

An investigation in purchasing practices of small F&B operators

Michel Altan^{1*} and Christine Demen-Meier²

¹Academy of Hospitality and Facility Management, NHTV Breda, The Netherlands

²Ecole Hôtelière de Lausanne, Le Chalet-à-Gobet, Switzerland

*Corresponding author email: altan.m@nhtv.nl

The food and beverage (F&B) purchasing function is operating in a rapidly changing environment, whereby professionalisation and efficiency become key. This paper aims to identify generic skills that are most important for small F&B operators when it comes down to purchasing and supply management. Factors facilitating as well as hindering purchasing maturity are discussed. The focus lies on six single-site independent restaurants in the UK, supported by the presentation of the findings from in-depth interviews with the owners or managers. In this methodological context, the skills of buyers in small F&B operations are described through a 7-dimensional conceptual framework including: procurement planning, the structural organisation of the purchasing function, the process organisation, human resource systems, controlling structures, relations with supplier and finally sustainability. The study of these activities provides clear insights into the purchasing function developed by F&B operators, paving the way to the development of maturity grids outlining families of skills required in this specific sector of activity. Such tools can help operators developing a structured purchasing function in order to improve efficiency of processes as well as the evaluation of-and relationship with suppliers.

Keywords: supply chain management, F&B operations, restaurants UK, purchasing maturity, purchasing skills, food and beverage

Introduction

Numerous categories make up the foodservice market, such as independent consumer foodservice, home delivery or takeaway, cafes and bars where food is also provided, fast foods, full service restaurants, self-service cafeterias, street stalls or the pizza consumer foodservice. In this paper, the terminology as developed by Mintel (2014) and Vasquez-Nicholson (2010) will be used to categorise the foodservice operations under scrutiny: single site independent restaurants in the profit sector that can be traditional restaurants with full table service or themed restaurants serving specialties like regional dishes. This type of operation can be qualified as micro or small SMEs, with respectively up to 9 or 49 employees, in line with the definition developed by the European Commission as enforced as from January 1998 (DTI 2001). The foodservice sector was badly affected in the UK by the recession and experienced some of the highest levels of insolvencies and administrations (Mintel 2014). This observation is not helped by the fact that indicators of global food prices show primary food commodities have doubled and sometimes even tripled in price since 2006 (Martindale and Lillford 2008). These challenging conditions in the market have had a positive impact on the professionalisation of the supply chain of food operators, forcing the latter to work on issues of quality, traceability, delivery and sustainability. However, the impact on small F&B operators is unclear when it comes down to the approach to purchasing. This research aims to develop an in-depth understanding of the degree of maturity of the purchasing function in small UK F&B operators. Starting from the premise that purchasing in F&B operations must become

supply management, existing purchasing maturity models will be contextualised to small F&B operators. The research objectives are twofold:

- to determine whether specific purchasing skills as developed by large foodservice operators and ensuing maturity models are of relevance to small F&B operators today or in the future
- to identify factors that might hinder small F&B operators in developing a certain degree of purchasing maturity.

Investigating the purchasing function in small F&B operators is paramount as numerous changes are taking place in the purchasing profession: relationship marketing becomes increasingly important in buyer-supplier relationships, as well as the exchange of information and overall rationalisation of the supply base. This process is facilitated by technological tools, changes in organisational culture and overall attitude of management. These components have become core research areas over the past decade (McIvor et al. 1997, Zsidisin and Ellram 2001, see Björklund 2010). Core skills of F&B buyers identified in this paper may constitute a foundation for the development of an instrument to assess and further develop the level of maturity of purchasing in F&B operations. Such instruments can then be used to develop job descriptions (Tas 1988), providing the basis for training and career development.

Literature review

Restaurants have reacted to the recession and increasing food prices by discounting and using vouchers, or work on operational aspects such as using central ingredients and re-negotiating prices with suppliers. But although

micro-companies and SMEs have a potential for greater flexibility and resilience to respond to innovative trends (European Commission 2007), such responsiveness is often associated with increased business risk that is expressed by 6 components: (1) limited resources for research and development activities, (2) lower bargaining power and influence, (3) lower possibilities for market-building, (4) a high burden to satisfy environmental and hygiene demands, (5) limited access to high-qualified specialists, and finally (6) financial vulnerability (Martindale and Swainson 2008). Apart from merely describing the purchasing activities of small F&B operators, identifying the underpinning factors guiding specific activities lies at the core of the present research. Developing an understanding of supply chain management practices of larger foodservice operators is helpful in this regard, as it provides insights into what the future or 'best practices' within small operators might entail. Looking at a broader picture when studying food SMEs in Europe, Henschion and McIntyre (2005) emphasise the need for the adoption of supply chain management (SCM) practices at the various stages of the chain and new product introductions. Supply chains have been defined by Christopher (1992) as: 'a network of organisations that are involved through upstream and downstream linkages in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer'. In line with the approach of Kraljic (1983, 109) to supply chain management, purchasing in F&B operations must become supply management. Consequently, developing an understanding of the level of maturity of small F&B operators implies looking at the 'level of professionalism in the purchasing function' (Rozemeijer et al. 2003, 7). This is usually achieved using maturity models describing several stages organisations must go through in order to achieve better performance (Schiele 2007). Models assessing maturity levels in purchasing strongly lean on skills required of F&B buyers, with the assumption that greater maturity is associated with better performance. Such models tend to describe various stages that an organisation is supposed to go through in order to achieve more efficient service delivery. Considering the skills required as outlined in maturity models, it is relevant to contextualise the concept of skills within a broader framework pertaining to the purchasing function. The function is a concept that does not necessarily identify a position, as it can exist with or without a specific post. And pretty often, it is the independent restaurant owner who will perform the procurement, amongst other functions. Whatever the position of the buyer in the organisation of the company, it is the purchasing activities within the function that matter and that are investigated in this research.

