

INVENTORY MANAGEMENT IN THE HOTEL INDUSTRY:
A CASE STUDY OF KWARA HOTELS LTD ILORIN

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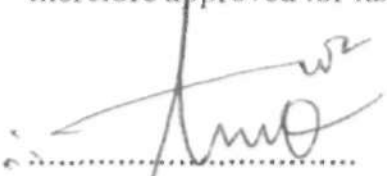
BEING A PROJECT SUBMITTED TO THE POSTGRADUATE
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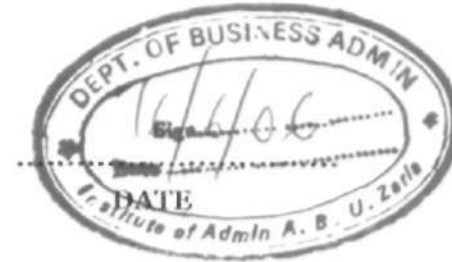
CERTIFICATION


This is to certify that this project titled "Inventory management in the Hotel Industry: A Case study of Kwara Hotels Ltd Ilorin" by Ramat Olamide Mustapha meets the regulations governing the award of the degree of Masters of Business Administration (MBA) of Ahmadu Bello University, Zaria and it is therefore approved for its contribution to knowledge, and literary presentation.


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DEDICATION

This project is dedicated to my late father Alhaji Kusamat Omoyeni Mustapha, whom I never appreciated until after his death may his soul rest in perfect peace, Amen.



ACKNOWLEDGEMENT

My profound gratitude goes to my supervisor Mallam Yusuf Abdullahi who gave me all the encouragements needed to complete the project. I am also grateful to my husband who stood by me through thick and thin. My gratitude goes to Mr. Gana J. Ibrahim and Mr. Joshua Alasi of kwara Hotels Ltd Ilorin who gave the necessary data on the hotel.

My gratitude goes to Madam Bola Salandeen of ministry of solid Minerals and industry Ilorin. I am also grateful to Mallam Nasiru Maiturare who would always give a listening ear to problems.

ABSTRACT

This study is based on inventory management in the Hotel industry - a case study of Kwara Hotels Ltd Ilorin. The researcher has been able to introduce the topic by analyzing the objective of the study the scope of the study and the limitations of the study. She has also developed two sets of working hypothesis to buttress her findings and her recommendations for management actions.

The researcher has also been able to show that inventory control is very important in both the private and public organizations. In carrying out the study, a total of 50 questionnaires were sent out and of which 40 were responded to.

The sampling strategy and statistical techniques were employed in evaluating the data. Questionnaires document utilized were analysed by the percentages.

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CHAPTER ONE

1.1 INTRODUCTION

The human animal needs change if it is to operate at option levels. Travel provides the change. Tourism is an activity involving a complex mixture of material and psychological elements. The material elements are accommodation, transportation, the attractions and entertainments available. The psychological factors include a wide spectrum of attitudes and expectations

The structure and components of the tourism industry can be broken down into: Accommodation, transportation, attraction and support services. The accommodation components could be in the form of hotels/motels, villas/chalets, quest/houses, camping sites, caravan sites, apartments and holiday camps. Kwara Hotels happens to fall into one of these categories. The under development of the tourism industry in Nigeria has a great effect on the Hotels.

In any branch of an organisation inventory control requires a special attention, which cannot be neglected. Inventory control is the means by which the correct list of stock items are made available as and when required *with due regard to overstocking, under stocking and also cost of inventory* management is to reduce the cost associated with maintaining an inventory.

The researcher has therefore chosen the topic 'inventory management in an Hotel industry – a case study of Kwara Hotels Ltd Ilorin, to a bring out how inventory management is carried out in a service organisation like the Kwara Hotels Ltd and to suggest ways of improving on such activities.

The responsibility for inventory control lies with the top management of the organisation therefore top management should carefully formulate and periodically review the basic policies, plans and forecasts which constitute the framework within the daily inventory operating functions. There is however no specific standard system of inventory control that can universally be recommended, but it is hoped that with time, certain principles of more general applications would be adopted.

1.2 STATEMENT OF PROBLEM

An organisation that operates without a proper inventory management policy would always be faced with the problem of not having the items available when they are most needed. Some organisations do not believe in inventory management as they see it as a waste of resource in that liquid cash that could be used in other aspect of working capital is being tied down as inventory. Such organisations would always have the believe that they could always get these items when needed which is not always so.

Due to the above reason, it is therefore necessary for the researcher to bring out to light how the Kwara Hotels Ltd go about their inventory management in order to be able to provide efficient service to their customers

1.3 OBJECTIVE OF THE STUDY

The objective of the study is to relate the inventory control principles in theory to what is being practiced especially in a service oriented outfit like the Kwara Hotels Ltd.

How is the inventory management activity done and ways of suggesting how the activities could be improved. It is therefore hoped that management of any hotel in general and Kwara Hotels Ltd in particular is also part of the

objective of this study to relate the effect of globalization on the hotel industry and Kwara Hotels Ltd in particular as this aspect cannot be overlooked in an Hotel of a world class.

1.4 SIGNIFICANCE OF THE STUDY

The research work is intended to be beneficial to the general public and to the Hotel management in particular. Inventory control or management is not only relevant in the Hotel industry but in all organisations. It is hoped that the research work would be relevant in the field of management both in private or public organisation.

1.5 SCOPE AND LIMITATIONS OF THE STUDY

The researcher in this study limits her self to the available literature on inventory management in relation to what is being practiced in a service-oriented outfit like the Kwara Hotels Ltd Ilorin. The researcher is also limited to the available data gathered and as such the researcher could not verify the correctives or otherwise of the information given on the case study as a request to go through past records in relation to inventory control in the organisation was turned down.

1.6 DEFINITION OF TERM

INVENTORY: Inventory is the stock of any item or resource used in an organisation.

INVENTORY SYSTEM: inventory system is the set of policies and controls that monitors level of inventory and determines what levels should be

	maintained, when stock should be replenished and how large orders should be.
STOCK MANAGEMENT:	A system employed to ensure availability of the right quantity and right quality to meet operational requirement
STOCK TAKING:	It is the process of verifying the quantity balances of the entire range of items held in stock.
STOCK:	The actual quantity of goods or materials held in the store.
STOCK RECORDS:	The documents used to record all stores or stock transactions
STORE REQUISITION:	This record is used mainly in an organisation to register their requirements for materials from the store.
CODING:	This is a method used in the identification of items by way of letters or figures as both.
HANDLING EQUIPMENT:	This is the facility used in moving materials in or out of the organisation e.g wheel barrows, forklift or cranes.
VOUCHER:	It is the document showing correctness of supply, receipt and issue.

