

**LOGISTICS AND SUPPLY CHAIN MANAGEMENT IN THE HOTEL
INDUSTRY: IMPACT ON HOTEL PERFORMANCE AT NAZA TALYYA
HOTEL, MELAKA**

SHAZAILAANA BINTI SAMSUDDIN

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

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SHAZAILAANA BINTI SAMSUDDIN B060910052

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Universiti Teknikal Malaysia Melaka

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CERTIFICATE

‘This report is a product of my own expect the citation for each of which I have mentioned the sources’

Signature :
Name : Shazailaana Binti Samsuddin
Date :

SUPERVISOR VERIFICATION

I / we declare that have read this thesis and in my / our work is sufficient in scope and quality for the award of a Bachelor of Technopreneurship’

Signature :

Supervisor name :

Date :

DEDICATION

I would like to dedicate this research to my beloved parents and my siblings. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that I never thought would be possible. With their support, I was able to complete this research paper smoothly. I will give this thesis as a special gift for my parents especially to my father and mother for their support, this also as feedback for what they have done for me during my whole life.

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ABSTRACT

The aim of this research is study the impact and influence of Logistics and Supply Chain management in Naza Talyya Performance. (Variable: Strategic, Tactical, Operational level).The role of Logistics and Supply Chain Management implementation in the success of hotel businesses cannot be denied. It is vital for the hotel managers to have a good understanding on what exactly the customers want. This research will analyze the impact of LSCM on Naza Talyya Hotel this for make sure the hotel performance will increase day by day. In this research will be conducted in Naza Talyya Hotel which is a 3-star hotel and a growing hotel trend. From this research the more importance about the activities to implementation for Logistics and Supply Chain can be see through Strategic, Tactical and Operational Level. The research conduct with quantitative approach, questionnaires are collect from 49 respondent's staff in Naza Talyya. The findings of this research are all variable significant and have influence to the Hotel Performance and simultaneous. For the batter impact in Naza Talyya Hotel Performance, top management must improve their knowledge about how to implementation LSCM. Lastly, this research can increased a productivity of company in Malaysia special for hotel industry.

Keyword: Logistics, Supply Chain Management, Hospitality, Naza Talyya Hotel

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji kesan dan pengaruh Pengurusan Logistik dan Rangkaian Bekalan dalam menilai Prestasi Naza Talyya. (Pembolehubah: Strategik, Taktikal, Operasi). Peranan pelaksanaan Pengurusan Logistik dan Rangkaian Bekalan dalam kejayaan perniagaan hotel tidak boleh dinafikan. Ia adalah penting untuk Pengurus Hotel untuk mempunyai pemahaman yang baik mengenai apa sebenarnya yang pelanggan mahu. Kajian ini akan menganalisis tentang kesan LSCM di Naza Talyya Hotel dan ini untuk memastikan bahawa prestasi hotel akan meningkat hari demi hari. Dalam kajian ini juga akan dijalankan di Naza Talyya Hotel yang merupakan hotel 3-bintang dan hotel trend yang semakin meningkat. Dari kajian ini Pelaksanaan bagi Pengurusan Logistik dan Rangkaian Bekalan boleh dilihat melalui Level Strategik, Taktikal dan Operasi. Kajian Penyelidikan ini adalah menggunakan pendekatan kuantitatif iaitu penggunaan Soal Selidik kemudian dikumpulkan daripada kakitangan Naza Talyya iaitu 49 responden. Hasil daripada kajian ini adalah semua level ketara berubah dan mempunyai pengaruh terhadap Prestasi Hotel dan perubahan itu juga akan berlaku secara serentak. Untuk lebih berkesan dalam perlaksanaan Pengurusan Logistik dan Rangkaian Bekalan di Naza Talyya peranan daripada Pengurusan Atasan (Top Management) perlu dipertingkatkan dan begitu juga pengetahuan mereka tentang bagaimana untuk LSCM dilaksanakan. Akhir sekali, kajian ini boleh meningkatkan produktiviti syarikat di Malaysia dan khasnya untuk industri hotel.

Kata Kunci: Logistik, Pengurusan Rangkaian Bekalan, Hospitaliti, Naza Talyya Hotel

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LIST ABBREVIATIONS

LSCM Logistics and Supply Chain Management

CHAPTER 1

INTRODUCTION

1.1 Background of the study

In today's changing business environment, there is an increased focus on delivery value to the customer at the cheapest possible costs. Hotel companies, both big and small, must focus on how to offer products and services while keeping costs low. The current recession has affected businesses from all over the world, including the hotel industry (Brodsky, 2009).

