

**THE ROLE OF BUYERS IN THE DEVELOPMENT
OF THE HOTEL FURNITURE INDUSTRY
IN KENYA**

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SUMMARY

Most accounts of African industry portray sombre prospects for its ability to compete against foreign competition. Exceptions command attention. This paper shows that Kenya's leading hotels source 95% of their furniture from local manufacturers. And it shows why and how the buyers, that is the hotels and their designers, helped these manufacturers to produce customised furniture to international quality requirements.

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1 INTRODUCTION

The purpose of this study is to examine the role of leading hotels in Kenya in the development of the hotel furniture industry in that country. This paper forms part of a broader program of work focusing on the role of buyers in upgrading industry. It places particular emphasis on the role of hotels at the top end of the market, where quality demands are highest.

The study concentrated on the demand for furniture from four- and five-star hotels in Kenya. These hotels require furniture of high quality. Given the generally limited capabilities of manufacturing industry in Kenya, it might be expected that local suppliers would be unable to meet the demands of the leading hotels. However, initial investigations in the sector indicated that a large proportion of such furniture was, in fact, sourced locally. This research was designed to investigate the process of selecting suppliers in the hotel furniture sector and the impact of the buyers in the sector on the development of the capabilities of the local suppliers.

The results from the fieldwork are representative of 85% of all five-star hotels in the country and a significant number of four-star hotels and lodges, particularly those affiliated to the five-star hotels studied. Given that the demand for hotel furniture derives predominantly from new buildings and refurbishments, the analysis concentrated on the decision-making process at these points.

The main findings of the research can be summarised as follows:

- 95% of the hard furniture bought by the hotels and lodges interviewed is bought locally, even in the most luxurious hotels visited
- a significant variety of furniture is available locally
- the designers play a critical role in supplier selection and in developing designs which can be produced locally
- local furniture manufacturers have specialised in products that overseas producers find difficult to provide
- a major advantage of local manufacturers lies in maintenance, repair and replacements.

It will be shown that the ability of local furniture manufacturers to win business from leading hotels depends only in part upon their ability to meet the required quality and price conditions. The allocation of contracts also depends critically upon the extent to which hotel furniture schemes are standardised across countries, upon whether or not local designers are used to develop the furniture project for the hotel, and upon the choice of design style. This means that in some circumstances hotels and designers will work with local manufacturers to raise their standards in order to make local sourcing possible. Conversely, competent local suppliers may be ignored in favour of imported products if the designer is not familiar with the capabilities of local producers.

This study has wider significance. The debate on African manufacturing tends to be pessimistic about local producers' ability to compete with foreign rivals. In many sectors, this pessimism is grounded,

especially in the current era of increasing liberalisation and globalisation. There are however niche sectors in which the record and prospects of local producers look positive. Kenya's hotel furniture industry is an example. This paper brings together some of the factors and processes which explain why high-class hotels prefer locally produced furniture.

2 THE SAMPLE

In total, 13 respondents contributed to the study from the buyers' side. The responses reflect the situation in 50 hotels and lodges, 70% of which are five-star establishments and 30% four-star. The 50 hotels and lodges correspond to 12% of all hotels in Kenya in 1994, according to official records (Kenya, 1995). In spite of the small size of the sample, it does cover a substantial number of the country's top hotels.

- in most cases the 13 respondents were the chief buyers of important hotel chains in the country
- the research was biased in favour of hotels which were built or refurbished recently, since their buying decisions and policies are particularly relevant for the situation post-import liberalisation
- we succeeded in covering hotels in the different ownership and management arrangements that prevail so as to secure a representative picture.

On the producer side, 11 firms were interviewed. These 11 firms were chosen from a pool of 23 manufacturers that were named as suppliers by the hotels interviewed. All but one of the 23 suppliers was based in Nairobi. Table 1 shows that they constitute about a third of Nairobi's formal furniture manufacturers, listed in the 1996 Directory. In addition there are, however, many informal producers. The fieldwork was carried out in the second half of 1997.

There are two types of furniture in the hotel industry: hard furniture and soft furniture. Hard furniture includes the furniture made out of wood, aluminium, rattan, seagrass, bamboo, etc. as well as mattresses, divans and head-boards. Carpets, curtains, pillows, duvets, blankets, fabrics, etc. are soft

Table 1: Formal furniture manufacturers and related activities in Nairobi

| Types of furniture industry | Number of enterprises |
|---|-----------------------|
| 1. Furnishings | 12 |
| 2. Furniture Dealers | 62 |
| 3. Furniture Designers | 8 |
| 4. Furniture Manufacturers | 68 |
| 5. Furniture manufacturers identified during research | 23 |
| 6. Furniture manufacturers interviewed | 11 |

The firms listed in categories 1 to 4 include only those located in the capital city Nairobi. Other furniture manufacturers are established in Mombasa and Malindi (15 manufacturers, 16 dealers and 2 designers) and elsewhere.

Source: Categories 1 to 4 are taken from the 1996 Official Nairobi Telephone Directory.

