to the eco tourism as well (Bogk and -Kim, 2014). Mainly the hotel company can become a trend maker and improve the social positive perception through the green friendly activities. Renewable energy sources and various other limited carbon emission methods would improve the financial investments of the hotel to the green friendly methods (Song and Panayides, n.d.). However the investment is high for the renewable energy the hotel will be benefitted in long term operations. The hotel will be able to develop a perfect eco system and it would ensure the maximum benefits to the hotels as well (Sehgal, 2009).

The financial performances would be improved in the long term benefits to the green SCM practices (Pratyameteetham and Atthirawong, 2017). However sometimes the performances are challenged with the green SCM practices because it encourages the organisation to measure each and every action of the hotel company with green considerations before implementing them (Xu and Gursoy, 2014). However it would improve the sustainable business practices of the hotel with ethical business functions in environmental friendly manner. With the improved social appreciation the hotel would be able to improve the performances and income levels with positive features as well (Pratyameteetham and Atthirawong, 2017).

### **2.3.6 Information Technology Implementation**

Information technology plays a major role in every business field in the world. Mainly many information system (IS) implementations are done to ensure the positive development of the

productivity and effectiveness of the business processes in the companies (Pratyameteetham and Atthirawong, 2017). Under the information technology implementations the information flow of the company is considered as very important and management of the information flow and use under the digital computerised manner the organisations can obtain better benefits (Kothari, Hu and Roehl, 2005).

The performances of the companies are improving the with the system implementation in the business organisations (Fantazy, Kumar and Kumar, 2010). Mainly the sales order processing are one major are which improved by the IS implementations. When it comes to a business organisation it can be seen that the sales orders are high and it is essential to assess them properly to ensure the customers satisfaction (Green, Whitten and Inman, 2008).

In hotels the implementations of the IS allows the customers to make purchase of services conveniently. Using smart mobile devices and other communicational tools, the tourists can order various services of hotels while saving a lot of time (Green, Whitten and Inman, 2008). Not limited to that the hotels are using the IS to delivery benefits and improve the efficiency in various other areas of the SCM (Fantazy, Kumar and Kumar, 2010). Purchasing process, inventory management, process monitoring, operational activities, human resource management (HRM) are some of the major areas which are handled by the IS implementations and the efficiency improvement of all these areas are supportive to the efficiency improvement of the SCM and logistics of the hotel (Kildow, 2011).

The virtual digital solutions are playing a major role in today's world people and it can be seen that the stakeholders of the hotels are also looking the same trend implementations in the hotel (Shi and Liao, 2013). Mainly the implementation of the IS solutions would satisfy the expectations of the stakeholders and also improve their perception towards the hotel as a modern technological trend implementer (Green, Whitten and Inman, 2008). That is an added advantage of the system implementation and the stakeholders will like to work with the hotel because of the efficient and productive service delivery to the stakeholders (Burt, 2009).

The implementation of the IS improves the management abilities of the decision making as well. To effectively conduct the decision making activities in the organisation it is essential to have a higher level of information availability (Fantazy, Kumar and Kumar, 2010). The IS would improve the availability and accessibility of the information in the organisation and it supports the management to make their decisions effectively (Green, Whitten and Inman, 2008). Not like the manual systems which were used in earlier in the hotel companies, the IS

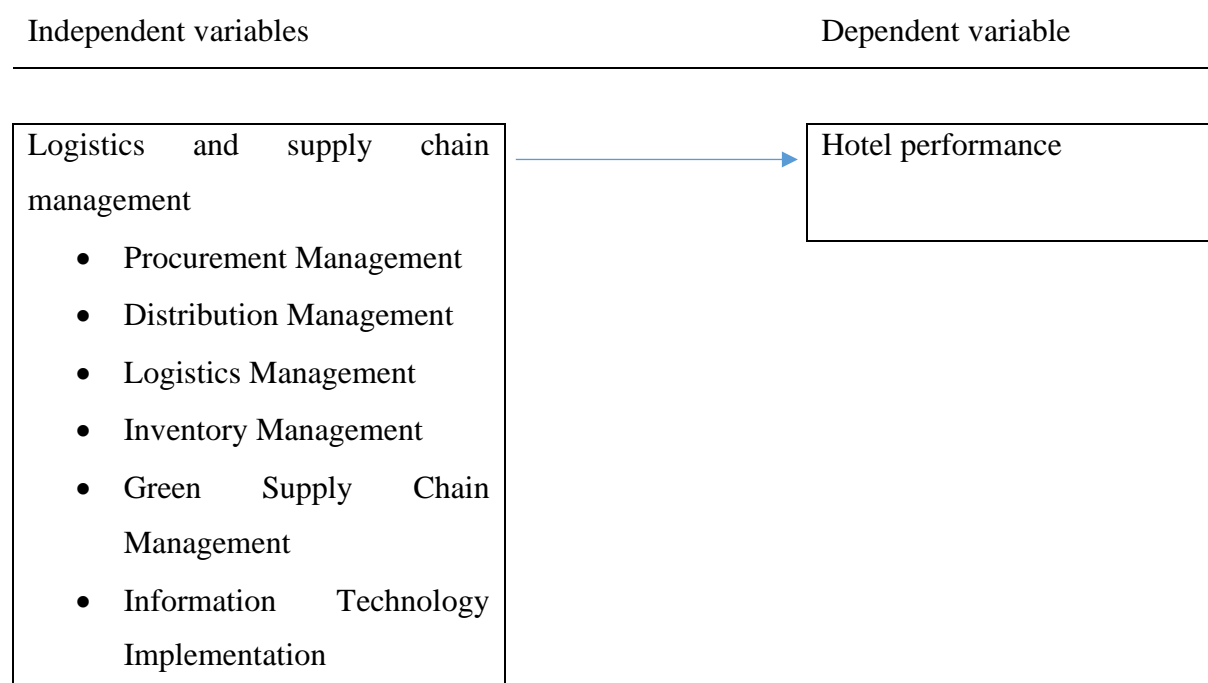
delivers and stricter the data and information effectively that the management can make their decisions effectively (Shi and Liao, 2013). Earlier it takes a considerable time to make the decisions with the manual systems and with the digital automation, today the management can gather the informed reports with graphs and charts to ensure the decision making with a highest level of efficiency and effectiveness. It is supportive to the activities and processes of the hotel companies and also effectively improves the overall performances with effective decision making as well (Green, Whitten and Inman, 2008).