The dimensions of the purchasing function

The various dimensions of assessment used in this research are routed in a 7-dimensional profile of purchasing, taking into account specificities of F&B buyers and covering: (1) procurement planning, (2) the structural organisation of the purchasing function, (3) the process organisation, (4) established human resource systems, (5) purchasing controlling structures, (6) relations with supplier and finally (7) sustainability. The first 5 dimensions used in this research are in line with the maturity grid developed by Schiele (2007), and also integrate the 6 steps of the purchasing process as identified

by Cichy (2012): identification and expression of the need and the obligations, search for suppliers and assessment of the proposals, choice of suppliers and contract negotiation, order and project management, performance evaluation and finally impediments related to relations, organisation and storage. The last two dimensions of assessment of the maturity model (6 and 7) are based on the challenges F&B operators face today and having an impact on the way these operators manage their purchases and overall supply chain. Table 1 below provides an overview of the seven dimensions pertaining to the maturity of purchasing as investigated in this research.

The seven dimensions used in this research to analyse purchasing maturity do already integrate specificities of foodservice operations and are discussed here below:

- (1) Procurement planning, referring to the sourcing decisions made by the operator. Such activities include external market analysis (Burt and Doyle 1994) or the development of product specifications (Barry et al. 1996). One key development when considering procurement comes down to the use of information technology (IT), increasing the availability of information on product movement within the supply chain (Prasad and Tata 2000). Tools such as the Efficient Consumer Response (ECR) have facilitated a transition towards data management, supported by an improving co-operation between trading partners in delivering value for customers. Such exchange of information between buyers and suppliers is facilitated by electronic data interchange (EDI) that can ultimately lead to new product development (NPD) and the creation of value for consumers. Apart from the EDI, Dawson (1994) also refers to the collection of sales data at the retailer's point of sale (EPOS) as a key technology that facilitates supply chain firms' co-ordination. Radio-frequency identification (RFID) provides another example of improvement supported by technology, potentially leading to cost reduction and increased supply chain visibility (Heim et al. 2009), although it implies significant investment from operators. Quite interestingly, there appears to be a strong relationship between the size of the company and the level and type of use of IT. In line with Morrell and Ezingard (2002), smaller companies face problems to benefit from IT use due to a lack of financial resources and relevant capability (in Bourlakis and Bourlakis 2006). The use of IT systems by small F&B operators is merely documented in the literature at this stage and subject to investigation in this research.
- (2) The structural organisation of the purchasing function: understanding how purchases are actually structured within small F&B operators is a relevant indicator of the degree of maturity. No specific organisational structure is advocated in this research, but the aim is to look at 'who does what' when it comes down to purchases.
- (3) Although the positive impact of developing clear sourcing strategies on performance has been demonstrated in other sectors of activity (Carr and Pearson 2002, Cousins 2005), this research aims to identify what processes small F&B operators have actually developed to conduct their purchasing activities. Considering maturity profiles, processes related to supplier development and selection (Keough 1993) or supplier training (Bhote 1989) are of

Table 1: Maturity of purchasing

1. Planning	Demand planning: Assessment of demand and process Pooling planning: IT support and Mandates Environmental scanning: Process & resources for market analysis Innovation planning: Technology identification & roadmaps
2. Organisational structure	Structure and mandates: Are responsibilities for purchasing defined? Mandates Strategic integration: Board meeting & involvement in make-or-buy decisions
3. Process organisation	Sourcing strategy: Process supplier selection & responsibility Supplier selection: Contract management, Negotiation Supplier evaluation: Communication with supplier, Process & performance Supplier development: Optimisation on-site visits to suppliers, Phase-out process with suppliers, Process of supplier development Supplier early involvement in NPD: NPD process, Standardisation Supplier involvement with other functions: Involvement marketing, TQM and risk management
4. HR	Job description & competencies: Functions, Technical competencies Pers. selection & integration: Selection & integration training plans Performance appraisal and career development: Career development & feedback, Target agreements
5. Controlling	Controlling system: Measurement figures & definition of target results Controlling processes & structure: Measuring controlling process, Responsibility
6. Relation with suppliers	Evolution of the org. with external suppliers, Informal relationships, Perceptions towards brands, Type of relationship with suppliers
7. Sustainability	Application of CSR practices, importance of issues pertaining to sustainability

Source: based on Schiele (2007)

relevance. Sanchez-Rodriguez (2009) suggests that strategically oriented supplier development practices could help the supplier in creating value for the buying firm in four dimensions: product quality, delivery, direct product costs, and process costs (Ulaga 2003). When considering product (quality) in terms of food innovations, it is useful to stress the role of emergent technologies in providing nutritional solutions to obesity, malnutrition and calorific deficiency (Hawkesworth et al. 2010).