1.7 RESEARCH METHODOLOGY

The methodology of this project would be that of descriptive research as it is aimed at explaining inventory management in a service-oriented organisation. The research is not an emphatically one as the variables and

concepts are not in the control of the researcher for the purpose of the research work, inventory control would be used to manage inventory management.

CHAPTER TWO

2.1 LITERATURE REVIEW

In a highly competitive business environment inventory system must be backed up by effective strategies.

Inventory management is defined by (Barret S.B 1972) as "a system to reduce the cost associated with maintaining an inventory such as cost of holding stock , the cost of not holding stock and the cost of work load caused by movement of merchandise in and out of inventory and the corresponding movement of information".

Apple by R C 1981 in his analysis defined inventory management as "being responsible for ensuring that the right quantity and quality of materials are made available when and where required and to ensure that capital is not tied up". We can now see that the two another agree that inventory control is a means to put into consideration the quantity and quality of material needs in order to save cost by not tying up the Capital.

Burton a (1989 Pg 153) in his own definition confirms "that inventory control concepts is the right quality at the right time and place"

Harper M.W (1958 pg 28) was also of the view that inventory control "is to access management in avoidance of both the cost of overstocking and the cost of under stocking"

Calcified (1980 pg 123) looked at inventory control in a different angle. "As a mean's of exercising a close control over the flow of inventory into production or sales vis-à-vis preventing loss but also ensuring that adequate inventory level is maintained.

However the America encyclopedia vol 10 (1829 PG 285) define inventory control " as an itemized list of goods, descriptive debts, credits and sometimes real estates usually with the corresponding actual or

estimated value attached, made it to fulfill legal requirements as routine business procedure”

The various definitions from the various authors have shown that inventory management in any business organisation cannot and cannot be overlooked.

2.2 INVENTORY MANAGEMENT

2.2.1 INVENTORIES

Inventories as defined by Chase, Aquilano and Jacobs (1998 pg 582) “is the stock of any item or resource used in an organisation”

Green J.A (1970 pg 14-15) refer to inventories as “Closely related to need for anticipation of stock for a cushion between actual and forecasted demand”, i.e. the extent to which inventories will be needed is a function of the accuracy of forecasting and the variation in actual demand.

Bruce Faith (1974 pg 88) defines inventory as “Stocks of raw materials, supplies part material in process, finished parts and finished products”.

Thus in all cases, inventories in any organisation whether small or big must be properly controlled. There is a need for proper inventory policy in order to reduce cost and also to ensure that the right quantity and quality of materials are made available when and where needed.

2.2.2 INVENTORY COSTS

In making any decision that affects inventory size, the following cost must be considered.

(1) Holding or Carrying Cost

This includes the cost for storage facilities handling, insurance, pilferage, breakage, obsolescence, depreciation, taxes and the

opportunity cost of capital. High holding cost tend to favour low inventory levels and frequent replenishment.

(2) Set up or Production Change Cost..

To make each different product involves obtaining the necessary materials arranging specific equipment set ups, filling out the required papers, appropriately charging time and materials and moving out the previous stock of material. If there were no cost or loss of time in changing from one product to another, many small lots would be produced. This would reduce inventory levels with a resulting savings in cost one challenge today is to reduce these set up of costs to permit smaller lot sizes.

(3) Ordering Costs

These costs refer to the managerial and clerical cost to prepare the purchase or production order. Ordering cost include all the details such as counting item and calculating order quantities. The costs associated with maintaining the system needed to track orders are also included in ordering costs.

(4) Shortage Costs

When the stock of an item is depleted, an order for that item must either wait until the stock is replenish or be cancelled. There is a trade off between carrying stock to satisfy demand and the cost resulting from stock out. These balance is sometimes difficult to obtain, because it may not be possible to estimate lost profits, the effects of lost customers or lateness penalties. Frequently, the assumed shortage cost is little more than a guess, although it is usually possible to specify a range of such costs.

2.2.3 PURPOSE OF INVENTORY

All firms keep a supply of inventory for the following reasons.

- (1) To maintain independence of operations. A supply of materials at a work center allows that center flexibility in operations. For example, because there are costs for making each new production setup, this inventory allows management to reduce the number of setups. Independence of workstations is desirable on assembly lines as well. The time that it takes to do identical operations will naturally vary from one unit to the next. Therefore, it is desirable to have a cushion of several parts within the workstation so that shorter performance times can compensate for longer performance times. This way the average output can be fairly stable.
- (2) To meet variation in product demand
If the demand for the product is known precisely, it may be possible (though not necessarily economical) to produce the product to exactly meet the demand. Usually, however, demand is not completely known, and a safety or buffer stock must be maintained to absorb variation.
- (3) To allow flexibility in production scheduling
A stock of inventory relieves the pressure on the production system to get the goods out. This causes longer leads times which permit production planning for smoother flow and lower cost operation through larger lot size production. High set up costs for example, favour the production of a larger number of units once the setup has been made.
- (4) To provide a safeguard for variation in raw material delivery time.

When material is ordered from a vendor delays can occur for a variety of reason: a normal variation in shipping time a shortage of material at the vendor's plant causing backlogs, an unexpected strike at the vendor's plant or at one of the shipping companies, a lot order or a shipment of incorrect or defective material.

- (5) To take advantage of economic purchase order size.

There are costs to place an order: labour, phone call, typing, postage and so on. Therefore, the larger the size of each order, the fewer the number of orders that need be written. Also shipping costs favour larger orders- the larger the shipment, the lower the per unit costs.

For each for the reason above, note that inventory is costly and large amounts are generally undesirable. Long cycle times are caused by large of inventory and are undesirable as well.

2.3 INVENTORY CONTROL SYSTEMS

Inventory control function include receiving, inspection, issuing and handling of materials. The effective operation of these functions form the basis of successful operation of any inventory.

Green J. H. (1970 Pg 14-15) define inventory control system as "the process of determining the items or groups of items that deserve the maximum control of efforts

Chase, Aquilo and Jacobs (1998 pg 585) defines inventory system as "that which provide the organizational structure and the operating policies for maintaining and controlling goods to be stocked.

The system is responsible for ordering and receipt of goods, timing the order placement and keeping track of what has been ordered, how much and from whom.

The system must also follow up to answer such question as: has the supplier received the order?, are the dates correct?, are the procedures established for ordering or returning undesirable merchandise.

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2.4 CLASSIFYING MODELS

There are two major types of inventories systems:

- (1) Fixed order quantity model or the economic order quantity
- (2) Fixed time period model or the periodic system, periodic review system or fixed order interval system

The basic distinction is that fixed order quantity models are "event triggered" and fixed time period models are "time triggered". Fixed order quantity model initiates an order when the event of reaching a specified reorder level occurs. This event may take place any time, depending on the demand for the item considered. In contrast, the fixed time period model is limited to placing order at the end of a predetermined time period, only the passage of time triggers the model.