Tourism is a major revenue earner for the Malaysian government, which has also invested significantly in the sector. The government has allocated RM1.8 billion in the Ninth Malaysian Plan for the 2006 to 2010 period. The allocation in the previous plan period (2001-2005) has been 700 million. The Malaysian government had set a target of 24.6 million tourist arrivals in 2010, while tourist receipts to reach RM59.4 billion that year. (Bernama, 2011)

The State of Melaka is currently on the course of rapid economic growth and development. The tourism industry in Melaka holds huge potential and has generated employment opportunities, more income for businesses and helped improve the livelihood of locals and why not, when more than six million people visited the

historical state in 2008 and spent RM3 billion during their stays. With the present tagline in Melaka's tourism campaign being "Visiting Historical Melaka Means Visiting Malaysia, Melaka is highly optimistic of the tourist numbers and extrapolations indicate the number will reach 8.2 million by 2010. Therefore, many hotels in Melaka want shows the various approaches and more recent specific and able to compete with other Hotels. (http://www.melaka.gov.my/bahagian_promosi_pelancongan.html)

Today, with 5,096 hotel rooms and 2,458 resort hotel rooms in Melaka (<http://malaysiahotelnews.blogspot.com>), each hotel company is looking to be more attractive than their competitors (Tse, 2009). In an industry which is labor intensive many hotels are forced to make bolder and more visible moves in costs reduction to their operations. It come as no surprise that much of these costs efforts have been focused on payroll and other employee associated costs, like hiring freezes, cuts in employee perks, reduction of bonuses, and reductions in base salaries (Jones, 2009).

One area of the hotel industry like Naza Talyya Hotel that is usually left out in cost cutting efforts is its logistics and supply chain operations. A well established logistics and supply chain management system can help the hotel industry given individual hotel companies a sustainable competitive advantage. The use of the right logistics and supply chain strategies helps not to only improve the quality and service of the Hotel Company, but drive down costs. So, Naza Talyya Hotel also can improve their performance when them more focus to logistics and supply chain management because from this, they can give the best performance depends on their customer needs.

During the past decades industries have been experiencing a tremendous and drastic change in the traditional way of purchasing and logistics functions. Supply chain management has been introduced as a strategic approach to manage purchasing materials and their distributions in an efficient way in order to enhance the level of productivity in a given organization. The concept of supply chain management has

gained huge amount of interests from both theoretical researchers and practitioners since it is believed to have substantial impact on costs and quality in different industries (Zhang, Song & Huang, 2009).

Arguments have been made on the influential role of supply chain management in organizations in changing and evolving modern business management practices (e.g. Fantazy, Kumar & Kumar, 2010). According to (Handfield, 2011) write that “supply chain management aims to integrate all key business activities through improved relationships at all level of the supply chain (internal operations, upstream supplier network, and downstream distribution channel) to achieve a competitive advantage”. It could be inferred that supply chain management (SCM) practices not only bring efficiency and costs deductions, but also place a given firm in a competitive advantage edge.

Companies like Amazon and Wal-Mart, two of the world's largest retailers, continue to grow due to the way they use their logistics and supply chain management to reduce costs and in turn to provide products and services at a lower cost to customers (Bonney, 2012). Both companies continue to thrive while their competitors, such as Best Buy and Sears struggle to stay alive. So, the hotel industry especially Naza Talyya Hotel must more focus to their role logistic and supply chain management performance to be more attractive than their competitors.

This paper will focus on the role logistics and supply chain management plays in the hotel industry and the impact its practices have on the performance of hotel companies through costs reduction practices and properly managing its logistics and supply chain. For example Hilton Hotels have implemented logistics and supply chain practices in the company's operations to help save costs. According to Don Miller, regional director of supply management for Florida and Americas International Hilton Worldwide, “Ten years ago, we were behind the curve compared to other hotel companies” (Terry, 2007). Hilton was typically faced with the challenge of dealing with different suppliers and distributors in their operations.

Supply chain management are usually used at operation, tactical, and strategic levels in the retail, automotive, health care and manufacturing industries. The hotel industry can benefits from the comprehensive and integrated practices of logistics and supply chain management, by delivering a consistently reliable and high quality service at the best costs. This paper will focus on defining supply chain management and how various practices have been used to reduce costs and the competitive advantages of supply chain in the hotel industry. The final part of the professional paper will focus on how supply chain management practices can be implemented across the hotel industry.

1.2 Statement of the Problem / Research Question

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

1.3 Objectives

- i.** To identify and describe impact Strategic level of Logistics and Supply Chain Management if implemented in Naza Talyya Hotel.
- ii.** To identify and describe impact Tactical level of Logistics and Supply Chain Management if implemented in Naza Talyya Hotel.
- iii.** To identify and describe impact Operational level of Logistics and Supply Chain Management if implemented in Naza Talyya Hotel.
- iv.** To understand and describe which one of level Logistics and Supply Chain Management in Simultaneous will influence Hotel Performance for Naza Talyya Hotel.

1.4 Scope, Limitation and Key Assumptions of the project

This research only focused on Naza Talyya Hotel where I will make an assessment and further research related to the management of the Naza Talyya Hotel. The Methodology of the study is via sending of survey questionnaires to organization or staff in Naza Talyya Hotel. Naza Hotel Melaka is a welcome treat for business and leisure travelers who long for the coziness of home when staying in the historic city. Freshly renovated and refurbished; the hotel blends style and affordable elegance in a contemporary setting. To make a pleasurable and relaxing stay, it has 112 rooms equipped with modern creature comforts as well as a variety of facilities under one roof. In keeping with our aspiration to provide guests with a pleasant and culturally inviting experience, the hotel emanates all the charm of true Malaccan hospitality.