- (4) Understanding which human resource systems in procurement are developed by F&B operators is essential, as a professional approach to purchasing is considered an important antecedent to strategic purchasing (Ogden et al. 2007).
- (5) The analysis of controlling structures in purchasing is guided by the strategic importance of supply measures to support decision making, improve financial as well as operational performance. The latter will imply the development of metrics on all levels within companies (Carter et al. 2005), aligned with overarching financial measures like return on investment (ROI), return on assets (ROA), etc. (Carter et al. 2005, Carter 2009). External validation of the purchasing and supply measurement system is becoming more often conducted by finance personnel or auditors external to the firm. Predictive measures for purchasing and supply are also likely to be developed further in the future, whereby measures of future supply quality or delivery performance are defined (Carter et al. 2005). Such systems require software to collect data along the supply chain, combined with more user-friendly interfaces.
- (6) Analysing relationships between operators and their

suppliers will make it possible to position them on a spectrum between purely transactional exchanges and vertically integrated firms, with numerous alternatives between both extremes. As the bargaining power of buyers in the commodity food service market is high, it is unlikely strong co-operation between parties is developed. However, and as emphasised by Fearne et al. (1999), co-operation between parties has become a critical success factor. Aghazadeh (2004) further emphasises that long-term success relies on the quality of the customer-supplier relationship established so that they will develop successful relationships. The disadvantage for buyers of developing strong relationships along the supply chain relates to increased levels of dependency on the supplier, the necessity for the buyer to practice new negotiation skills and a diminished focus on comparing prices with other suppliers. Buyers and suppliers involved in the purchase of commodity products may be linked through an inventory management system, but the linkages may not pervade any other aspects of their business (Fearne et al. 1999). To temper slightly the emphasis on co-operation, it is also helpful referring to Spekman et al. (1998), who consider that not all trading relationships should be collaborative. However, opportunities do exist for those willing to accept the challenge of working together in a partnership. By learning together, developing new products and together generating improved returns on investment (Fearne and Dedman 2000). Consequently, major retailers have been seeking to deal with fewer, larger, more technically efficient and innovative suppliers over the past two decades (Fearne and Dedman 2000). As such,

both supply management and relationship marketing activities are critical elements to a firms' competitive advantage (Sanchez-Rodriguez 2009). Effectiveness along the value chain implies effective communication between all partners involved within, as well as a certain degree of trust. Traditional criteria suitable to the purchasing function have of late been supplemented by qualitative factors such as the suppliers' organisational culture, feelings of trust, management attitude along with top management compatibility (McIvor et al. 1997, Zsidisin and Ellram 2001 in Björklund 2010). Complementing this approach, a recurring suggestion in the literature is the observation that (F&B) buyer-supplier relationships are undergoing a paradigm shift from transaction-oriented to relation-oriented, with relationship marketing becoming an increasingly important organisation concern for business (Sanchez-Rodriguez 2009).

- (7) Social and environmental changes have become topical at present and are pushed by a developing regulatory environment. Examples of the latter influencing behaviour in terms of operators' F&B purchases are waste management regulations, carbon reduction strategies (measured through food miles) or improved food labelling, as a poor diet is linked to several health conditions including heart disease, diabetes, cancer, and obesity (Curry 2002). In the UK, the Food Safety Agency (FSA) has supported a voluntary labelling campaign for convenience food. However, consumers do not seem to be responding to the nutrition information available on packaged foods (Nayga 2008), and small foodservice operators do not face legal obligations when it comes down to food labelling. Considering broad corporate social responsibility (CSR) issues, Martindale and Swainson (2008) highlight three critical elements for future successful application of innovation in F&B manufacture: efficient water use due to its limited availability, supply chain efficiency (defined as the carbon footprint) and finally an increased understanding and definition of how consumers experience the taste of F&B products. But apart from manufacturers, small F&B operators also have to carry a high burden to satisfy environmental health regulations (Revell and Blackburn 2007) and hygiene demands related to food security (DEFRA 2006). SME operators perceive compliance with environmental regulations as a costly issue (Smith and Kemp 1998, Petts et al. 1999), and this might apply to small F&B operators. Considering the UK's construction industry, Revell (2006) also concludes that financial returns from eco-friendly measures are not considered to be significant enough to justify the investment in money, time and resources.

Methodology

The data for this study was collected through in-depth semi-structured interviews with the owners and managers of six small UK F&B operations. In-depth interviews are considered to be the most appropriate method for collecting data, allowing for an in-depth exploration of the operator's motivations and beliefs. A small sample of six respondents was selected using judgmental sampling, precluding a statistical interpretation of the results obtained. The cases were

selected as they were considered to be particularly informative (Neuman 2005), being exemplary by nature and making a significant contribution to the study. Four operators are located in London and two in Sheffield. A qualitative approach was chosen, rooted in the tradition of exploring the thoughts, beliefs and feelings of respondents (Strauss and Corbin 1991). In order to overcome resistance to acceptability of the qualitative approach used in this study, each operator under scrutiny in this research has been studied alone, before moving on to a cross-case analysis whereby comparisons and contrasts were used (Eisenhardt 1989, Stake 1994). Since all operators in this research operate in a similar context and are faced with comparable external issues and constraints, they are deemed sufficient and appropriate to compare and contrast findings and establish replication. Looking at replication between respondents (whether this be literal or theoretical), a strong framework is of utmost importance – and provided by the proposed grid initially based on the maturity framework developed by Schiele (2007). An overview of the characteristics of each operator is added in Table 2 below. Data adequacy was looked for by compiling enough data to explain or account for any variation and when saturation had occurred. In terms of obtaining external validity this research aims to establish analytical generalisation, whereby generalisations to a wider population other than the six F&B operators should be treated as indicative rather than definitive.

The semi-structured interviews lasted between 45 minutes and 1 hour each. The interview schedule was developed based on the seven dimensions outlined above. Table 1 above provides an overview of the key dimensions discussed in the interviews. These dimensions were used for coding the interviews transcripts. The development of themes and categories was completed using the NVivo 9 software. In accordance with Yin (2003, 116), pattern matching and explanation building were used as key data analysis techniques. The resulting analysis extrapolated and outlined the key activities conducted today in the food operators' purchasing function, as well as activities that are likely to develop in the future. During the cross-case analysis, these seven dimensions helped to identify similarities and key differences based on the profile of the respondent, type of operation or location of the company.