The differences between the two models is given below:

- (1) The fixed order quantity model favours more expensive items because average inventory is lower.
- (2) The fixed time period has a larger average inventory because it must also protect against stock out during the review period T , the fixed quantity model has no review period.
- (3) The fixed order quantity model is more appropriate for important items such as critical repair parts because there is closer monitoring and therefore quicker response to potential stock out.

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- (4) The fixed order quantity model requires more time to maintain because every addition or withdrawal is logged.

2.5 ESTABLISHING SAFETY STOCK LEVEL

Safety stock must be maintained to provide some level of protection against stock out. Safety stock as defined by Chase, Aquino and Jacob (1998 pg 591) "is the amount of inventory carried in addition to the expected demand". In a normal distribution, this will be the mean. For example, if the average monthly demand is 100 units and it is expected that next month demand would be the same, if we carry 120 units, then we have 20 units of safety stock.

The general literature on the subject of safety stock contain two approaches relating to the demand for that inventory that is to be protected. First is the probability that demand will exceed some specified amount. The second approach deals with the probability of exceeding a value and the second approach is concerned with how many units were short.

2.6 SPECIAL PURPOSE MODELS

This section presents two new models. The first illustrates the effect on order quantity when unit price changes with order size. The second is a single period model (sometimes called a static model) in which ordering and stocking require a cost trade-off each time. This type of model is amenable to solution by marginal analysis.

- (1) Price Break Models

Price break models deal with the fact that generally, the selling price of an item varies with the order size. This is a discrete or step change rather than a per unit change:

(2) Single Period Models

Some inventory situations involve placing order to cover only one demand period or to cover short lived item at frequent intervals, sometimes called single period or new boy problems (for example how many papers should a new boy order each day). They are amenable to solution through the classic economic approach of marginal analysis. The optimal stocking decision, using marginal analysis, occurs at the point where the benefit derived from varying the next units are less than the costs for those units.

2.7 MISCELLANEOUS SYSTEMS AND ISSUES

All inventory systems are plagued by two major problems: maintaining adequate control over each inventory item, and ensuring that accurate records of stock on hand are kept.

In this section three simple system often used in practice are presented.

- (1) (a) An optimal replenishment system
- (b) A one bin systems
- (c) A two bin system
- (2) ABC analysis (a method for analyzing inventory based on value).
- (3) Cycle counting (a technique for improving inventory record accuracy).

(1a) Optimal Replenishment System

An optimal replenishment system forces the reviewing of the inventory level at a fixed frequency (such as weekly) and ordering a replenishment supply if the level has dropped below some amount.

(1b) One Bin System

A one bin inventory system involves periodic replenishment no matter how few are needed. At fixed periods (such as weekly), the inventory is brought up to its predetermined maximum level. The one bin is always replenished and it therefore differs from the optimal replenishment system which only re orders when the inventory used is greater than some minimum amount.

(1c) Two Bin System

In a two bin system, items are used from one bin and the second bin provides an amount large enough to ensure that the stock can be replenished. As soon as the second bin supply is brought to the first bin, an order is placed to replenish the second bin. Actually these bins can be located together. In fact there could be just one bin with a divider between. The key to a two bin operation is to separate the inventory so that part of it is held in reserve until the rest is used first.

(2) ABC Inventory Planning

Maintaining inventory through counting placing orders, receiving stock and so on takes personnel time and costs money. When there are limits on these resources the logical move is to try to use the available resources to control inventory in the best way. In other words, focus on the most important items in inventory.

Any inventory system must specify when an order is to be placed for an item and how many units to order. Most inventory control

situations involves so many items that it is not practical to model and give thorough treatment to each item. To get around this problem the ABC classification scheme divides inventory items into three groupings:

- (A) High dollar volume
- (B) Moderate dollar volume
- (C) Low dollar volume

Dollar volume is a measure of importance, an item low in cost but high in volume can be more important than a high cost item with low volume.

Segmentation may not always occurs so neatly. The objective, is to try to separate the important from the unimportant. Where the lines actually break depends on the particular inventory under question and on how much personnel time is available.

The purpose of classifying items into groups is to establish the appropriate degree of control over each item on a periodic basis. For example, Class A items may be more clearly controlled with weekly ordering, B items may be ordered biweekly and C items may be ordered monthly or bimonthly. The unit cost of items is not related to their classification.

An A item may have a high dollar volume through a combination of either low cost and high usage or high cost and low usage. Similarly C item may have a low dollar volume because of either low demand or low cost. C items may be ordered every two or three months or even allowed to run out before reordering because the penalty for stock out is not serious.

Sometimes an item may be critical to a system if its absence creates a sizeable loss. In this case, regardless of the item's classification, sufficiently, large stocks should be kept on hand to prevent run out. One way to ensure closer control is to designate this item an A or B forcing it into the category even if its dollar volume does not warrant such inclusion.

(3) Inventory Accuracy and Cycle Counting Inventory Accuracy
Inventory Accuracy

Inventory records usually differ from the actual physical count. Inventory accuracy refers to how well the two agree. There are many reasons why records and inventory may not agree for example, an open stock room area allows items to be removed for both legitimate and unauthorized purposes. The legitimate removal may have been done in a hurry and simply not recorded. Sometimes parts are misplaced turning up months later. Parts often stored in several locations but records may be lost or the location recorded incorrectly. Sometimes stock replenishment orders are recorded as received, when in fact they never were. Occasionally, a group of parts is recorded as removed from inventory, but the customer order is cancelled and the parts are replaced in inventory without canceling the record. To keep the production system flowing smoothly without parts shortages and efficiently without excess balances, records must be accurate.

How can a firm keep accurate, up to date records? The first general rule is to keep the storeroom locked. If only store room personnel have access and one of their measure of performance when time comes for personnel evaluation and merit increases is record accuracy, there is a strong motivation to company. Every location of inventory storage whether in a lock storeroom or on the production floor, should have a record keeping mechanism. A second way is to convey the importance of accurate records to all personnel and depend on them to assist in this effort. Another way to ensure accuracy is to count inventory frequently and match this against records. A widely used method is called cycle counting.

Cycle Counting

Cycle counting is a physical inventory taking technique in which inventory is counted on a frequent basis rather than once or twice a year. The key of effective cycle counting and therefore to accurate records lies in deciding which items are to be counted, when and by whom. Virtually all inventory systems these days are computerised. The computer can be programmed to produce a cycle count notice in the following cases

- (1) When the record show a low or zero balance
- (2) When the record shows a positive balance but a back order was written (indicating a discrepancy)
- (3) After some specified level of activity
- (4) To signal a review based on the importance of the item.

The easiest time for stock to be counted is when there is no activity in the stock room or on the production floor. If this is not possible, more careful logging and separation of items are required to do an inventory count while production is going on and transactions are occurring.