### 3. Methodology of the research

This chapter delivers the formal framework for all the proposed research activities. During the research activities, it will be measured the impact of logistics and supply chain management on the hotel's performance. To measure the relationship level of the selected two variables it is essential to develop a proper framework for the research and during this chapter, it will be further discussed the particular framework and related research activities.

#### 3.1 Conceptual Framework of the research

The relationship between the dependent and independent variables will be measured during the research. That task will be done according to the below stated conceptual framework for the research.



*Figure 1 Conceptual framework of the research*

The independent variable of the research is Logistics and supply chain management of the company. The dependent variable of the research is the Performances of the company. Both dependent and independent variables have their own sub factors as well. First it will be measured the impact level of sub factors to the main variable and later it will be measured the level of relationship between independent and dependent variables of the research.

#### 3.2 Development of Hypotheses

According to the conceptual framework of the previous topic, below it was mentioned the research hypothesis.

H<sub>P</sub> – Procurement Management has a positive impact on performance of a hotel

H<sub>N</sub> – Procurement Management does not have an impact on performance of a hotel

H<sub>P</sub> – Distribution Management has a positive impact on performance of a hotel

H<sub>N</sub> – Distribution Management does not have an impact on performance of a hotel

H<sub>P</sub> – Logistics Management has a positive impact on performance of a hotel

H<sub>N</sub> – Logistics Management does not have an impact on performance of a hotel

H<sub>P</sub> – Inventory Management has a positive impact on performance of a hotel

H<sub>N</sub> – Inventory Management does not have an impact on performance of a hotel

H<sub>P</sub> – Green Supply Chain Management has a positive impact on performance of a hotel

H<sub>N</sub> – Green Supply Chain Management does not have an impact on performance of a hotel

H<sub>P</sub> – Information Technology Implementation has a positive impact on performance of a hotel

H<sub>N</sub> – Information Technology Implementation does not have an impact on performance of a hotel

The research data gathering will be done to measure the accuracy levels of the above-mentioned hypothesis of the research.

### **3.3 Research Design**

The research is focusing on identifying the relationship between supply chain management and performance of the hotels. To identify the relationship level the research will follow the conceptual framework and the questionnaire of the research will be developed according to the conceptual framework. After gathering the inputs to the research, they will be tested under

statistical analysis methods to identify the accuracy of the research hypothesis. As per the findings of the research, final conclusions and recommendations will be delivered as well.

### **3.3.1 Sampling Design**

#### **3.3.1.1 Population**

The employees of Hotel companies in Sothern Province of Sri Lanka is selected as the main unit for the assessment. The selected research sample should have a proper understanding of the logistics and supply chain management activities. Therefore the employees of the accounting and finance department, the middle and top management, and other operational staff who are related to the logistics and transportation activities of the company are selected as the unit of analysis for the research. They will deliver related inputs to the research questionnaire which would be helpful to the assessment of the relationship between the dependent and independent variables.

#### **3.3.1.2 Sample Selection Procedure**

The research sample should have an adequate level of knowledge of the logistics and supply chain management subject scope. Therefore the sample is limited to the research in the selected hotels. Ten participants will be selected from each hotel and eight hotels will be selected for the study. Therefore the total sample would be selected as 80 respondents. Since the respondents are limited to the company all the available sample unit was selected for the research.

#### **3.3.1.3 Sample Size**

The research sample is selected from the target unit for the assessment of the research. Mainly the sample should have proper supply chain management literacy and that is supportive of the accurate data gathering to the research. Therefore it will be assessed the inputs of 80 respondents to the research. The participants of the research have various different demographic factors, such as age, job title, working experience, education level etc.