Results

The results are structured along the seven dimensions of the proposed model discussed above: (1) Planning, (2) Organisational structure, (3) Process organisation, (4) HR, (5) Controlling, (6). Relation with suppliers and finally (7) Sustainability.

(1) Planning

Within all operators participating in this study, purchases are conducted by the head chef who actually designs the menus, often in close collaboration with the restaurant owner. Purchasing/demand and 'production planning' are often combined, depending on the experience of both manager and head chef. This process is not documented. Demand can be derived from the forecast, which is essentially based on past sales (eventually with a top-up factor projecting potential growth). In restaurant A1, it is the owner's husband who does

Table 2: Profile of the respondents

Code	Number of seats	Type	Location
A1	30+	Scandinavian	London
A2	30+	Bar & Grill	London
A3	60+	Bistro	London
A4	100+	Fine dining	London
A5	40+	Traditional UK	Sheffield
A6	35+	Traditional UK	Sheffield

both the accounting (and reception and handling of invoices) and forecast of demand. The forecast is based on the results of the previous year, with a top-up of 5–10% growth, as illustrated in the quote from A2:

'Um ... my husband does (the forecast). It is based it on, you know, previous ... previous years. Plus, we add ten percent for growth, five to ten percent for growth at the moment'. Other factors come into play when estimating the potential demand: particular events in the market as well as the effects of the economic situation. When considering the use of technology for pooling planning, most F&B operators use hospitality property management systems (PMS) systems to manage customer orders. The use of IT systems to enhance the purchasing process is not perceived to be of added value at this stage. Several reasons hinder the implementation of such systems today:

- Most employees lack a sufficient degree of IT literacy to learn using such systems quickly enough
- The industry functions on well-established routines and cultural norms, where implementing new systems is often perceived as 'rocking the boat'
- Current software systems in the market are considered not to be flexible enough in dealing with supplier rotation and the large diversity of purchasing orders.

There appears to be a certain willingness to learn more about IT systems in the purchasing process in the future, eventually fully interfaced with traditional PMS systems used in F&B operations. However, the software will need to demonstrate a high degree of flexibility in its use and be extremely user-friendly, finally offering value for money for the operators. IT systems for ordering provided by the supplier are not considered to be a determining element in the supplier selection process. An alternative option would be to see the development of an online platform that centralises requirements from small operators in order to benefit from economies of scale. Such a system is currently not developed in the UK. Environmental scanning is not a documented process, but rather an informal process conducted by the owner and sometimes based on the input of the kitchen chef. Market research goes from structured approaches for benchmark analysis (A4) up to informal chats with customers (A5). Information from such analysis is integrated in the forecast. Going more in-depth into the analysis of data available, the owner of A4 considers that in the future it will become important to look at yield per product. When looking at the way operators keep track of technology trends and knowing software for purchasing is not on top of their priority list, it appears that purchasing reactively follows other operational procedures (e.g. use of Micros/EPOS systems). Sticking to

traditional processes is the rule, leaving little room for innovation planning.

(2) Organisational structure

Considering whether operators have established a purchasing organisation with a clear structure and mandates, it appears tasks are properly divided between owners (negotiation), kitchen chefs (food purchases) and restaurant managers (purchases of beverages). The experience of the chef is a determinant factor when it comes down to supplier selection. For beverages, it is the restaurant manager that tends to select the supplier and negotiate prices directly. This is illustrated in the quote from A2's owner below:

'She [the manager] ... she tends to do that. She tends to do that [supplier selection for beverages]. Um ... but if we're getting into a price negotiation then we'll deal with it as a team'.

Key selection criteria for picking a particular supplier are: quality of the food and price (value for money offered). According to A2, it is likely that large suppliers will need to work on service-related aspects in the future in order to achieve differentiation, whilst small suppliers need to focus on customising products according to the operator's specific requirements. Day-to-day purchases are conducted by the manager or kitchen chef. They both report to the owner of the restaurant when problems arise with suppliers (issues about the prices requested or payment terms). As such, the owners deal directly with make-or-buy decisions, being at the heart of strategic decisions taken in the business. A close collaboration between owners and staff on the floor leads to smooth exchange of information and implications of all parties in 'make-or-buy' decisions.

(3) Process organisation

In terms of selection of suppliers as part of the sourcing strategy, this is generally conducted by the head chef – sometimes by (or in collaboration with) the restaurant manager. Most operators do not conduct an extensive evaluation of tenders, comparing products and process in a detailed manner. No contracts are used; most often the relation with suppliers is established through credit agreements. The suppliers' market, especially for commodity products, tends to be highly fragmented and does not force buyers into formal contractual agreements to ensure a steady delivery of goods. Another reason lies in the (relatively) small volumes bought as well as the fact that some suppliers find it hard to manage their admin properly (suppliers from A3). This issue is illustrated in the quote from A3:

'Interviewer: OK. Do you think that you would get better conditions if you sign a contract or is it not an option? Hm ... I don't know. I'm guessing that what matters to them is that we order a lot. Um ... and I'm thinking that most suppliers aren't themselves very good in administration. So, I'm not sure if contracts would be such a great thing for them'.