Category 5 are those furniture manufacturers that were cited by the hotels interviewed as having supplied them.

furniture items, and these are mainly imported into Kenya. This study focuses on hard furniture, most of which is made of wood. More particularly, the study focuses upon the movable furniture used by guests in hotels. This includes the furniture in all the guest rooms, dining room areas, lounges, reception, terraces, gardens and pools - beds, mattresses, tables, chairs, sofas, side-tables, etc. This excludes built-in cupboards and light fittings.

Hotels buy furniture when they first open and when they undertake a rehabilitation or refurbishment of the entire hotel, or certain sections of it. At other times, bits and pieces of furniture are bought as needed. This study focused on the latest refurbishment undertaken by the hotel, as this would be the most recent major decision-making point. Some refurbishments had been undertaken 10 to 15 years ago, others were much more recent, some even taking place at the time of study. Eight out of the 23 hotels and 4 out of the 27 lodges were only established in the 1990s. They have not undergone refurbishments. The percentages in Table 2 thus show the origin of the original start-up furniture (first furniture in the hotel) as well as rehabilitation furniture.

3 OVERVIEW OF SOURCING POLICIES

Even in luxury hotels owned by major international chains, most hard furnishings were sourced from within Kenya. This is shown clearly in Table 2. The decision-making processes which lead to this outcome can be illustrated by the four cases presented below. These include hotels that have recently undergone a rehabilitation and cases where decisions were made to use imported furniture.

Case 1: International hotel chain

During the most recent rehabilitation of this hotel (public areas and 1/2 of the guest rooms), which took place in 1986, there was great confusion about the sourcing of furniture. The hotel was owned by a local company, it was managed by an international hotel group. At first local architects and interior designers proposed a fully detailed rehabilitation plan based on local furniture that was approved by the chain's Head Office. However, the chain was then sold, and the new owners wanted an overseas designer from the UK to make significant alterations to the proposed rehabilitation project. This designer had very

Table 2: Sourcing by type of hotel and chain

| No | Stars | Type of Hotel or Chain | Locally sourced (%) |
|----|-------|---|---------------------|
| 2 | 5 | International Chains | 95% |
| 2 | 5 | European/Asian International Chains | 100% |
| 3 | 5 & 4 | Locally Owned Chains | 95% |
| 2 | 5 | Private Locally Owned Hotels | 100% |
| 1 | 5 | Currently owned by Central Bank | 100% |
| 3 | 5 | Locally Owned but Internationally Managed | 100% |

Source: Author's survey

different criteria. When he selected a British manufacturer to quote for the furniture, the quote exceeded that of the Kenyan manufacturer's price six-fold. The Kenyan hotel owners vetoed this extra expense and turned back to the local manufacturers. The local manufacturer who had originally quoted successfully for the job was then no longer interested in taking on the whole job, for lack of trust in the hotel and extensive conflict. In the end most of the furniture orders were tendered out again locally and some items (but very few) were imported.

This case illustrates one particular type of inroad that globalisation and standardisation are making into the hospitality industry in Kenya. Although local but internationally renowned architects and interior designers are plentiful in Kenya, foreigners are entering the market. International chains wish to strengthen their international image and standardise hotels so that all their hotels around the world are similar, thus giving the customers a feeling of familiarity, comfort and well being. Nevertheless, price remains of crucial importance.

Case 2: International hotel chain

Another hotel, owned and managed by an international chain, was undergoing a rehabilitation of its public areas and its guest rooms in 1997. One large dining room and 1/15th of the guest rooms were being newly refurbished. The choice was for imported furniture. In this particular project no tenders were opened locally, nor were local manufacturers invited to tender. The furniture imported from the UK and France was estimated at 4 times the cost (once it reached the local buyer) of similar furniture made locally. The quality was undeniably good, the design was new and innovative, but buyers were forced to accept longer delivery times. The price was higher, the reliability, robustness and lifetime of the furniture were serious concerns of the local project managers, as were maintenance and future replacement issues. The rest of the guest rooms were only undergoing minor refurbishments. The furniture in those rooms (all of which was local) was being either replaced, repaired and/or polished where necessary. But no furniture was being imported for these rooms. The rehabilitation did not extend beyond 1/15th of the guest rooms.

Case 3: Locally managed chain

The chain that owns two out of four of Kenya's Leading Hotels of the World, have, since the beginning of 1997, opened four new lodges and one new town hotel. The lodges are situated in Tanzania, the town hotel in Zanzibar. Although not in Kenya, these establishments were specifically referred to in the interview with the Group Purchasing Manager. All the furniture in these five establishments was manufactured in Kenya and exported to Tanzania and Zanzibar. The principal manufacturer who supplied the hotel was widely complimented for the excellent work and received orders from private individuals who visited the hotel and wanted the same type of furniture.

Case 4: Locally managed chain

Kenya's 'most lavish and ambitious hotel' (Executive Magazine, 1992) opened its doors in 1992. Quite deliberately the designers have created a building and a style that evokes the time when Kenya was 'opened up' by all those 'aristocratic and adventurous gentlemen'- and ladies- from England¹. The Chief Executive and an interior designer from Kenya had gone on a special trip to the UK, stayed at Claridges, the Savoy and Gleneagles, as well as other leading hotels to test out ideas and set themselves standards. The interior designer, based in Nairobi, chose and arranged fittings, furniture and fabrics that create the impression of a stately country home. No room has standardised furniture. The hotel has a mix of leather-topped stools, round coffee tables, square coffee tables, fabric-covered Chesterfields, wing chairs and easy chairs. Every item is a 'classical piece'. The effect of this is that the furniture, as in a home, seems to have been collected gradually, over many years. The guest rooms have been furnished in the same 'mixed' way, to distinguish them from contemporary hotels. All these classical pieces have been manufactured locally and so has all the furniture in the guest rooms.

