The Hotel Yearbook 2023
The Uncertainty New Normal

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Top 5 Procurement Megatrends in Hospitality for 2023

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Synopsis
The procurement industry has faced disruption in recent years due to the COVID-19 pandemic and its effect on the global supply chain. As a result, businesses have had to adjust their operational infrastructure and procurement practices in order to adapt to the new environment. In the hospitality industry, sustainability and technological overhaul are among the top procurement trends expected to influence the industry in 2023. Sustainability is becoming increasingly important as consumers favor eco-friendly practices and hotels are responsible for a significant portion of global carbon emissions. Technological overhaul is also necessary as the pandemic exposed vulnerabilities in the industry and many hotels are looking to reduce costs and drive revenue through automation. Additionally, the incorporation of IoT technology in the supply chain is becoming more prevalent as it allows for better management of purchasing and compliance, inventory, supplier payments, and more.

Over the last few years, the procurement industry has found itself in a period of continued disruption. As the COVID-19 pandemic swept across the world, the global supply chain faced unprecedented challenges and then an abrupt halt. One by one, businesses across industries arrived at a critical inflection point; if business as usual was no longer an option, it was time to shake up legacy processes to make way for a more adaptable, future-proof approach.

The hospitality industry was, of course, no exception. As travel came to a collective standstill for the better part of two years, hospitality brands had to adjust their operational infrastructure and look to the top of the food chain to reconsider and, where needed, overhaul their procurement practices. After all, procurement best practices have a significant trickle-down effect, as they influence nearly every touch-point of the guest journey down the line.

With Q1 of 2023 already underway and the post-pandemic landscape bearing all the markings of an exciting year of travel, emerging procurement trends are, understandably, top of mind for any hospitality professional. With this in mind, we've rounded up the top 5 procurement (mega) trends influencing the hospitality industry in 2023.

1. SUSTAINABILITY

With the World Economic Forum (WEF) now ranking climate action failure as the top global risk, sustainability is the most cited trend of 2023 across all industries. Consumers are leading this charge, as those brands that offer eco-friendly practices and value sets are consistently favored over those that remain behind the sustainability curve. The hotel and venue sector, specifically, accounts for around 1% of global carbon emissions and, as such, has an undeniable responsibility to make environmentally-conscious decisions.

From a procurement perspective, the supply chain directly informs the experience hotels offer to their guests, which adds considerable weight to hotel procurement sustainability initiatives. To this effect, a 2016 whitepaper from McKinsey revealed that 80% of the average company's carbon emissions come from its supply chain, and travelers are increasingly critical of hospitality brands that don't place sustainability efforts front and center – starting with their procurement

practices. Now, more than ever, guests expect hotels and venues to assess suppliers through a more eco-conscious lens while offering their audience increased visibility into the supply chain that feeds the guest experience.

2. TECHNOLOGICAL OVERHAUL

Across the hospitality industry, the adoption of new technology is happening at an accelerated pace. This should come as no surprise; after all, the COVID-19 pandemic exposed a number of vulnerabilities within our sector, and many of those vulnerabilities could be attributed to lacking technological infrastructure. Those properties that paid the price for relying on legacy technology and/or policies well past their expiration date are now determined to avoid repeating the same mistakes. With this in mind, they are overhauling their tech stacks. In fact, global spending on digital transformation is expected to hit $6.8 trillion in 2023.

Unfortunately, procurement is a business segment that has far too often been overlooked. As a result, hotels and venue spaces still need to capitalize on the power of intelligent procurement and automation. That is, until now. As hotel brands seek ways to do more with less from a staffing perspective, reduce costs, and drive revenue, procurement technology solutions represent hospitality brands' best bet to develop an intuitive, agile, and more efficient procurement process. In 2023 and beyond, more hospitality brands will leverage powerful procurement solutions to manage purchasing and compliance, accelerate invoice processing, automate key touchpoints, manage inventory and supplier payments, better anticipate and respond to industry-wide challenges, and so much more.

3. WHERE IOT MEETS THE SUPPLY CHAIN

In today's increasingly tech-driven world, the supply chain is mainly digital, and the goods procured by hotels and venues are based on demand predictions and guest consumption patterns. Of course, predicting demand is hardly a perfect science, and guest preferences change frequently – fortunately, this is where the Internet of Things (IoT) comes into play. IoT is defined as "a network of interconnected computing devices, mechanical and digital machines, and people with unique identities (UIDs)."

This cloud-based network facilitates data transfer without the need for human-to-human or human-to-computer contact. In the world of procurement, it is hailed as the "next big thing in the era of digital transformation." Why? Because IoT provides hotel and venue properties with the opportunity to improve spend visibility and gain an enhanced understanding of supply and equipment utilization throughout the supply chain. Furthermore, data gleaned from the IoT network informs more accurate demand forecasts, leading to more intelligent budgeting and procurement decisions.

4. MANAGING CYBERSECURITY RISKS

The hospitality industry is no stranger to cybersecurity risks; in fact, Ponemon and IBM Security's 2022 global case study report revealed that $2.94 million was the average total cost of a data breach in the hospitality industry from 2021 to 2022. Procurement represents a key area of cybersecurity vulnerability if hospitality brands do not embed protections into their framework.

After all, throughout the supply chain, a wealth of information, including contracts, private data, and confidential documents, is exchanged and could be inappropriately leveraged if it is not adequately protected. With this in mind, hospitality brands are expected to invest heavily in their procurement security, with an increased emphasis on staff training, compliance, and data encryption between suppliers and properties.

5. STRONGER SUPPLIER RELATIONSHIPS

As we've learned, the global supply chain is always subject to change and/or large-scale disruption, and with this in mind, procurement strategies must be exceedingly agile and adaptable. Of course, this cannot be achieved without cultivating dynamic, high-touch relationships between suppliers and properties.

Just as hospitality properties strive to establish meaningful relationships with guests and technology vendors, properties must maintain close relationships with suppliers. Notably, properties should seek out those suppliers whose business strategies are aligned and synergistic with their property in the hopes of building a mutually beneficial relationship in which both parties are equally invested in each other's success. Now, more than ever, a better supply chain starts with better relationships.

Hospitality leaders, 2023 is shaping up to be a big year for hospitality – is your supply chain ready to meet that demand?

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Gareth is a highly motivated management executive with international sales & marketing experience. He is passionate about helping people achieve success through secure data-driven growth strategies. He has a proven track record of over 30 years as an integral member of high-performing C-level executive teams working with top global and national companies from News Corp to Cargill to achieve performance exceeding expectations. Gareth leads by example with personal encouragement, inspirational leadership, and a healthy sense of humor. He has obtained degrees in Business & Hospitality Management from Queensland University and the Australian College of Journalism. He is also an Advisory Board Member for Customer Experience at the University of South Florida.

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