There is no uniform and systematic approach when conducting price negotiations. Negotiations are usually conducted by the owner/manager. Day-to-day management of the supplier relationship is then left to the manager or head chef. Considering the evaluation of suppliers, results are not collected in a formal and structured manner. Feedback

to suppliers tends to be rather informal, and when dissatisfied small operators find it convenient to switch suppliers (especially for commodity products). Supplier evaluation is often based on the (subjective) feeling of the owner or manager, eventually supported by elements such as prices charged, food costing or spillage. Supplier development is supported by site visits to suppliers (at least the ones delivering fresh products). This sometimes facilitates discussing product specification (A2), but most respondents consider knowing the suppliers make it much easier to handle problematic issues when occurring (issues pertaining to quality or delivery of the goods). The 'relational' aspect is considered to be less relevant for suppliers delivering commodity goods. Neither training nor workshops with suppliers are organised. The phase-out process with suppliers is facilitated by the fact that few contracts are signed between buyer and supplier. However, it is more complex for drinks (e.g. wines), as switching supplier might pose an issue of product continuity and force the operator to redesign its menu. Common reasons for phasing out a supplier are issues with quality, delivery times or competitive pricing. Overall, operators consider pressure on suppliers must be maintained and A2 even considers it is rather normal to switch suppliers after a while, just to obtain the best value for money. It is the manager that ultimately decides about phasing out a supplier. New product development is not often developed with suppliers. Only restaurant A1 has developed a product together with its supplier (a specific type of sausage), after the chef gave its supplier the recipe. This process of co-creation remains an exception for small independent operators and requires a strong relationship between both parties. The involvement of small operators in NPD does not follow a documented path, and tasks and responsibilities are not outlined. As the buyer (the chef or restaurant manager) communicates directly with the owner who defines the overall marketing approach, purchasing is acquainted with marketing strategies. Quality management (more specifically supplier certification) is a determinant factor coming into play when selecting a particular supplier.

(4) Human resources

Developing a specific purchasing function can, according to A4, only be fulfilled if it is financially viable. The operators involved in the present study are too small to see a purchasing manager generating sufficient savings to develop that post. Consequently, key purchasing functions are not described in a generic way. Considering technical competencies, the operators do not have staff specifically trained in purchasing, but often rely on the experience of the owners or chefs. Operators/owners who have been in industry for a while and have worked in larger operations before have a much more structured approach to purchasing than operators who have always worked in smaller units. The level of education also comes into play, with operators having a BSc degree looking at operations from a more conceptual point of view (e.g. A3, A2, and A4 versus A5). No training plans are available when it comes down to the purchasing function. The owners/managers often rely on the experience of the head chef or manager to manage the daily purchases. Training in A5 focuses mainly on employees (up)-selling of products, as illustrated in the quote below:

'I expect them to actually be able to sell!.'

(5) Controlling

Small operators only work with a limited set of measurement figures (food costing, spillage, GP), and sometimes do not make use of all (IT) tools and numbers they have at their disposal (e.g. A3). All operators focus on food cost as a measure of efficiency when it comes down to purchasing and operational processes. Profit gain calculations when changing suppliers are not conducted. Weekly meetings are the norm, with a discussion focusing on F&B cost control and a comparison of sales with the forecast. Developing more precise measures at this stage does not appear relevant for the operators. On a day-to-day basis, the performance of suppliers is measured in a rather 'subjective' manner – as illustrated here:

Interviewer: How do you measure the performance of the suppliers? Subjectively, because it could be something like delivery time, or the price, or the quality ... but it's just about feeling and ...

One single operator (A2) works with an accounting software/package that facilitates budgeting and continued analysis. This is partly due to the fact the owner has worked within larger companies before, where such systems are the norm. An external accountant, however, does focus on the financial side of tax reporting for several of the operators interviewed.

(6) Relation with suppliers

There is no systematic development of relationship, as it depends on the input of both buyer and supplier. Personal contacts are important and should be facilitated, although small operators do not structure their contacts/relation with suppliers in a formal manner. An operator like A1 considers training and advice provided by some suppliers (e.g. wine and coffee) as a key element in developing strong and helpful relationships. Overall, contacts with large suppliers offering commodity products tend to remain transactional, while a relationship with small suppliers offering specific products often burgeons and contributes to differentiation of the operator's offering. Apart from the formal agreements between buyers and suppliers, small operators put forward key 'soft' elements that enable building up a strong but rather informal relationship with some suppliers: communication, interaction, commitment, trust and keeping promises. Although product characteristics and overall value for money proposed form a prerequisite for successful relations, several factors are leading to successful relations between F&B buyers and their suppliers:

- The competencies of the suppliers (e.g. product knowledge, timely delivery, experience in the field, understanding and ability to express the needs of F&B buyers)
- The personality and relational characteristics of the supplier (e.g. keeping a close and frequent contact, personal relationships, proactive attitude)
- Overall characteristics of the supplier (e.g. flexibility, willingness to take into account the constraints the F&B operator works with).

F&B operators do not have in place formal supplier development processes. The ability to forecast sales and communicating this to suppliers is not an element that particularly strengthens the relationship with suppliers, and is not common practice amongst the respondents to this study. All

small operators use brands, essentially for drinks and coffee. Different types of relationships are developed with different types of suppliers. Long-term relationships help sort out such issues that may develop with suppliers. The relationship the company has with smaller suppliers goes much further, up to common product design in some cases (e.g. A2). The manager of A3 is increasingly involved in product specification. The visits that suppliers pay to the restaurant form an opportunity to discuss such issues, as illustrated in the quote below:

'Um ... well, sometimes we invite them in. Or, sometimes they come in as well to ... to ... because they are curious as well and then we try to take care of them when they come in. Yeah. For example, for the meat as well, they would come in ... and, um ... we could ... we often re-discuss, for example, certain cuts of the meat and then we would taste and then we would have a chat with them so ... and now we are getting more and more involved with this, with the Chef as well.'

A strong and long-term relationship with a supplier is definitely considered as valuable for the F&B buyer. The competitiveness between suppliers is flexible in the UK, where numerous F&B buyers work with a couple of suppliers for each product category and shift easily between them when a more competitive and sustainable price/quality offering is submitted.