4 THE STRUCTURE OF THE HOTEL SECTOR

Hotel furniture, as well as office furniture, falls under the common denomination of contract furniture. Hotels buy furniture on three occasions: when a hotel is being built; for a rehabilitation, and for refurbishments. For all three occasions, furniture manufacturers are invited to tender.

There exists no universal practice of how furniture for hotels is chosen. Generally, hotels will contract an interior designer and also often an architect to prepare a tender. The decision-making body, simply referred to here as hotel, varies in its constitution from one establishment to the other. The ownership and management category it is in will determine the constitution of the decision-making body when furniture is chosen. It might be constituted of directors from the headquarters of international chains, interior designers from overseas and a centralised project manager, or the owner himself assisted by local architects and interior designers, or the other extreme might be a local purchasing manager and the hotel's general manager taking the decision about the type and origin of the furniture. In essence, sourcing practices differ according to the furniture requirements in the various hotels.

Kenya's openness to foreign investment has, according to Sinclair et al. (1992) enabled Kenya to gain more for tourism than many other countries. A significant number of hotels operate with a certain degree of foreign involvement. Although only about 15% of all hotels and lodges in the country are totally foreign-owned, it is estimated that approximately 78% of the major hotels in coastal areas, 67% of hotels in Nairobi and 66% of lodges in National Parks and Game Reserves have some Foreign Investment (Sinclair et al., in 1992).

There are three categories of hotels and lodges in Kenya and there are three categories of furniture. The furniture requirements of the different types of hotel examined in the study are summarised in Table 3.

Table 3: Furniture requirements by type of hotel

| Type of furniture | Type of Hotel | | |
|------------------------|---------------|--------|--------|
| | City | Resort | Lodges |
| International | * | * | |
| Ethnic | | * | * |
| Garden, patio and pool | * | * | |

City hotels require international furniture as well as some of the specialised garden furniture. Resort hotels which are organised around a theme or various themes may require international or ethnic furniture as well as the specialised garden furniture. Lodges are essentially equipped with African style furniture.

4.1 City Hotels

The type of furniture required by city hotels is that which can be found in hotel chains such as the Intercontinental or Hilton hotels all over the world. It falls under the category of exclusive furniture made to specifications and suitable for heavy-duty usage in hotels.

City hotels such as the ones owned or managed by international chains require international furniture as opposed to ethnic furniture. Not only does the furniture in these hotels have to conform to international standards and specifications, but there is a desire on the part of the hotel to furnish it similarly to all other hotels of the same chain around the world. This favours sourcing from international furniture manufacturers. In contrast, those city hotels which are managed by international chains but locally-owned, may reject tenders from overseas manufacturers whose prices are excessive in favour of local producers. In other words, the decision whether to import or to purchase furniture locally lies with the decision-makers in the hotel. Local owners will bring with them ideas from other places and hotels visited and will try to find local manufacturers suitable to produce the desired type of furniture. As in many developing countries, manufacturers often learn by copying. The architects are mainly local. Prior to building a hotel, the local owner might seek to recruit an internationally renowned hotel chain to manage the hotel upon completion. If an international chain expressed interest in being associated with the hotel and wished to invest in Kenya, this international chain would impose its specifications. The final product, hence, once the hotel is built and equipped, has to conform to the international norms of the international chain managing it, otherwise the chain loses interest. Many hotels in Kenya are built on the potential interest of international investors. It is clear that some hotels in Kenya meet the required standards to be managed by international chains even after being built without their involvement.

4.2 Resort Hotels

Resort hotels are theme-oriented and require a very customised design. The relationship between the buyer, the interior designer and the manufacturer will be more intensive in resort hotels than in city hotels. The design will conform to an historical theme or a particular style of furniture, sometimes a

typically African style. These hotels seek to create a unique ambience and therefore tie their suppliers to exclusive supply arrangements. This furniture is exclusively manufactured in Kenya. Although ideas might very well be taken from other parts of the world or other hotels in the country, the selected items will be so diverse and suited for the particular set-up that it would be impossible for an interior designer to choose these items from a furniture catalogue. The furniture is an integral part of the hotel project, not a product whose only use is its practicality. The closer the actors involved in the refurbishment can work together, the better the end product. This requires interior designers, architects, hotel owners and furniture manufacturers to work together on site. Local furniture manufacturers and interior designers are easily accessible for these types of projects. Overseas manufacturers selling their products through catalogues will not be able to provide this customised advice or undertake frequent site visits.

4.3 Lodges

Lodges tend to prefer an African design. African-theme furniture can best be manufactured by local companies familiar with the designs and the styles. As lodges, and particularly the lodges interviewed during the research, are often attached to hotel chains or groups, the furniture suppliers to those lodges are often the same as the suppliers to the group's main hotels. A manufacturer who has successfully completed a contract for one of the hotels in the group will often be awarded the contracts for lodges. As in contracts with resort hotels, the relationship between the buyer, interior designer and manufacturer tends to be collaborative in contracts for lodges. There are two different types of lodges: those furnished with African ethnic-style furniture and those equipped with African-style exquisite bush camping furniture.