The counting cycle depends on the available personnel. Some firms schedule regular stock room personnel. To do the counting during hill times in the regular working day. Other companies contract out to private firms that come in and count inventory. Still other firms use full time cycle counters who do nothing but count inventory and resolve differences with records. While this last method sounds expensive, many firms believe that it is actually less costly than the usual hectic annual inventory count generally performed during the two or three week annual vacation shut down.

2.8 SYSTEM CONTRACTING

This is another technique whereby the buyer makes a contract or purchase agreement with the supplier covering large amount supplier covering large amount of materials or supplies generally bought from a distributor.

The supplier agrees to carry sufficient stock of each of the items. Requisitioners merely order needed items from the supplier when the needs arise and he keeps all items bought and shipped and then mail a combined invoice at prescribed intervals e.g. once a month.

Another aspect of inventory control is to provide maximum customer service with maximum plant efficiency and minimum inventory investment. In order to achieve this function, inventories of certain quantities must be held. Reasons for holding inventories are given below:

- (1) Discount
There is always a discount given when bulk purchases are made.
- (2) Operational Risk
Due to possible changes in programmes industries must hold stock as a precaution against break down or interruption in the production procedure.
- (3) Delivery
Where the delivery cannot match the daily usage of an item then there is a need for stock holding.
- (4) Cost of Storage
- (5) Fluctuation in prices
- (6) Work in progress
Where a complete balanced production flow is not practice able
- (7) Finished Products
Where the holding of stock between the manufacture and consumer is essential.

In analyzing each of the systems discussed above, one has to look at the importance of a particular inventory control system to the situation at hand. A system that is most suitable in a particular organisation may not be practice able in another organisation.

Baret (1972 pg. 1) analysed the purpose of inventory control as that which is aimed at reducing cost associated with maintaining an inventory. He categorize these cost into three:

- (1) Cost of holding stock
- (2) Cost of not holding stock
- (3) Cost of work load

The cost involved in holding stock such as deterioration, storage cost and pilferage are minimized to the lowest possible while the cost of not holding stock such as loss of goodwill production stoppages are also minimized and lastly, the cost involved in work load caused by movement such as handling equipment off and on loading is reduced.

However, to Burtona (1974 pg 153) "stock control as a concept is to provide the right materials, in the right place". This definition means that providing all that is needed for the short operation in order to satisfy basic objective of the store functions to its users. In page 52, he examines the reasons for holding stock as the logical classification of stock control problem which is very difficult, because reasons vary considerably from one industry to another. Even within one industry the problems can be diverse e.g. the manufacturing industry where the demand for stationery is usually constant for day to day activities while the demand for cardboard will vary widely according to the subject matter.

Stock need to be held to safeguard unforeseen situation such as strikes, transport delays or breakdown, bad weather or administrative errors.

We can see that various authors have different views and approaches to the issue of inventory management. However, all the authors agree that inventory in any organisation need to be control or managed for smooth running of the organizational activity.

The researcher however stands to agree strongly with the definition of Appleby R. C. 1981 earlier stated in the research work which says that inventory management is "being responsible for ensuring that the right

quantity and quality of materials are made available when and where required and to ensure that capital is not tied up”.

Thus items such as beddings, plates, cutlery, chairs, tables, TVs, ACs, curtains, food stuff to mention but a few of the inventories of Kwara Hotels Limited, must be made available at the right quantity, quality, time and place without being overstocked to avoid tying down of capital.

An hotel is defined by the Oxford advanced learner's dictionary fifth edition as “a building where rooms and meals are provided for in return for payment”.

Accommodation as one of the services that is being rendered in the hotel is a very important component of tourism products. The type, scale and nature of it, available at any destination determine the type and scale of tourism that is possible. Accommodation can be split into three categories:

1. Serviced accommodation such as hotels, pension e. t. c that provide rooms, restaurants or meal service, housekeeping, porter age etc.
2. Self catering establishments such as caravans, camping sites, villas chalets, hired motor homes, visiting foreign relatives (VFR), second homes etc
3. Serviced or self-catering sector e.g holiday villages or camps, hired yachts.

Accommodation may be classified according to the number of private bathrooms and bathrooms provided it can also be graded according to the number and size of public rooms restaurant and other facilities provided.

The demand for accommodation stems not only from the vacationers but also from business travelers and nationals of the country where the accommodation unit is situated. The last maybe visitors from other regions or local residents using the hotel for a night or two for obvious reasons. Or local residents may just use the restaurant facilities for occasional meals. Having to satisfy such varied demands pose problems for hotel managers.

The demand for any one type of accommodation depends on how much guests will be prepared to trade off one requirement against another's, as it will depend on the relative importance of their different needs for example, how important is the location of the hotel compared with its size, type or price?. Do guests beach or close to particular activities or cultural events? The business traveler may wish to be near the office being visited or a factory or the venue of a conference or exhibition or an airport.

Further demand is not uniform for tourism it has a seasonal nature while with business travel it can be cyclical. There are periods of peak and low demand. Accommodation units pose one great problem in that they lack flexibility of supply. The capacity of a unit cannot be adjusted to match periods of this fixed capacity, when any room remains unoccupied this represents a waste of that portion of the hotel's resources and a drain on its profits. So in low demand periods, there can be a considerable amount of idle capacity. Also during peak demand periods, the hotel is limited by its maximum capacity and will have to decline all business in excess of this, representing a loss of part of the potential profit that could be possible if capacity had been greater.

Hotels also have fixed locations and cannot be moved around to follow demand. The hotel product has to be consumed at the place (location) where it is produced (available). In bad economic times, the problem of covering costs and making a profit are increased city and town . Centre hotels have higher occupancy rates than out of town establishments. Hotels at seaside resorts have the highest degree of seasonality and the lowest average, annual occupancy rates. Units in scenic mountainous terrain can have good occupancy rates if demand is high throughout the summer and winter for sporting or other reasons. Hotels catering mainly for the tourism trade have low average annual occupancy rates if they do not have an all-the-year round demand the seasonality of the demand can also be unstable, especially when consumers are going through a phase of changing attitudes and needs.

The efficiency of a catering operation is often judged by its ability to satisfy the special needs of a minority of any group without fuss or delay. It follows that the range of dishes provided by hotel restaurants may have to be greater and more diverse than accommodation products, if maximizing customer satisfaction is the aim of the management. However, cost and other practical considerations may limit the degree of diversity possible.