(7) Sustainability

Looking at the application of CSR practices, it appears that the purchase and sale of organic products is not common practice amongst operators participating in this study. Restaurant A1 is most active when it comes down to CSR-related issues, with a website outlining the business's approach, local sourcing and fair-trade purchasing. The other operators do not have clearly defined CSR-policies or objectives. Little or no information about CSR aspects is provided to consumers, and the operator's main focus lies on the traceability and aspects of seasonality. This is predominantly dictated by financial imperatives and issues of health and safety. The approach of the A5 owner is outlined below:

'I like to know the welfare of ... of our meats, and chicken, and things like that. But organic ... not so much so. I'd like to ... I try to use as much local products as we can. But that's difficult being in Sheffield because we're eighty miles from the sea.'

Overall, compliance with CSR and certifications is essentially dictated by (1) legal obligations (referred to as Westminster) and (2) a reliance on the certification of the supplier. Societal issues such as obesity are considered as worrying, but such matters are not taken into account when working on menu design and completing purchases. The main driver for consumers when coming to A2 lies in the fact they can see how the food is processed on-site – trust is a key component, and is considered to be more important than an organic label. The owner's approach is illustrated in this quote:

'But the point being with our customers, we can have organic items but it's not what is the main driver. The main driver is that, well ... you know, they can see into the kitchen, we're making a lot of this stuff here and um ... it's kind of a trust element that's more important than the label.'

Interestingly, these legal constraints are closely monitored by the operators (e.g. by reading industry journals or attendance at fairs) – but not one of our respondents has developed a proactive attitude when considering the implementation of CSR practices. On the short to medium term, F&B buyers are willing to develop CSR practices within their company (e.g. energy savings, specific product purchases) as long as this does not lead to incremental costs that will not be supported by customers. Considering other elements such as menu labelling, the information displayed on the menus is usually limited to what is legally required (nut or shell fish content). There is some confusion with buyers about the distinction between key terms related to CSR: local sourcing, organic products, fair-trade, Max Havelaar, etc. A body clarifying and eventually uniting these concepts might be the way forward (A4). There are no specific CSR-related key performance indicators in place.

Conclusion and recommendations

Environmental scanning is not a documented process as outlined by Burt and Doyle (1994), and little or no use of purchasing-related technology is used to enhance existing processes. Operators are reluctant to invest in technology, confirming the approach of Morrell and Ezingard (2002), but focusing on the limited allocation of resources and relevant capability as outlined by Bourlakis and Bourlakis (2006). This situation hampers the efficient exchange of information with partners along the supply chain, in line with Prasad and Tata (2000). Procurement planning lies in the hands of the manager or head chef, depending on their practical experience. Operators prefer using existing processes such as Micros or EPOS. Purchasing tasks are divided between owners (negotiation with suppliers), kitchen chefs (food) and managers (beverages). Although clear sourcing strategies impact positively on performance (Carr and Pearson 2002, Cousins 2005), a uniform and systematic approach could be developed in order to improve efficiency of processes, evaluation of suppliers along with supplier development (Keough 1993, Sanchez-Rodriguez 2009).

Small food service operators have difficulties in responding to innovative trends, being restrained by limited resources, financial vulnerability because of small profit margins and limited resources for research and development activities (Martindale and Swainson 2008). However, their bargaining power is significant as they can easily switch between suppliers – but at the detriment of building up relationships. Small F&B operators have merely developed a structured purchasing function in their business, although its relevance has been demonstrated by Ogden et al. (2007). However, tasks related to purchases are properly assigned amongst owners (negotiation and solving issues with suppliers), managers (beverages) and kitchen chefs (food). Overall, the process organisation within small food service operators offers much room for improvement as there are, currently, little or no structured approaches to key processes such as negotiation, the evaluation of suppliers or matters of supplier development (Bhote 1989, Sanchez-Rodriguez 2009). This is despite the positive impact of developing clear sourcing strategies, as demonstrated by Carr and Pearson (2002) or Cousins (2005). Productivity is measured using traditional indicators such as food cost, but

overall it is a rather subjective process that does not consider individual supplier performance as suggested by Carter et al. (2000). Several respondents indicated that cost-effective and user-friendly software to manage purchases in small operations does not exist in the market, and show willingness to purchase this type of product if developed in the future. Contacts with large suppliers offering commodity products tend to be transactional, while relationships with small suppliers offering specific products often develop and lead to differentiation. In line with Spekman et al. (1998), not all relationships developed by operators are collaborative. Core relationship marketing by constituents such as trust and commitment or communication are essential in developing relationships with suppliers (McIvor et al. 1997, Zsidisin and Ellram 2001). These apply to the small food operators under scrutiny in this study, who systematically deal with the same suppliers, delivering unique products in the market. Such relationships can lead to common product design between the suppliers and the buyer. However, contradicting the statement of Sanchez-Rodriguez (2009), talking about a paradigm shift towards relationship marketing does not apply to small food operators.

Operators do not have clearly defined CSR policies or objectives, and no CSR-related indicators are used. This confirms the findings from Hillary (2000) and Revell and Blackburn (2007), indicating that foodservice operators in small firms are oblivious of the importance of sustainability and have a poor environmental performance. Foodservice operators take into account legislation focusing on sustainability as a driver to implement changes to their operations, with regulation being a key stimulus for improvements on environmental issues (Rutherford and Spence 1998). This is a somewhat reactive approach to manage environmental improvements, partly due to the intense pressure experienced by operators. In line with the research of Revell (2006) focusing on SMEs in the UK's construction industry, foodservice operators do not perceive the financial returns from eco-efficiency measures to be significant enough to justify time and resources to pursue them. The perception from operators is that customers cannot be won by embracing environmental practices. On top of this and confirming the findings from Smith and Kemp (1998) and Petts et al. (1999), compliance with environmental regulations is considered by operators to be a costly issue.