The research showed that sourcing practices and decision-makers who decide on the origin of the furniture vary from one hotel to another. The more international the hotel, the more important the decision-makers. Hence the decisions about the furniture in international chains are taken by the directors in the international chain's headquarters in conjunction with, and under the recommendations of, project managers and renowned interior designers and architects. Architects are mainly local as most hotels are built by locals. Nevertheless, in some cases, hotels established by local owners have later been managed by international chains. In other words, some of the Kenyan owned hotels meet the standards required by international chains.

5 CRITICAL SUCCESS FACTORS IN THE HOTEL FURNITURE SECTOR

Hotels have very different purchasing practices. Some of the hotels interviewed made sure that they invited at least three suppliers to tender for a project, while others used open public tender, and yet others would go directly to a preferred manufacturer, by-passing the bidding process altogether.

Table 4: Purchasing criteria used by leading Kenyan hotels

| Factor | Average Score |
|---------------------|----------------------|
| Quality | 5.0 |
| Speed of delivery | 1.7 |
| Product reliability | 4.6 |
| Volume flexibility | 1.6 |
| Product variety | 1.3 |
| Design | 2.7 |
| Price | 4.8 |

Source: Author's survey

In the research, hotels were asked to rank the factors involved in choosing suppliers, using the matrix system developed by Bessant and Kaplinsky (1995). The responses are presented in Table 4. For each of the criteria listed in Table 4, the hotel buyers interviewed were asked to give a ranking: from 1 for least important, to 5 for very important.

The table shows clearly that three factors are important for hotel buyers: price, quality and product reliability. Price matters to hotel buyers, and this gives local furniture manufacturers a major advantage when competing for hotel contracts. Imported furniture is rendered expensive by transport costs and by tariffs. One interior designer's most recent attempt at comparing the cost of local versus imported furniture goes back to 1995. At the time, imported furniture was two and a half times more expensive than locally produced hotel furniture. As trade liberalisation has made imports cheaper, manufacturers have had to compete against lower prices. Some furniture is imported from South Africa, and some from France and the UK. When trade was liberalised and duty on furniture was reduced from 70% to 37%, some local manufacturers imported furniture from various European countries, trusting that that was what their clients wanted. All manufacturers interviewed that had imported ready-made furniture (not specifically for hotel purposes) to complement their own range, complained that imported goods essentially tied down capital and that there was no market for such goods.

The other factors ranked by the buyers as being of critical importance were quality and product reliability. At the top end of the hotel business, quality and product reliability are critical. In this area, significant differences existed between local manufacturers. Not all local manufacturers could compete with imported furniture in terms of quality, but approximately five producers had significantly distanced themselves from the others and claimed they were in direct competition with imports and not with most other local manufacturers. This was confirmed by interior designers and hotels. These five producers had upgraded their production systems (which we will discuss later) to cater for and retain the hotel furniture market segment. These companies had been able to maintain the size of their operation due to their quality standards and had obtained hotel contracts on a regular basis. Their size varied from 80 employees to 200. These relatively large producers (by Kenyan standards) had started to standardise some of their products or components thereof so as to reduce their manufacturing costs. They have become the preferred suppliers of the five- star hotels interviewed.

Design received a lower ranking than expected. This is probably due to the fact that design of furniture is a joint effort and often originates from the buyers or their designers. In most cases, the manufacturer is expected to follow these designs, not to have independent design capabilities. However, in order to cut costs, buyers sometimes by-pass designers and draw on the manufacturer's capabilities.

A further item which was critical for the buyers, but which was not captured in the ranking of criteria in Table 4, is best described as the 'service factor'. This covers not only continuing service after the product has been made (aftersales service, which is critical in some sectors of manufacturing), but also the relationship involved in the development and supply of the product. This arises from the nature of contract work, where a one-off product is made to the buyer's specifications. These services offered by the suppliers included:

- on site visits prior to manufacturing
- manufacturers provide inputs into the project
- advice on feasibility
- manufacturing samples
- assured transport of the goods
- installation and commissioning
- after sale service
- maintenance
- repair

These services greatly facilitate the buyer's work. When a hotel decides on rehabilitation, refurbishment or even when a new hotel is being built, owners, architects, designers and project managers draw up the specifications necessary to satisfy the requirements of the hotel. Specifications vary according to the ownership and management of the hotel. A hotel being managed, or to be managed, by an international chain has to adhere to strict international specifications. Once these are drawn up, manufacturers are invited to tender. When many manufacturers tender for the same project, a first round of selection will determine a couple of manufacturers who will be invited to produce samples. These samples are subject to alterations that manufacturers are expected to undertake. The number of successive alterations is at times considerable - all aimed at identifying the best possible solution for the hotel. Only after a thorough reworking and final acceptance of the sample is the order for the products placed.