CHAPTER THREE

3.1. HISTORICAL BACKGROUND OF KWARA HOTELS LIMITED

Kwara Hotels Limited situated at No 9a Ahmadu Bello Avenue GRA Ilorin was commissioned by COL. Bamigboye (Rtd) in November 1974 to generate revenue and to promote tourism. The hotel is owned by Kwara State Government and it started with 50 rooms consisting of suit and double rooms. The Kwara State Ministry of Commerce and Industry managed the hotels within the period of 1974 to 1984 however, on 29th september 1984, the management of the hotel was handed over to Arewa Hotels Ltd by Group Capt Salaudeen Latinwo in the year 2000. The management of the hotel by Arewa Hotels Ltd was terminated by the Lawal. Administration and it was handed over to a private company (expatriates) by the name Shogevan and Co who are operating the hotel to date. The company is answerable to the board of directors who also reports to the Ministry of Sports and Tourism. The hotel as at today, has 180 rooms comprising suit and double rooms

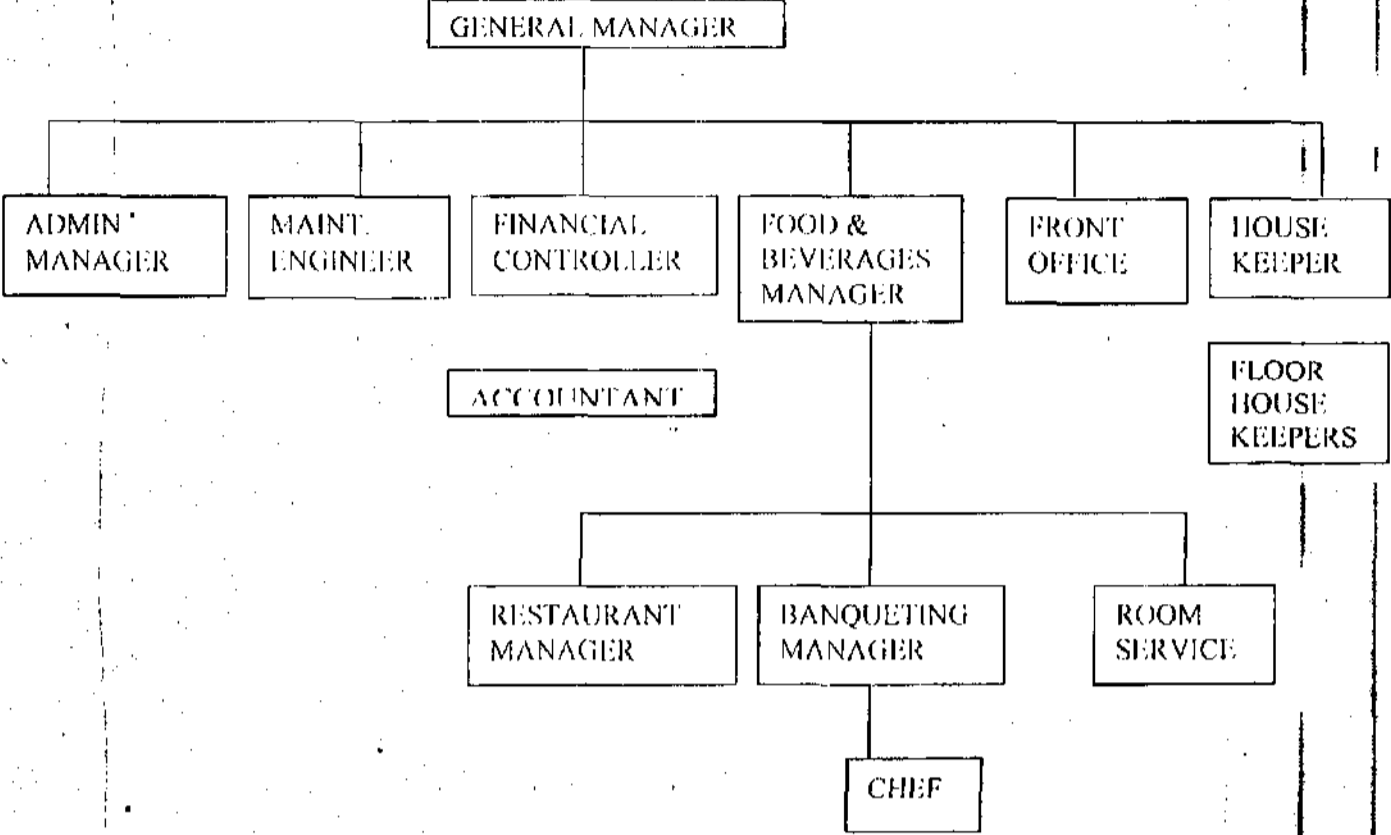
The hotel has the following departments:

- 1) The General Manager's office ;
- 2) The administrative department ;
- 3) The front office;
- 4) The accounts department;
- 5) The maintenance department ;
- 6) The laundry section ;
- 7) Food and beverage department ; and
- 8) House keeper section..

The objectives of the hotel are:

- 1) To generate revenue for the state ;
- 2) To provide accommodation, catering and laundry service to the public;
- 3) To charge moderate rates to it's customers; and
- 4) Investment, management and consultancy services are also provided by the hotel.

ORGANIZATIONAL CHART OF KWARA HOTELS LTD



3.2 EFFECT OF GLOBALISATION ON THE HOTEL INDUSTRY

Globalisation is a process, which engenders free flow of ideas, people, goods, services and capital so as to foster the integration of economics, societies, culture, technology, governance as well as religions, environmental and social dimensions. It is a process of increased integration of national economies with the rest of the world so as to create a more coherent global economy. It also provides a means of creating a global market place in which free markets, investments, trade and information are better integrated. It is strategy for beating competitors – Ball A. D and McCulloch H. W. JR “International Business- The challenge of Global competition (Pp 6-21 1996).

The aims of globalisation are

- (a) To be responsive to local markets
- (b) For an international firm to produce and market its product globally
- (c) To exploit its technology on a global basis.

Global competition is mounting. The huge increase in import penetration plus the massive amounts of overseas investment mean that firms of all sizes face competition from everywhere in the world. This increasing internationalisation of business is requiring managers to have a global business perspective, which could be gained through experience and/or education. Hence, a global company would attempt to standardize operations worldwide in all functional areas. A global organisation would therefore

- (a) Search the world for:-
 - (i) Market opportunities
 - (ii) Threats from competitors

- (iii) Source for products, raw materials financing and personnel for its own benefits.
- (b) Seek to maintain a presence in key markets.
- (c) Looks for similarities, not differences among markets.

Most organisations are led to the globalization of their production and marketing as a result of advances in computer and information technology which has provided an increased flow of ideas and information across borders and enabling the customer to learn about foreign goods. The progressive reduction of barriers to investment and trade by most governments that are hastening the opening of new markets by international enterprises is another reason. Finally, the trend towards the unification and socialization of the global community which makes trading arrangement within groups of several nations such as ECOWAS and EU possible is providing significant marketing opportunities. The impact of this rush to globalization has brought an explosive growth in international business-world economic forum: Sustaining Globalization 1996.