A limitation to the current study is due to the use of a judgmental sampling approach and the selection of a specific type of small food operators in one single and rather specific industry. Although it is not the aim of this research to generalise findings to a wider population, it might be helpful to further develop a proposed maturity model based on its findings and use a probability-sampling approach to support these. This study provides clear insights into the purchasing function developed by F&B operators and can be used for the development of maturity models specifically targeted to small food service operators. Such a model is a tool that can easily be communicated and shows clearly what needs to be undertaken in order to see improvements (Schiele 2007), positioned in an evolutionary process whereby F&B operators should develop their activities in a more sophisticated manner.

References

- Aghazadeh S-M. 2004. Improving logistics operations across the food industry supply chain. *International Journal of Contemporary Hospitality Management* 16(4): 263–268.
- Barry J, Cavinato J, Green A, Young RR. 1996. A development model for effective MRO procurement. *International Journal of Purchasing and Materials Management* 32(3): 35–14.
- Bhote KR. 1989. *Strategic supply management. a blueprint for revitalizing the manufacturer-supplier relationship*. New York: Amacom.
- Björklund M. 2010. Benchmarking tool for improved corporate social responsibility in purchasing. *Benchmarking: An International Journal* 17(3): 340–362.
- Bourlakis M, Bourlakis C. 2006. Integrating logistics and information technology strategies for sustainable competitive advantage. *Journal of Enterprise Information Management* 19(4): 389–402.
- Burt D, Doyle M. 1994. *The American keiretsu: a strategic weapon for global competitiveness*. Irwin: Business One.
- Carr AS, Pearson JN. 2002. The impact of purchasing and supplier involvement on strategic purchasing and its impact on firm's performance. *International Journal of Operations and Production Management* 22(9): 1032–1053.
- Carter J, Carter P, Monczka R. 2009. Supply management strategies for turbulent times. *Supply Chain Management Review* 13(7): 42–49.
- Carter P, Monczka R, Mosconi T. 2005. Looking at the future of supply measurement. *Supply Chain Management Review* 9(9): 27–29.
- Carter P, Carter J, Monczka R, Slaughter T, Swan A. 2000. The future of purchasing and supply: a ten-year forecast. *The Journal of Supply Chain Management* 36(4): 14–26.
- Christopher M. 1992. *Logistics and supply chain management*. London: Pitman.
- Cichy Ronald F. 2012. *Purchasing for food service operations*, 1st edn. Washington, DC: American Hotel & Lodging Educational Institute.
- Cousins PD. 2005. The alignment of appropriate firm and supply strategies for competitive advantage. *International Journal of Operations and Production Management* 25(5): 403–428.
- Curry D. 2002. Farming and food: a sustainable future. Policy Commission on Future of Farming and Food. Available at <http://webarchive.nationalarchives.gov.uk/20100807034701/http://archive.cabinetoffice.gov.uk/farming/pdf/PC%20Report2.pdf> (Accessed on October 26, 2014)
- Dawson JA. 1994. Applications of information management in European retailing. *International Review of Retail, Distribution & Consumer Research* 4(2): 219–238.
- DEFRA (Department for Environment Food and Rural Affairs) 2006. Food security and the UK: an evidence and analysis paper. London: Department for Environment Food and Rural Affairs. Available at <http://www.ifr.ac.uk/waste/Reports/Defra-foodsecurity.pdf> (Accessed on October 26, 2014)
- DTI (Department of Trade and Industry) 2001. Small and medium enterprise (SME) – Definitions. Available at <http://webarchive.nationalarchives.gov.uk/+/http://www.dti.gov.uk/sme4/define.htm> (Accessed on April 01, 2013)
- Eisenhardt K. 1989. Building theories from case study research. *Academy of Management Review* 14(4): 532–550.
- European Commission 2007. *A strategy for Europe on nutrition, overweight and obesity related health issues*. Brussels: European Commission.
- Fearne A, Hughes D, Duffy R. 1999. Concepts of collaboration – supply chain management in a global food industry. *International Journal of Supply Chain Management* 4(3): 1–32.
- Fearne A, Dedman S. 2000. Supply chain partnerships for private-label products: insights from the United Kingdom. *Journal of Food Distribution Research* 31(1): 14–23.