While generalisations must be made carefully, the following view on imported furniture was gathering pace amongst buyers and local producers: imported furniture is not robust enough, it wears out fast, cannot be repaired locally in most cases, its price is prohibitive and there is no back-up available if something goes wrong. It is standardised and looks mass produced and utilitarian. 90% of all buyers interviewed said that imported furniture looks standardised and uninteresting and is not robust enough to withstand the handling it is exposed to in the hotels. Many hotels choose to furnish their establishments

with African theme furniture that local suppliers are better suited to manufacture. An example of the problems encountered when importing hotel furniture is given below.

One of the buyers interviewed placed an overseas order for dining room chairs and tables. The new dining room was due to open on day X. The exact number of chairs and tables were ordered, but some were damaged during the transport and too few products were delivered. The planner had placed the order for chairs and tables but forgot to order the side tables where waiters leave their trays and serve the customers from. As a result, the dining room did not open according to schedule. The damaged items were sent back to the overseas producer. Additional pieces had to be ordered, the production of which took weeks, which signifies a delay of months once transport and customs clearing is added. A designer had to design side tables, which the project manager ordered locally to avoid extra complications. The side tables are not of the exact same material as the imported furniture, which does not help the hotel's image.

These difficulties cost money, time and persuasion, as overseas manufacturers have to be convinced to take the damaged products back, repair them, manufacture the missing items and send them out. Other issues may lead to further complications. Theoretically hotel furniture has a life span of 4, 5 maybe 10 years. Exposed to heavy handling from hotel guests and staff, furniture breaks. Imported furniture cannot easily be locally repaired. In addition replacements from overseas may not be available because product lines change. In short, buyers find that there are major advantages of sourcing locally due to easier access to maintenance, repair and replacements.

Maintenance contracts for locally sourced furniture have started to have a positive impact. On the one hand it enables the hotel to spend less on entirely new furniture and on the other hand the manufacturer makes the relationship with the buyer last, diversifies and provides a service that overseas manufacturers cannot offer.

Local manufacturers gain from all these inconveniences caused by imported furniture from overseas. Sourcing from local manufacturers allows for a close collaboration over orders as well as over design. It allows the actors in charge of purchasing furniture to go back and forth between the hotel and the manufacturers, changing specifications and elaborating with the manufacturers the best way to proceed. It enables hotels to place additional orders if products were forgotten. It facilitates the supervision of production and the respect of the required specifications.

The hotels that imported furniture are those that either wanted to introduce a new concept or those whose international management chain wished to further standardise the hotel's ambience according to its worldwide standing. The hotels that imported furniture, although satisfied with the quality at first and the original design, are concerned about after-sale service, repairs and replacement of goods.

It is clear that Kenyan manufacturers gained considerable advantage from being local. Price was only one part of this advantage. Equally important, they could provide a bespoke service at various points in the relationship with the hotel. However, these factors would not be sufficient to win an order if quality fell below the required standard.

6 THE ROLE OF DESIGNERS

For a particular project, architect, interior designer and hotel management come together to draw up the style, designs and specifications of the furniture they want for the hotel. They design the furniture either according to the theme they have chosen, or the ambience they want to give the hotel. Depending on the hotel's purchasing policy, potential suppliers will be identified and invited to tender for the project. Potential suppliers may be asked to manufacture and present a sample according to the specifications drawn up by the actors mentioned above.

In the selection process, decisions about which companies are eligible to bid for a contract are frequently made at an early stage, and in this process the role of the designer can be critical. A hotel belonging to an international chain whose refurbishment decisions are taken in the chain's headquarters will often involve an interior designer from overseas who has been working for the chain in different parts of the world. This interior designer will usually have very little knowledge of the Kenyan market, but knowledge of and links with overseas manufacturers. Inevitably he or she will tend to propose overseas manufacturers to tender for the project. The interior designers of these city hotels are often tied to such strict specifications that it sometimes appears easier for them to tender the project out to overseas manufacturers than it is to try and find local manufacturers capable of producing the chosen furniture. This will only occur if the cost of imported furniture is within the hotel's budget. Under these circumstances, if the rehabilitation proposed by the interior designer does not exceed the hotel's budget, local manufacturers are not taken into consideration. At the time when hotels still had to apply for a licence to import furniture and pay a higher duty to the one charged now, hotels essentially turned to local designers for rehabilitations as well as to local manufacturers.

It has been noted in the subsector that interior designers work in close collaboration with buyers, i.e. hotels and their architects. Interior designers play an important role when specifications are drawn up, and simply play the role of an interior designer in the choice of furniture. Certainly interior designers (based in Nairobi) suggest furniture that they know can be manufactured locally. If this should not be the case, the interior designer has to be confident that the buyer would import the goods and that these are within his budget. But in most cases, as interior designers are based in Kenya and over the years they have developed a close tie with manufacturers of their choice, they can develop designs that local manufacturers are capable of producing. In many hotel projects we have come across, the interior designer is the one responsible for finding the right manufacturers for the furniture s/he proposed to the hotel and which was accepted. In any case, the interior designer is the one inviting furniture makers to tender and hence assesses who would be the most suitable producer. However, in the recent past some hotels have gone straight to furniture makers so as to avoid the cost of the interior designer. Nevertheless, the profession is nowhere near extinction.