Annual Meeting, Daves 1996.

Changes that affect a nation's economy affect the industry first, being the driving force of production and trade, they are compelled to complete or perish which is also true for the hotel industry. In adapting to the pressures of a globalize economy, enterprises struggle to maximise profitability through productivity, product quality and access to increasingly scare and demanding markets. The trend towards privatization in Nigeria today is having to put into the hands of private enterprises, most of the productive and business activities that were formerly carried out by the government or the public sector. Where it has not been privatized, the private enterprise has

been invited to manage the business as it is the case with Kwara Hotels Ltd., where expatriates (Shovegan & co) has been invited to manage the hotel.

One of the benefits of globalization is the increase in world trade and output made possible. This ensures that consumers have a broad spectrum of choice and derive the best satisfaction since the best of quality are maintained through specialization and competition. Globalization is crucial for world wide economic growth and development. We have a number of hotels owned jointly by foreign and local bodies of which are world-class standards in Nigeria today, which reflects the effect of globalization on the hotel industry. Examples of such hotels are Sheraton Hotels and NICON Noga Hilton Hotel.

3.3 JUSTIFICATION FOR APPROACH USED

RESEARCH POPULATION

The population size covered in this research work is made up of staff of Kwara Hotels Limited and it is from this population that the sample size is chosen.

3.4 SAMPLE SIZE

A sample size of fifty (50) people covering various sections of the hotel were chosen.

3.4.1 SAMPLE STRATEGY EMPLOYED

The sampling procedure employed in this research was the simple random sampling method. Few respondents were picked randomly from the total population. However, the selected few covered all the staff of the organisation regardless of their rank, educational background and appointments.

3.4.2 APPROACH USED

The descriptive method was used. In this method, the researcher was discussed her findings from the data given, analyzed the data and recommended possible ways of improving on the inventory management system or method adopted by the hotel management.

3.5 INSTRUMENT USED

The instrument used in gathering the data includes:

- (i) Questionnaire
- (ii) Personal observation/recordings
- (iii) Documents

3.5.1 HYPOTHESIS

Ho: That the application of inventory control does not affect the organisation.

Hi: That inventory control is a means of profit maximization or customer service satisfaction.

3.6 STATISTICAL TECHNIQUES USED IN ANALYSING THE DATA

Simple percentage technique was used in analyzing the data. The percentage ratio method was also applied. The respondents were selected according to their class or group and the percentage arrived at based on the total and the questions were analysed showing the percentage and the number of response per question answered.

The formula used is

Number of respondents to question

x 100

Total number of respondents

CHAPTER FOUR

4.1 PRESENTATION AND ANALYSIS OF DATA

In this chapter, the data collected are presented in a tabulated form and analysis by using the statistical tools chosen. The questionnaire responded to are tabulated and analysed on one by one basis.

TABLE 1 RESEARCH QUESTION ONE

Who is responsible for inventory control in your organisation?

S/No	Options	No. of Respondents	Percentages %
A.	The General Manager	25	63
B.	The Purchasing Manager	4	10
C	The Internal Auditor	1	3
D	The Operation Manager	5	12
E	Others Specify	5	12
		40	100%

From the above response, 63% of the staff have the believe that it is the General Manager that control inventory in the organisation while 10% believed that it is the Purchasing Manager and 3% says it is the Internal Auditor. 12% says it is the Operation Manager and another 12% is of the opinion that it is the Control Section.

TABLE 2 RESEARCH QUESTION TWO

What type of items do you normally hold in stock?

S/No	Options	No. of Respondents	Percentages %
A.	Raw Materials	15	38
B.	Stationaries	15	38
C	Provisions	10	24
D	Fuel or lubricants	-	-
E	Others Specify	-	-
		40	100%

The response on the above question shows that 38% believe that raw materials is kept as stock. another 38 % believed that stationeries are kept and another 24% believed that provisions are kept as stationeries. However, non of the staff happen to believe that fuel or lubricant are kept as stock.

TABLE 3 RESEARCH QUESTION THREE

What method of storage do you adopt?

S/No	Options	No. of Respondents	Percentages %
A.	Centralised	15	38
B.	Decentralised	-	-
C	Combination of a & b	25	62
D	Others Specify	-	-
		40	100%

The response shows a 62% that believes in the combination of both centralised and decentralised while 38% says that that method is centralised.

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TABLE 4 RESEARCH QUESTION FOUR

What section is responsible for inspection?

S/No	Options	No. of Respondents	Percentages %
A.	Ventilation	-	-
B.	Control	40	100
C.	Procurement	-	-
D.	Combination	-	-
		40	100%

The response to the above question shows that 100% of the staff believed that inspection is done by the control section.

TABLE 5 RESEARCH QUESTION FIVE

Who is responsible for posting of record cards?

S/No	Options	No. of Respondents	Percentages %
A.	The issuing section	-	-
B.	The receiving section	10	25
C.	Stock record officer	30	75
D.	Others Specify	-	-
		40	100%

The response on the above question indicates a 25% of staff believing that the receiving section is responsible for posting of record cards and a 75% believing that the stock record officer is responsible. However, none of the staff stands to agree that the issuing section is responsible for posting of record cards.

TABLE 6 RESEARCH QUESTION SIX

What method of inspection does your organisation adopt?

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S/No	Options	No. of Respondents	Percentages %
A.	99% inspection	-	-
B.	Random inspection	40	100
C	Sample inspection	-	-
D	Others	-	-
		40	100%

From the response on the above question, we have 100% of the staff believing that the method of inspection is this random type.

TABLE 7 RESEARCH QUESTION SEVEN

How often do department request for materials?

S/No	Options	No. of Respondents	Percentages %
A.	Daily	15	38
B.	Weekly	15	38
C	Monthly	-	-
D	Annually	-	-
E	Others Specify	10	24
		40	100%

We have 38% of the respondents saying that departments request for materials on a daily basis. Another 38% says that it is done weekly basis while another 24% believe that it is done anytime the need arise and none believing that request is either made on a monthly or annual basis.

TABLE 8 RESEARCH QUESTION EIGHT

Who carries out the stock taking in your organisation?

S/No	Options	No. of Respondents	Percentages %
A.	Internal auditor	10	24
B.	Accounts section	30	76
C	Personnel department	-	-
D	Others	-	-
		40	100%

The finding shows a 76% of the respondents believing that account section is responsible for stock taking while 24% believes that it is done by the internal auditor. None stands to agree with the personnel department as being responsible for stock taking.

TABLE 9 RESEARCH QUESTION NINE

What stock taking exercise does the organisation operates?

S/No	Options	No. of Respondents	Percentages %
A.	Periodic stock taking	10	24
B.	Continous stock taking	25	62
C	A % B	5	14
D	Others	-	-
		40	100%

We have 24% believing that organisation takes stock periodically. 62% believes that continuous stock taking is done while 14% believes in the combination of the two.