- Freeman, V.T., Cavinato, J.L. 1990. Fitting purchasing to the strategic firm: frameworks, processes, and values. *Journal of Purchasing and Materials Management* 26(1): 6–10.
- Giunipero, L. C., & Percy, D. H. 2000. World-Class Purchasing Skills: An Empirical Investigation. *The Journal of Supply Chain Management* 36(1): 4–13.
- Hawkesworth S, Dangour AD, Johnston D, Lock K, Poole N, Rushton J, Uauy R, Waage J. 2010. Feeding the world healthily: the challenge of measuring the effects of agriculture on health. *Philosophical Transactions of the Royal Society B* 365(1554): 3083–3097.
- Heim GR, Wentworth WR, Peng XD. 2009. The value to the customer of RFID in service applications. *Decision Science Institute* 40(3): 477.
- Henchion M, McIntyre B. 2005. Market access and competitiveness issues for food SMEs in Europe's lagging rural regions (LLR). *British Food Journal* 107(6): 404–422.
- Keough M. 1993. Buying your way to the top. *McKinsey Quarterly* (3): 41–62.
- Kraljic P. 1983. Purchasing must become supply management. *Harvard Business Review* 61(5): 109–117.
- Martindale W, Lillford P. 2008. Will an innovative and sustainable food system supply nine billion shoppers? Greening the Food Chain 3 and 4 Aspects of Applied Biology 87. Available at <http://scienceinto.co.uk/sites/scienceinto> (Accessed on October 26, 2014)
- Martindale, W., McGloin, R., Jones, M., & Barlow, P. 2008. The carbon dioxide emission footprint of food products and their application in the food system. Greening the Food Chain 3 and 4 Aspects of Applied Biology 87, 55–60. Available at <http://www.sciencein2.org/sites/scienceinto/files/documents/> (Accessed on October 26, 2014)
- Martindale W, Swainson M. 2008. Developing supply chain innovations – requirements for research and challenges in the food industry. Greening the Food Chain 3 and 4 Aspects of Applied Biology 87: 77–84
- McIvor RT, Humphreys PK, McAleer E. 1997. The evolution of the purchasing function. *Strategic Chance* 6: 165–179.
- Morrell M, Ezingard J-N. 2002. Revisiting adoption factors of inter-organisational information systems in SMEs. *Logistics Information Management* 15(1): 46–57.
- McIvor RT, Humphreys PK, McAleer E. 1997. The evolution of the purchasing function. *Strategic Chance* 6: 165–179.
- Mintel 2014. Eating out review, Mintel International Group Ltd. Available at <http://academic.mintel.com/display/708290> (Accessed on October 26, 2014)
- Mintel 2010c. Impact of recession on eating out. London: Mintel International Group Ltd. Available at <http://academic.mintel.com/search/?q=impact+of+recession+on+eating+out&go=0> (Accessed on October 26, 2014)
- Mintel 2010d. Pub Visiting Report UK 2010: Mintel International Group Ltd. Available at <http://academic.mintel.com/display/479911/> (Accessed on October 26, 2014)
- Mintel 2011a. Consumer Attitudes Towards Fine Dining - UK London: Mintel International Group Ltd Available at <http://academic.mintel.com/display/545377/> (Accessed on October 26, 2014)
- Mintel 2011b. Pizza and Pasta Restaurants – UK – January 2011. London: Mintel International Group Ltd. Available at <http://academic.mintel.com/display/545672> (Accessed on October 26, 2014)
- Mintel 2011c. Sandwiches and lunchtime foods – UK. London: Mintel International Group Ltd. Available at <http://academic.mintel.com/display/545244> (Accessed on October 26, 2014)
- Nayga RJ. 2008. Nutrition, obesity and health: policies and economic research challenges. *European Review of Agricultural Economics* 35(3): 281–302.
- Neuman WL. 2005. *Social research methods*, 6th edn. London: Pearson.
- Ogden JA, Rossetti CL, Hendrick TE. 2007. An exploratory cross-country comparison of strategic purchasing. *Journal of Purchasing and Supply Management* 13(1): 2–16.
- Petts J, Herd A, Gerrard S, Horne C. 1999. The climate and culture of environmental compliance within SMEs. *Business Strategy and the Environment* 8(1): 14–30.
- Prasad S, Tata J. 2000. Information investment in supply chain management. *Logistics Information Management* 13(1): 33–38.
- Revell A. 2006 The ecological modernisation of SMEs in the UK's construction industry. *Geoforum* 38: 114–126.
- Revell A, Blackburn R. 2007. The business case for sustainability? An examination of small firms in the UK's construction and restaurant sectors. *Business Strategy and the Environment* 16: 404–420.
- Rozemeijer FA, van Weele AJ, Weggeman M. 2003. Creating corporate advantage through purchasing: toward a contingency model. *The Journal of Supply Chain Management* 39 (1): 4–13.
- Rutherford R, Spence LJ. 1998. Small business and the perceived limits to responsibility: environmental issues? Paper presented at 21st Institute of Small Business Affairs, National Small Firms Policy and Research Conference, Durham, 18–28 November 1998.
- Sanchez-Rodriguez C. 2009. Effect of strategic purchasing on supplier development and performance: a structural model. *Journal of Business & Industrial Marketing* 24(3/4): 161–172.
- Schiele Holger 2007. Supply-management maturity cost savings and purchasing absorptive capacity: Testing the procurement-performance link. *Journal of Purchasing and Supply Management* 13: 274–293.
- Smith MA, Kemp R. 1998. Small firms and the environment 1998. A Groundwork report. Birmingham: Groundwork.
- Stake RE. 1994. Case studies. In Denzin NK, Lincoln YS. (eds.), *Handbook of qualitative research*. Thousand Oaks, CA: Sage. pp. 236–247
- Strauss A, Corbin J. 1991. *Basics of qualitative research*. Thousand Oaks, CA: Sage.
- Tas R. 1988. Teaching future managers. *Cornell Hotel and Restaurant Administration Quarterly*, 29 (2): 41–43.
- Ulaga W. 2003. Capturing value creation in business relationships: a customer perspective. *Industrial Marketing Management* 32(8): 677–693.
- Vasquez-Nicholson J. 2010. HRI Food Service Annual Report 2010 UK. London: USDA Foreign Agricultural service. Available at http://www.chilealimentos.com/medios/Servicios/Normas_internacionales/Norma_otros_paises/Mexico/HRI_servoces_Reino_Unido_USDA.pdf. (Accessed on October 26, 2014)
- Yin K. 2003, *Applications of cases study research*, 3rd. edn. London: Sage.
- Zsidisin GA, Ellram LM. 2001. Activities related to purchasing and supply management involvement in supplier alliances. *International Journal of Physical Distribution & Logistics Management* 31(3): 629–646.