1.5 Importance of the Project

- i.** This research is important for company specially Naza Tallya Hotel to know the role logistics and supply chain supply chain management plays and the impact its practices have on the performance of Naza Hotel companies through costs reduction practices and properly managing its supply chain and they also can improve the hotel performance. From this research also will know the benefits if use the supply chain in work activates.
- ii.** This research also important for student to pass this subject PSM I then can continue to PSM II.
- iii.** This research also important for academic especially to junior Faculty Technology Management and Technopreneurship, they can use this research when they make the Project Sarjana Muda (PSM).

CHAPTER 2

LITERATURE REVIEW

The literature review was conducted to improve the understanding of the study carried out by reference to a variety of books, journals and earlier studies ever conducted, which is available from the library and get the latest information on research related to the supply chain and the impact on hotel performance. Competition in the Melaka hotel industry continues in 2012. In this era of today, many hotel properties have started to understand that in order to improve their performance this should take heed and pay attention to the logistics and supply chain management to enable them to be more competitive and thus will be able to focus on cost reduction. Literature review in this section will contain more detail on the definition of logistics and supply chain management and, I will explain more detail about how to implement logistics and supply chain management in the hotel industry from a tactical, strategic and operational level. Lastly, I will discuss current practices used in hotel and other businesses as well as the role logistics and supply chain management can play in a company 'performance, particularly in the hotel industry. Various measures to be implemented to improve product and service quality in the hotel industry aims to make a hotel is able to achieve a competitive advantage and this can be achieved by implementing the use of logistics and supply chain management. It is important for hotel companies to focus on improving supply chain management efficiencies as well as reducing costs.

2.1 LOGISTICS AND SUPPLY CHAIN MANAGEMENT

2.1.1 Logistics Management

The logistics network consists of the suppliers, the manufacturer, the distribution, the retailer and the users. The purpose of an integrated logistics management in a supply chain is to fulfill customer orders through providing place utility to deliver products and services to the end users. Logistics is now being considered as more than simply an opportunity to minimize cost, it has developed into a core component of fulfilling customer orders in supply chain management. (Li, 2007)

The concept of Logistics is the flow of goods' which involves a variety of items including general merchandise such as ranch, livestock, fisheries, raw materials, semi product, parts, finished product, packaging and rubbish. It also includes some characteristics, which are not recognized in the traditional ways, such as electricity, electronic files, credit cards, check or paper money, and the professional services, such as the office supplies, packing materials, logistic service, and janitor service. The flow of goods will be accomplished by trading, sales, logistic service through the coordination of person, location and information. (Chang, 2008)

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

'Logistics management is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements'. (CSCMP, 2012)

From the definition, Logistics management activities typically include inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfillment, logistics network design, inventory management, supply/demand planning, and management of third party logistics services providers. To varying degrees, the logistics function also includes sourcing and procurement, production planning and scheduling, packaging and assembly, and customer service. It is involved in all levels of planning and execution strategic, operational and tactical. Logistics management is an integrating function, which coordinates and optimizes all logistics activities, as well as integrates logistics activities with other functions including marketing, sales manufacturing, finance, and information technology. (CSCMP, 2012)

According to Wilson (2009) writes that, with the growing understanding of logistics management as an area of competitive advantages, logistics management as a separate part of their operations from other company activities. Another key principle of logistics management is figuring out the competitive areas they need to focus on in their operations. Due to the continuous change in the logistics environment, it is important to take action promptly to fulfill customers' needs to help build and maintain customer value. Hence, only when logistics management strategies are based on the needs of the company, can they gain a competitive advantage (Gammelgaard & Larson, 2001).

2.1.2 Supply Chain Management

A Supply Chain is a network of partners who collectively convert a basic commodity (upstream) into a finished product (downstream) that is valued by end-customers, and who manage returns at each stage (Harrison & Hoek 2008). In this definition can be evaluated that SCM plays an important role and ensure that customer satisfaction is more secure to allow a company that improve their company performance especially in the hotel industry.

While for supply chain management also has first introduced in the 1980s anymore and currently due to various changes made definition of supply chain management is global in nature and flexible. The Business Logistics of the world is based on the definition of Council of Supply Chain Management Professional, USA in 2012. According to (CSCMP, 2012) write that Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party services provides, and customers. In essence, supply chain management integrates supply and demand management within and across companies.

From the definition, Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology. (CSCMP, 2012)

The definitions of supply chain management have been considered from literature in operation management, marketing, product design, finance, and information technology. The definitions have given knowledge on how these processes are integrated within and outside the company to provide a cohesive and cost-effective advantage against the competition (Mentzer DeWitt, Keebler, Min & 2001).

According to (Gibson, Mentzer & Cook, 2005) write that as the definition of supply chain continues to gain attention from companies, academicians, many corporations are applying supply chain management practices in their businesses. They also say there are higher competition and customer expectations in the supply chain market in areas such as product availability and flexibility in operation, due to many companies focusing on how their supply chain make them competitive in the market. Many firms are forced to implement SCM as a great opportunity to stay competitive in today's world of globalised markets. Many organizations have business relationships in