TABLE 10 RESEARCH QUESTION TEN

How do you treat discrepancies?

S/No	Options	No. of Respondents	Percentages %
A.	Write it off	15	38
B.	Query it	25	62
C	Charge to the store keeper	-	-
D	Others	-	-
		40	100%

The response indicates a higher percentage of 62% believing that the discrepancy should be queried while a 38% believes that it should be written of and none believing that it should be charged to the store keeper.

TABLE 11 RESEARCH QUESTION ELEVEN

How do you handle breakages and damages of good received from your suppliers?

S/No	Options	No. of Respondents	Percentages %
A.	Send them back to the supplier	30	76
B.	Write them off	10	24
C	Distribute them to members of staff	-	-
D	Others	-	-
		40	100%

76% of the respondent believes that the goods that have defects should be sent back to the supplier while 24% believes that the goods should be written off. However, none stands to agree that the goods should be distributed to the staff.

TABLE 12 RESEARCH QUESTION TWELVE

What are handling aids that are used in the store?

S/No	Options	No. of Respondents	Percentages %
A.	Fork lift	-	-
B.	Conveyor	-	-
C	Cracne	5	14
D	Wheel barrow	25	62
E	Others Specify	10	24
		40	100%

It is widely believed that wheel barrow is used as a handling aid with a 62% respondent. 14% believe that crane is used while 24% believe that conveyor is used.

TABLE 13 RESEARCH QUESTION THIRTEEN

Who is responsible for deciding the extent of stock holding?

S/No	Options	No. of Respondents	Percentages %
A.	Store officer	15	38
B.	External auditor	-	-
C	General manager	10	24
D	Accountant	15	38
E	User department	-	-
		40	100%

38% of the respondents believe that the Store Officer is responsible for deciding the extent of stock holding. Another 38% says it is the Accountant while 24% says it is the General Manager.

TABLE 14 RESEARCH QUESTION FOURTEEN

Do you stock pile obsolete materials?

S/No	Options	No. of Respondents	Percentages %
A.	Yes	25	62
B.	No	15	38
		40	100%

The response indicates a 62% response confirming that obsolete materials are stock piled while 38% say no.

TABLE 15 RESEARCH QUESTION FIFTEEN

If your answer to question 13 is yes, how do you dispose them?

S/No	Options	No. of Respondents	Percentages %
A.	Monthly	20	50
B.	Yearly	20	50
C	Others	-	-
		40	100%

In the above response we have a 50, 50 percentage of the staff saying that the materials are disposed on a yearly and monthly basis.

TABLE16 RESEARCH QUESTION SIXTEEN

Do you think that it is proper to ensure inventory control management principles in the hotel?

S/No	Options	No. of Respondents	Percentages %
A.	Agreed	40	100
B.	Disagreed	-	-
C	No comment	-	-
		40	100%

The response shows a 100% agreeing that there should be a proper inventory control principle in the hotel. However, none disagree with this option.

TABLE 17 RESEARCH QUESTION SEVENTEEN

Does inventory control serve as a service satisfaction in your organisation?

S/No	Options	No. of Respondents	Percentages %
A.	Agreed	30	76
B.	Strongly agreed	10	24
C	Disagreed	-	-
D	No comments	-	-
		40	100%

Seventy six percent of the respondents believe that inventory control serve as a service satisfaction. While 24% strongly believe that it does, none stands to disagree.

4.1 ANALYSIS OF DATA

In this section, the responses are analysed logically to know if what is obtainable in the hotel practically with what ought to be.

The response to question one shows that the majority believe that the general manager is responsible for the Inventory Control or Management in the hotel. This may not be since there is a purchasing manager and operation manager. For the general manager to be responsible would mean that effective operation of the inventory control may not be achieved. The operation manager may handle this aspect who then reports on same to the General Manager.

The response on question two may not be satisfactory as the result shows a higher percentage of raw materials and stationeries as stock held. This may not be true for an hotel. The likely stock held would be in the form of

beddings, linings, furnishing curtains, food stuff, plates and cutleries. The response to question three is questionable as a larger percentage claim that both the centralised and decentralised system is practised.

The best would have been the centralised method as the hotel does not trade in these inventories but stock them for the purpose of services to be rendered.

The response to question four is very good as the respondent all agree that the control section is responsible for inspection. This brings about proper monitoring of the inventories.

The response to question five can also be said to be satisfactory as 75% believe that the Stock Record Officer should be responsible for posting of record cards.

The response to question six indicates that random inspection is being carried out. Here, one can not say good or bad as it all depends on the context or the situation involved.

The response to question seven can not be queried as the goods stocked may not be requested for at the same time. The request to replace an air conditioner may not be a weekly affair, while the request for customer receipt may be a daily issue.

The response to question eight can be said to be satisfactory, as it is the account section that is responsible for cost and revenue and this must verify that records tally with what is on ground physically.

The response to question nine has the majority agreeing that a continuous stock taking method is being adopted by the hotel. This is good as it reduces the chances of pilferage.

The response to question ten has the majority voter that discrepancies should be queried those that said it should be written off seems to be those that do not have much knowledge as writing it off would encourage pilferage.

The response to question eleven can be said to be okay as damages ought to be returned to the supplies according to laid down agreement between the buyer and the seller. Where damaged goods has to be distributed to members of staff, then bad habit would be encouraged and the staff handing the goods may not be cost conscious knowing that they may have the damaged goods at the end.

The question twelve, majority of the respondent believe that wheel barrow is generally used. This may be okay as the hotel would always operate effectively and efficiently at the lowest cost.

The response to question thirteen has both the accountant and the store officer having the same percentage as being responsible for deciding the extent of stock holding. This may not be true as both the accountant and the store officer reports to a superior who would also be limited by the available

resource manager or the purchasing manager who may recommend the extent of stock taking and such would be approved.

In question fourteen majority of the staff agree that obsolete items are being stock piled. This may not be too good for the hotel. Space that could have been used for more valuable items would be occupied by these obsolete items. Moreover the items could be sold to the members of staff at a reduced price. The temptation of the items being pilfered can not also be ruled out.

The response to question fifteen has a 50:50 response as to when the obsolete items are disposed 50% says monthly, another 50% staff do not have enough knowledge for the goods to be disposed monthly would mean that obsolete items are not stock piled. It is not very often that we get obsolete item. A yearly disposed would be the best option i.e an end of the year affair for the staff.

The response to question sixteen and seventeen is satisfactory, as all the respondents agree that there should be a proper inventory management system in place.

4.2 PROOF OF HYPOTHESIS

Hypothesis developed below is being used by the researcher to arrive at a conclusive result from the data gathered.

