

# TRANSFORMING HOSPITALITY PROCUREMENT: prioritizing partnership

## WHO IS HSM?

With more than 200 employees and 9,000 properties (including over 1,500 non-Hilton-branded hotels) in the Hilton Supply Management (HSM) portfolio, we leverage our \$6 billion combined spend to drive massive economies of scale and negotiate competitive contracts with industry-leading suppliers. This means substantial savings on the products and services owners need most. Our national programs ensure the best prices and our local programs accommodate specific market needs. On top of that, HSM's 1,000 smaller contracted suppliers allow us to handle a variety of property needs – from uniforms to elevator maintenance.

## THE NEED FOR EASE

Supply chain management can be a game changer for a business's bottom line, as well as a source of innovation. Companies demand more and more out of their supply chain, and procurement teams need to keep up and anticipate what the future will bring. In response, HSM set out to transform the procurement process – increasing efficiency and ease for our owners, properties, and internal corporate stakeholders. Further, we saw a need for exceptional customer service – a single point of contact to help manage every step of the purchasing process – from property openings to renovations, resupply to ongoing operations.

We were also getting specific, very unique requests from customers that we wanted to be able to fulfill.

**“Can you help us with a mattress recycling program?”**

**“We need immediate relief assistance for a property devastated by a hurricane.”**

**“We purchased a dozen new hotels. How can we integrate our purchasing programs to gain efficiencies?”**

It takes an expert and agile organization to handle calls like these. HSM is now in a better position to say “yes” and deliver on each one of them – no matter how big or small the challenge.

## TIME TO TRANSFORM

More than 50 years ago, Hilton was the first hotel company to launch an organized procurement division. The idea was, “Why not use our vast number of hotels to leverage, and lower, the associated costs of running a property?” This worked so well here at Hilton that it was eventually rolled out to non-Hilton brands.

Of course, there's more to running a successful property than smart spending. There is attention to detail, quality, technology infrastructure, brand consistency, a whatever-it-takes attitude, and teamwork. We knew that folding these features into our savings promise would take HSM to the next level. That's when our transformation began.

**HSM 2.0.** In 2017, we conducted a thorough operating model analysis to assess how we function and identify key systemic changes required to improve. This produced a strategic plan and series of organizational adjustments needed to better align our business with the expectations of our customers. We called the transformation HSM 2.0.

HSM 2.0 brought a renewed energy to every corner of our organization and began a full-court press to turn a long-standing, value-driven business model into a full-service, global hospitality procurement strategy. In

short, we wanted to dial up the “hospitality” in “hospitality procurement.” Providing a one-stop shop would add an unprecedented level of simplicity and ease for our clients.

**Triple-Digit Success.** A number of critical year-over-year (YOY) key performance indicators (KPIs) were used to measure the success of HSM 2.0. Our 2018 financial reports showed significant growth in the following areas:

- global revenue
- global savings
- EBITA (earnings before interest, tax, and amortization)

2018 also brought:

- a remarkable increase in new customers
- a GPO incentive increase
- and a rise in project procurement fee revenue

Other KPIs included customer satisfaction, customer retention rates, growth in number of diverse suppliers, and the creation and launch of new Furniture, Fixtures & Equipment (FF&E) packages for at least five hotel brands, gaining owners substantial and surprising savings. Internally, employee engagement surveys showed an impressive increase across key metrics in team member satisfaction.

Results like these didn't go unnoticed. Hilton recently landed the #1 spots on the 2019 Great Place to Work® and Fortune 100 Best Companies to Work For® lists.

### **FORMULA FOR SUCCESS**

**Top Talent.** HSM enlisted the top procurement leaders in the field – inside and outside the Hilton enterprise. We augmented the team member base by almost half to support the new organizational and strategic goals, promoted dozens of our own team members and recruited dozens more from other silos within Hilton.

**Total Teamwork.** Treating our clients as an integral part of the team was a large part of the transformation. To that end, HSM hosts ongoing regular meetings with owners and suppliers, such as our 2018 Global Supplier Summit, where suppliers from around the world engaged in meaningful conversations with Hilton and HSM leadership. These person-to-person exchanges yield critical, unique perspectives and unexpected solutions. They also serve as a built-in feedback loop.

**Trends & Technology.** At HSM, we continuously scan the competitive landscape to follow industry trends and product innovations. We've deployed new tools to monitor the procurement industry and identify opportunities for savings. They apply customized analytics that we can share with our customers along with recommendations for areas of improvement. SupplyTrak is one such example. This new application for managing packaged and customized FF&E projects features robust dashboards and mobile-friendly navigation, as well as enhanced analytics – all essential tools in this data-driven business climate. Our web-based customer portal has also been hugely successful. It empowers and enables clients to access purchase reports and pull exact spend details – anywhere, anytime.

It has been two years since this ambitious and exciting journey began, and it continues to this day, as do the lessons learned. We are committed to being the best in the field of hospitality procurement and providing our employees with the support, positive corporate culture, and tools they need to exceed expectations every day. We are an exponentially stronger organization as a result of HSM 2.0, with more durable and deeper relationships with our clients than ever before. HSM 2.0 has raised the profile of our well-regarded business portfolio, and we are confident that it will continue to spur growth in the future.