In the high-class hotels interviewed interior designers are an integral part of the establishment of a hotel, refurbishments and rehabilitation. The decision makers in the hotels (owners, hotel chain directors or general managers) appoint an interior designer to draw up a presentation according to the hotel's

specifications and the style of furniture that the decision making body has in mind. The interior designer selects furniture for the presentation which is then discussed with the decision-makers. The degree of input from the decision-makers varies. Often they have a very clear idea of the type of furniture and style they are looking for, at times it is up to the interior designer to take the lead. Amendments are often made to the presentation until the final product suits the decision-makers' needs and desires, although the interior designer's expertise is acknowledged as well.

It is then up to the interior designer to find suitable manufacturers within the limits of the budget set aside for the furniture. The degree of collaboration between interior designer, decision makers from the hotel and eventually furniture manufacturers varies according to the hotel. Contracts for resort hotels are extremely likely to involve manufacturers in the early stages of the project so as to bring as much expertise as possible together right from the beginning of a project.

Although collaboration between decision makers, interior designers and manufacturers for city and resort hotel contracts is less of a locational problem, lodges are generally further away from the manufacturing centres which does not allow for frequent visits to the site by manufacturers. Similarly for contracts outside Kenya, manufacturers are often limited to plans and drawings to assess the suitability of the furniture for a particular site.

The impact of foreign architects and interior designers from overseas seems to cause some disruption to the organisation of the subsector. If foreign architects and interior designers are being called upon for refurbishments and do not open their tenders locally, local manufacturers stand little chance of showing what they are capable of. Local producers have to adapt their marketing activities to the developments brought about by these new entrants. Two local firms specialising in contract furniture have increased their own design activities, standardised some of their products and strengthened their capabilities to respond to foreign tenders. Other manufacturers, however, have reduced their design and marketing activities due to the buyer-driven nature of this subsector.

7 RELATIONSHIP BETWEEN HOTELS AND THEIR FURNITURE SUPPLIERS

To get a better idea of the role of buyers in this subsector, this section analyses the relationship with manufacturers. The questionnaires were organised so that both actors were asked the same questions concerning their relationship with one another.

Hotels were asked what type of relationship they had with their furniture suppliers. Table 5 shows the hotels' responses as well as the responses given by the furniture manufacturers supplying hotels.

Table 5: Relationship between buyers and suppliers

| Type of relationship | Hotel responses | Manufacturer responses |
|---------------------------------------|-----------------|------------------------|
| Long standing relationship | 6 | 6 |
| Long term contract | 0 | 0 |
| One off business contract | 4 | |
| Collaboration over design | 6 | 7 |
| Always buy from same suppliers | 2 | 2 |
| All orders are made to specifications | 8 | 7 |

Source: Author's survey

As shown in the table, none of the hotels has long term contracts with suppliers, but many claim to have long standing relationships. A long standing relationship means that the hotels repeatedly sourced from the same suppliers, either for different hotels in their chain, or more than once for the same hotel. The two answers to the question, whether hotels always buy from the same suppliers, are specific to one particular type of furniture, where, until recently, one supplier dominated the market. Some hotels claimed their relationship with their suppliers was limited to a one off business contract although suggesting further on in the interview that they would return to the same suppliers as they were satisfied with their performance and service. The research showed a very close collaboration over design between the two actors. The main problem in retaining such collaboration comes from slumps in tourism which affect the occupancy rates of hotels and hence their capacity to award new contracts.

Table 6 shows significantly consistent, overlapping responses from both buyers and suppliers. This close overlap can be interpreted as a sign of close collaboration between the two. The issue on which opinions differ most concerns payment after delivery. As hotels are the buyers, they will always want to make the interviewer believe they pay on time. Manufacturers on the other hand are not that convinced by the hotel's willingness to pay on time, nor have they experienced it very often. Payment and price were the only two issues which some hotels and manufacturers suggested were frequent areas of conflict. It does support the earlier view that price remains an important order-winning criteria.

Table 6: Issues that arise as areas of conflict between hotels and furniture suppliers

| | Hotel responses | | | | | Manufacturers responses | | | | |
|------------------------|-----------------|---|--------|---|---|-------------------------|---|--------|---|---|
| | Never | | Always | | | Never | | Always | | |
| | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 |
| Prices | 3 | 1 | 4 | 1 | 1 | 1 | 1 | 4 | 1 | 2 |
| Frequency of delivery | 7 | 1 | 2 | | | 5 | 2 | 1 | 1 | |
| Late deliveries | 5 | 2 | 2 | 2 | | 6 | 3 | | | |
| Quality/rejects | 7 | 3 | 1 | | | 8 | | | 1 | |
| After sale service | 6 | | 2 | 2 | 1 | 6 | 2 | 1 | | |
| Payment after delivery | 5 | 2 | 2 | | 1 | | 4 | 2 | 1 | 2 |
| Transport costs | 5 | 2 | 1 | | | 9 | | | | |
| Design | 8 | 1 | 1 | | | 7 | 2 | | | |