H₀: that the application of the inventory Management does not affect the performance of a service organisation

H₁: that proper inventory management is a means of profit maximization or service satisfaction

The hypothesis can be proved right or wrong. The result is based on the response tabulated below:

QUESTION	FAVOURABLE	UNFAVOURABLE	TOTAL
1.	15	25	40
2.	25	15	40
3.	40	-	40
4.	40	-	40
5.	30	10	40
6.	40	-	40
7.	30	10	40
8.	30	10	40
9.	25	15	40
10.	25	15	40
11.	30	10	40
12.	25	15	40
13.	25	15	40
14.	15	25	40
15.	20	20	40
16.	40	-	40
17.	40	-	40
	495	185	680
Percentages	72.7%	27.2%	100%

Thus Ho: \rightarrow 27.2%

Hi: \rightarrow 72.7%

From the above analysis it can be deduced that the second hypothesis is conclusive enough for it to be accepted while the null hypothesis H_0 would be rejected. This proper inventory management systems must be implemented in any organisation and the hotel industry in particular for effective and efficient operation of its business. Proper Inventory Management brings about profit maximization and service satisfaction on the part of the customers.

CHAPTER FIVE

5.1 SUMMARY OF FINDINGS

The researcher has been able to observe that there is lack of inter departmental relationship. It is obvious in the way the questions were responded to. This should not be, as in any organisation the departments can never work in isolation, if there has to be smooth operation of the business

In Kwara Hotels Limited, inventories like beddings, plates, cutleries, cups are kept in a store under an officer who monitor the items with the use of bin card store requisition/ goods receive note and transfer invoice. Other inventories like beddings, ACs, Fridge, TVs etc are also kept in a store and managed by the maintenance department. This could be the reason why there is no central store where all items of inventories are kept.

The hypothesis developed shows that the first should be adopted and as such that inventory management is essential for the effective and efficient running of the organisation. The null hypothesis therefore is to be rejected as it has been evidenced by the result of the findings.

5.2 CONCLUSION

Inventory Management or Control which is all about providing the right quality of goods of the right quantity at the right place without tying down capital. This is a very important aspect of management in any business which cannot be overlooked. Be it a service oriented outfit like the Kwara Hotels Limited., or a manufacturing business, production flow or service rendered tends to be adversely affected whenever there is something wrong with inventory.

There is no one way method of managing inventory as the control or management of it depends on the context. Thus, Inventory Control system in one hotel does not necessary have to be the same in another hotel but the bottom line is that it must not be done haphazardly. It has to be recognized as an important aspect of the normal business and must be organised.

Capital must also not necessary be tied down in the name of Inventory Management as it is only those items that the management deems fit or necessary that need to be stocked. An hotel cannot stock pile items to gain the difference or discount in large purchase or due to reduction in price while in a manufacturing outfit, it would be in the best interest of the management to buy the raw material on a large scale or where the price is reduced for large purchases.

The effect of globalization on the hotel industry has been introduced in the research work to bring to light that the industry too has to move forward. Globalization is reaching for world standard and if an hotel like the Kwara Hotels Limited., must be considered as a first class hotel, then it has to reflect or render services that would meet world standards.

Thus, its stock would have to include such items that of the latest technology to improve the standard of services rendered.

5.3 RECOMMENDATIONS

From the findings on the inventory management in the Kwara Hotels Limited, the researcher would like to recommend that :

- There should be a more cordial relationship between the departments
- Lectures could be organised quarterly for departments to give account of their operations to enable other members of staff to be cost conscious as they know that their own activities affect others either adversely or otherwise.
- The stock taking on a monthly basis that is being adopted by Kwara Hotels Limited is a good method and should be commended.
- The use of shelving system is also commended. However, storage facilities such as racks and packets should be employed.
- The use of bin card is also commended and it can be said that there is a good inventory control system already in place at the hotel with a little improvement on same.
- Inventory data input, manipulation analysis, retrieval, and presentation using digital information and computer technology is highly recommended for a better inventory control in Kwara Hotels Limited.

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AHMADU BELLO UNIVERSITY, ZARIA
(FACULTY OF ADMINISTRATION)
DEPT. OF BUSINESS ADMINISTRATION

QUESTIONAIRE

Dear Sir/Ma

I am a post graduate (masters degree) student of the Ahmadu Bello University. As part of the curriculum for the award of Masters of Business Administration Degree, I am presently carrying out a study on the "INVENTORY MANAGEMENT IN THE HOTEL INDUSTRY".

All information obtained during this interview shall be used for academic purpose only.

QUESTIONNAIRE

- 1) Who is responsible for the inventory control in your organisation?
 - a) The general manager.
 - b) The purchasing manager ✓
 - c) The internal auditor
 - d) The operational manager
 - e) Others: _____
- 2) What type of items do you normally hold in stock?
 - a) Raw materials
 - b) Stationaries
 - c) Provisions ✓
 - d) Fuel or lubricants
 - e) Others _____
- 3) What method of storage do you adopt?
 - a) centralised
 - b) decentralised
 - c) combination of (a) and (b)
 - d) others _____
- 4) What section is responsible for inspection?
 - a) ventilation
 - b) control
 - c) procurement
 - d) combination of b) and c)
- 5) Who is responsible for posting of record cards?
 - a) the issuing section
 - b) the receiving section ✓
 - c) stock record officer
 - d) Others: _____

6) What method of inspection does your organisation adopt?

- a) 99% inspection
- b) random inspection
- c) sample inspection
- d) others _____

7) How often do departments request for materials?

- a) Daily
- b) Weekly.
- c) monthly
- d) annually
- e) others _____

8) Who carries out the stock taking in your organisation?

- a) internal auditor
- b) accounts section
- c) personnel department
- d) others _____

9) What stock taking exercise does the organisation operates?

- a) periodic stock taking
- b) continuous stock taking
- c) a) and b)
- d) others

10) How do you treat discrepancies?

- a) write it off
- b) query it
- c) charge it to the store keeper
- d) others _____

11) How do you handle breakages and damages of goods received from your suppliers?

- a) send them back to the supplier,
- b) write them off
- c) distribute them to members of staff
- d) others _____

12) What are handling aids that are used in the store?

- a) fork lift
- b) conveyor
- c) crane
- d) wheel barrow
- e) others _____

13) Who is responsible for deciding the extent of stock holding?

- a) store officer
- b) external auditor
- c) general manager
- d) accountant
- e) user department

14) do you stock pile obsolete materials

Yes

No

15) If yes, how do you dispose them?

- a) monthly
- b) yearly
- c) others _____

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16) Do you think that it is proper to ensure inventory control management principles in your hotel?

- a) agreed
- b) disagreed
- c) no comment

17) Does inventory control serve as a service satisfaction in your organisation?

- a) agreed
- b) strongly agreed
- c) disagreed
- d) No comment.