#### **3.3.1.4 Data collection methods and Techniques Used for Research Analysis**

The proposed research will follow the quantitative research approach. The approach will deliver the mathematical and statistical accuracy of the data investigation and analysis methods. Also, the biasedness of the researcher may be avoided during the quantitative research method. The relationship strength of the dependent and independent variables will be proposed according to the statistical and mathematical calculations.



The selected sample would be presented with the prepared structured questionnaire. Since the questionnaire was developed using the Likert scale, the participants will be able to deliver their inputs to the questionnaire effortlessly. Positive communication and support will be delivered to the participants by the researcher during the data collection functions of the research.

The data analysis of the research will measure the relationship between the dependent and independent variables. Also as it was stated the statistical measurements will be used during the data analysis. SPSS Statistical Analysis Software will be used during the research analysis to identify the relationship between the variables. Mainly it will measure frequency analysis of the inputs. Correlation and regression analysis of the main variables will define the relationship strength of the selected main variables.

SPSS Statistical Analysis Software will be used for the purpose of measuring the validity and reliability of the research questionnaire and its inputs. Also, the researcher will manually test the questionnaires to identify if there are missing inputs as well. The questionnaire was developed referring many articles and because of that it will generate many reliable inputs to the research as well.

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## Questionnaire

This questionnaire is prepared for the data gathering purpose of the research which is conducted the under the topic of “Logistics and Supply Chain Management in the Hotel Industry: Impact on hotel Performance in Service Delivery”. Please pay your kind attention to the given questions and deliver your insights to the research.

Participant's index number : .....

Age : .....

Occupation : .....

Please rate your answer according to the below mentioned scale.

### Procurement Management

1. Procurement management is supportive to the strategic objectives achievement of the hotel and therefore the management should deliver positive and intensive care to the procurement management functions of the hotel.

( ) Strongly disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly agree

2. The screening methods of the procurement management functions should align with the strategic expectations of the hotel and it is supportive to the achievement of the strategic advantages to the hotel in a competitive business industry.

( ) Strongly disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly agree

3. Procurement management helps to gather best quality resources to the hotel and it is supportive to the development of the service quality of the hotel with the best quality resource utilisation.

( ) Strongly disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly agree

4. The procurement management would ensure the positive feature development of the services of the hotel and it satisfies the customers while improving the positive market development to the hotel with better performances.

( ) Strongly disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly agree



## **Distribution Management**

5. Distribution management of the hotel should be aligned with the customer service expectations of the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

6. The customer behaviour should be assessed and analysed when defining the distribution strategy and also it is essential to add features to the services according to the behaviour to ensure the better sales revenue generation to the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

7. The service distribution should have flexible features which are aligned to the different cultural expectations of the tourist to ensure the better performance improvement of the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

8. The hotel should ensure the resource utilisation during the service distribution to the customers to ensure the positive financial and operational performances to the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

## **Logistics Management**

9. Proper logistics management will improve the resource availability of the hotel service delivery to the customers.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

10. When the logistics management process is failing in the hotel it will reduce the quality levels of the service delivery of the hotel and challenge the customer satisfaction.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

11. The impact of the poor logistics management mainly delivers the challenges to the achievement of the hotels strategic objectives accordingly.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

12. The supplier relations will reduce the pressure of logistics management functions of the hotel's management and allow the hotel to improve the operational activities of the hotel effectively.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

### **Inventory Management**

13. Inventory management is one of the major functional area of the hotel which helps the hotel to reduce the operational cost of the company.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

14. The forecast of the inventory needs will be supportive to the inventory management and also the forecasting of the resources should be aligned to the strategic operations objectives of the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

15. The perishable stocks of the hotel is the main field for the improvement of the wastages in the hotel and it is essential to keep positive supplier relations in the hotel to gather quality perishable supplies under just in time methods.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

16. The positive inventory management methods will ensure the resource availability of the functions of the hotel while reducing the gaps for the quality levels of the service delivery.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

### **Green Supply Chain Management**

17. Green supply chain management encourages recycle, reuse and reduce the resource usages in the company which is supportive to maximum resource utilisation.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

18. The stakeholders of the hotel are favouring the feature improvement of the supply chain in green friendly manner and it would improve their positive perception towards the hotel company.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

19. The sustainability and ethical business practices are ensured by the hotel with the implementation of green supply chain management practices.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

20. The long term benefits of green practices would eventually improve the performances of the hotel in positive manner.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

### **Information system implementation**

21. Every process steps of the supply chain should be automated and implemented with information system solutions to improve the productivity and efficiency.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

22. The cost and time for the supply chain and logistics activities can be reduced with the help of digital technologies and also it ensures process quality effectively as well with better performances.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

23. The stakeholders will develop a positive perception toward the hotel when it has implemented a proper, efficient and modern information systems.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree

24. The information availability of the hotel improves the decision making power of the management which is supportive to the improvement of the performances of the hotel.

☐ Strongly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly agree