Source: Author's survey

Table 7: Features of the relationship between hotels and furniture suppliers

| | Hotel responses | | | | | Supplier responses | | | | |
|--|-----------------|---|---------------|---|---|--------------------|---|---------------|---|---|
| | Least accurate | | Most accurate | | | Least accurate | | Most accurate | | |
| | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 |
| The suppliers/buyers are loyal to the hotel/firm | 2 | | | 4 | 5 | 2 | | 3 | 3 | 2 |
| We have a long term relationship | 2 | | | 3 | 5 | 1 | 1 | | 2 | 5 |
| We/they are very strict about quality | | | 1 | | 9 | | 1 | 1 | 1 | 6 |
| We/they threaten to suspend orders if they/we deliver late | 4 | 1 | 1 | 1 | 3 | 7 | 1 | 1 | | |
| We/they easily drop a supplier for another | 3 | 1 | | 2 | 4 | 3 | 1 | | 1 | 4 |
| We/they have cancelled orders | 8 | 2 | | | | 8 | 1 | | | |
| We collaborate closely on orders | | | 1 | 2 | 7 | | | | | 9 |

Source: Author's survey

The features in Table 7 were brought up equally by both categories of respondents. Some of these issues were addressed earlier. This was done deliberately in order to cross check earlier responses. The suppliers are more loyal to the hotels, than the hotels are to the suppliers of furniture. More hotels than suppliers believe themselves to be very strict about quality. The hotels' answers on whether they would threaten to suspend orders if products were delivered late, reflect what they would do if the situation occurred. However, the suppliers generally deliver on time, so the threats have remained just that. No orders have been cancelled, and few have been altered in size. The extensive collaboration and time that is put into a particular project by both parties suggests that they cannot afford to suspend orders. This factor restores the mutual dependence that could have been undermined by the hotel's bargaining power.

The supplier responses on the loyalty of the hotels are particularly significant. Discussions during the interviews clearly showed that furniture manufacturers preferred some hotel buyers over others. It appeared that the most prestigious among the high class hotels interviewed are the most co-operative clients. The product matters, and knowledge and ideas are shared. When suppliers were asked whether they had a particularly close relationship with any of their buyers, they quoted the most prestigious ones, essentially adding 'they know what they are talking about, because they care'.

Table 8 suggests that most respondents perceive their relationship as co-operative. The indicators and the qualitative enquiry show an obligational contractual relationship (Sako, 1992) between the hotel buyer and the furniture supplier, rather than an arm's length contractual relationship.

Table 8: How hotels and suppliers perceive their relationship

| Type of relationship | Hotels' perception | Suppliers' perception |
|-----------------------|--------------------|-----------------------|
| Co-operative | 8 | 7 |
| Mutual respect/ trust | 3 | 2 |
| Neutral | 0 | 0 |
| Antagonistic | 0 | 0 |
| Tense/ hostile | 0 | 0 |

Source: Author's interviews

Table 9: Does the hotel tie the supplier into exclusive supply arrangements?

| | Hotel responses | Supplier responses |
|---|------------------------|---------------------------|
| No | 6 | 4 |
| Yes- but only on certain products | 3 | 3 |
| Yes- as the products are made to exact specifications | 2 | 3 |

Source: Author's interviews

Table 9 shows that certain buyers tie their suppliers to exclusive supply arrangements. This does not mean that the supplier only worked for one hotel - in fact contract work is too intermittent to sustain any producer. Exclusivity means that a product made for the hotel cannot be supplied to any other customer.

Some hotels tied their suppliers to exclusive supply arrangements. This explains why some people believe that hotel furniture in Kenya is imported because they have never seen it elsewhere in Kenya. An example of this, follows. Prior to interviewing the Project Manager of one of the hotels, we had a brief conversation with the hotel's Chef. We asked him where he thought the furniture was from. He answered: 'Looking around the lobby and the dining rooms, all the furniture looks imported from France'. The Chef was wrong. All the furniture in the hotel was sourced and manufactured locally. The fact that not even the hotel's staff was aware of the origin of the hotel furniture and believed that it was imported, indicates that the capabilities of local manufacturers are not widely known.

8 UPGRADING OF MANUFACTURERS

Kenya has a critical mass of hotels requiring top-quality furniture. The role of buyers in upgrading production processes or manufacturing activities is increasingly being recognised. Manufacturers in certain types of industries target their activities and their products more explicitly at particular, well-identified and researched needs of their buyers. Responding to specific customer needs has become significant in a world of such intense competition and such diverse niches and specialisations within one and the same subsector.

The literature on industrial organisation and competitiveness has made reference to the role of buyers and their increasing importance (Humphrey and Schmitz, 1996). Seldom, however, will changes in a company or in a product be solely attributable to the influence of a buyer. For buyers to be able to play a role, a producer has to be willing and capable to receive a client's inputs. This responsiveness was a precondition for contracts to take place in this subsector.

In the previous sections, the relationships between the buyers of hotel furniture, their suppliers and interior designers were analysed. Nine out of eleven manufacturers interviewed argued that hotel contracts have fuelled innovation and led to the expansion of their activities. Seven have specialised in contract furniture or in a particular style of furniture. The research showed that product innovation is directly influenced by hotel buyers and process innovation less so. The latter might be triggered by buyers' demands but the initiative lies with the manufacturer.

The designs chosen by the hotels and their interior designers sometimes prompt the producer to find new ways of manufacturing. In most cases it is a process of learning by doing, where each contract leads to improvements. The most apparent form of assistance that led to innovations focuses on the products, their quality and their design. We did not, however, identify any purely technical assistance from buyers that would affect production processes. Assisting manufacturers in procuring inputs such as fabrics from overseas is also a wide spread practice.

One hotel chain in particular was mentioned by several manufacturers as the ideal customer to work with. This buyer significantly contributes to upgrading of suppliers. Contracts tendered out by this chain are of a particularly strong co-operative nature. The manufacturers are invited to provide constructive inputs on the design and the product specifications. For important projects, the Group Engineer visits the factories of potential suppliers and assesses their capabilities before deciding whom to award the contract. From experience, and long term relationships with manufacturers, they know who can provide the furniture and the service they are looking for; particularly as potential suppliers have distanced themselves from other furniture manufacturers. But, as they generally invite more than three suppliers to tender, the buyers sometimes explore the capacity of a new manufacturer.

The manufacturers' preferred chain is particularly involved in the project and concerned about its process and outcome. During the project the Group Engineer visits the manufacturer on a regular basis providing assistance in terms of organisation and quality supervision. The support essentially revolves around advice on how to plan and improve the working environment as well as on how to refine product quality. The hotel chain claims to have improved their suppliers planning activities as well as the quality of their products. It also claims to have taught the suppliers how to work under pressure and according to a set time frame. Manufacturers, supplying the chain, acknowledge this upgrading contribution. They also confirm that some other buyers have raised the standards of Kenyan manufacturers. However they stress that some hotels have made greater contributions to their upgrading than others, equally some interior designers have made greater contributions than others. While the interviews with both manufacturers and their clients suggested that over the years the latter have contributed substantially to the upgrading of the former, they also stress that both sides benefited. Co-operating over orders and monitoring the manufacturing process, as outlined above, significantly reduces the risks of rejects and late deliveries.

One of the benefits for the manufacturers is that that the newly acquired capabilities help them to break into other markets. For some contract furniture specialists their success in the hotel industry has led them to equip apartment blocks with fitted kitchens and bedrooms or to tender successfully for tailor-made office and bank furniture. Office contracts seem to be of increasing importance for the furniture manufacturers, because the volume of hotel contracts has declined due to the low level of occupancy in hotels. Some manufacturers have been able to gain hotel contracts in neighbouring countries. Exported furniture has also travelled further as a result of overseas visitors to Kenya 'discovering' the furniture in local hotels and placing orders with the Kenyan furniture makers. And some

other manufacturers have exported components of products rather than the final product itself. The overall export volume, however, remains small.

9 CONCLUSION

Kenya is renowned as a tourist destination and the tourism industry makes a major contribution to Kenya's foreign exchange earnings. The hotels and lodges serve a wide clientele of travellers staying in luxurious five-star hotels and resorts as well as exclusive lodges and four-star hotels in the country. This study targeted the most exclusive hotels to obtain an insight into the capacity of the furniture producers to cater for this market segment.

We identified that 95% of the furniture in the top Kenyan hotels is made locally. This percentage represents the hard furniture and excludes the soft furniture. The figure is representative of 85% of all five star hotels in the country and some four star establishments. International, as well as local chains, are furnished to quality requirements which are high by international standards.

The research suggests that buyers, i.e. hotels, have significantly contributed to the development of local furniture manufacturers, in terms of design and, to a varying degree, in terms of product and process innovation. Hotels and their interior designers would introduce new ideas to manufacturers which the latter would then translate into the desired furniture. The industry has hence always been very customised and reactive.

The advantages of local manufacturers compared to overseas manufacturers are many-fold, from the benefits of customisation which are implicit in the sector, to price, quality and design. Hotels and lodges in Kenya are very often furnished with African style furniture which is best made locally by Kenyan craftsmen. Nevertheless, although local designs are very important in the industry, furniture companies are essentially owned and managed by Asian or white Kenyans. Other advantages of local manufacturers are the after-sale service, in terms of maintenance, repair and replacements. Many of the suppliers have offered maintenance packages to their clients.

An increase in the number of competitors in the furniture sector, which occurred when tourism was booming in the late 1980s, has led to enterprises choosing different strategies to remain attractive for ever more demanding buyers. Long-established producers who used to operate very labour intensively had to upgrade their processes as more producers entered the market. Others choose particular specialisations that would distance them from the standard producer, and firms have diversified into other markets locally and to a certain extent abroad, due to the slump in the tourism industry in late 1997 and early 1998. This increase in competition had also led to firms specialising in contract furniture, i.e. having developed the capacity to take on large hotel contracts. These companies number about four or five which grew at an opportune time when the industry was flourishing, and maintained their quality and standards to become the hotel industry's preferred suppliers. The subsector has also become more proactive and begun to take over the role of interior designer as well as manufacturer, as they increased in competence and the hotels wanted to cut costs.

Thus a competent subsector has emerged, able to withstand competition from foreign suppliers. If it has to rely on hotel contracts alone, its prospects are marred by Kenya's difficulty to maintain growth in tourism. Some manufacturers, however, have begun using the capabilities acquired in supplying hotels to break into other market segments such as bank and office furniture.

NOTE

- ¹ This information was obtained through the interviews as well as an Executive Magazine publication for the hotel's opening.

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