



## HIDDEN LOSSES IN YOUR BAR

The statistics tell us that most establishments are losing 25% of their alcohol to bartender theft and over-pouring.

At first glance, that doesn't seem possible. After all, the retail industry (Wal-Mart, Sears, etc.) only loses 1% - 2% to theft and other "shrinkage."

But, even the possibility of 25% losses begs the question: Can your bar actually have a large hidden loss of this magnitude? And, if so, how can such large losses go undetected?

Well, after ten years with BEVINCO, I can say that the statistics are real. Almost every single bar and restaurant owner that I have worked with has been astonished to find that they did indeed, have 20% or more of their alcohol missing. Invariably, this was an enormous, unpleasant surprise to the owner.

### Why are a bar's shortages so high?

There are three reasons why our industry is plagued with much higher shrinkage than other retail businesses.

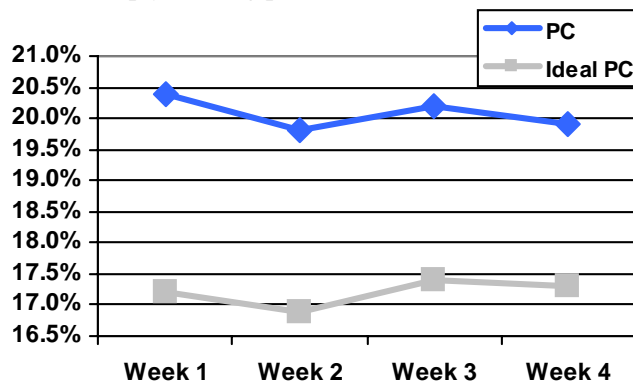
**The first reason is simple: Alcohol and cash are a dangerous combination.** Your bartenders are in a unique position whereby the person who prepares and portions the product is the same person who collects the cash for it. That doesn't happen at the clothing store or the bookstore and it doesn't happen in your kitchen. When the person making the product also collects the cash, there exists a dangerous opportunity/temptation for theft.

***"Often bartenders assume that an overly generous pour will result in an equally generous tip."***

And then consider that your bartender's primary source of income is their tips. Often bartenders assume that an overly generous pour will result in an equally generous tip. Since they are directly responsible for portion size, the danger is obvious.

**The second reason for the high shrinkage is that these losses are almost impossible to discover by looking at your pour cost.** Of course, pour cost is an important measure of a bar's profitability. Unfortunately, however, pour cost only tells you how much money you are making but not how much money you should be making.

One of my clients told me that he knew he had his shrinkage under control because his pour cost averaged around 20% per month. After hiring BEVINCO, he found out that he was missing about \$1,000 a week in lost profits due to over-pouring and theft. Even though he was happy with a 20% pour cost, it should have been down around 17% (which was his "ideal pour cost"). The difference, of course, is simply missing profit:



The difference between the two lines is missing profit

Pour cost often hides losses because all your drinks have a different profit margin and you don't sell exactly the same number of each drink every month. If you sell more vodka/soda this month (with a low PC) and less coffee drinks (with a high PC), then your PC will go down - but that doesn't mean that your bartenders did a better job.

**The third reason for the large, hidden losses is that bar owners do not have an effective way to eliminate routine over-pouring and theft.** Most operators are limited to chastising their bartenders about high pour costs - which most bartenders can pretty much ignore. Bartenders don't

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really see a clear connection between your pour cost and their behavior. They can easily convince themselves that a little extra liquor in a drink cannot possibly have a big impact on your pour cost. Nor do they think that giving away half a dozen drinks to their buddies is going to make a big dent, either.

***“Bartenders don’t see a clear connection between your pour cost and their behavior.”***

Besides complaining to the bartenders about pour cost, many operators also hire “spotters” or “shoppers” to watch the bar. We often recommend these services to our clients because they are an effective way to ensure that your employees are following procedures and giving great service.

But spotters are a poor way to deter theft and over-pouring. At best you might catch an obvious thief giving away drinks but generally spotters are used on such an infrequent basis that it doesn’t lead to permanent behavioral change (i.e.: the bartenders still give away drinks to their friends, etc). Over-pouring is generally very difficult for a spotter to clearly identify. And a spotter cannot report on staff drinking after hours so both those activities can remain undiscovered.

### **A Dramatic Boost to Profits**

The good news is that these losses can be dramatically reduced with the right tools. If your pour cost is reduced by two or three points, the boost to profits will range from \$3,000 - \$8,000 every month for a bar with alcohol sales of \$50,000 per month.

The exact amount you will make will depend upon the cause of the shrinkage in the first place. If most of the losses were at retail (the bartenders were pocketing money instead of ringing it up), then the increase in your profits will be on the high end. If the losses were mostly at cost (spillage and waste), then the increase in profits will be at the low end. But the “low end” will probably still mean an extra \$36,000 in clear profit in your pocket at the end of the year.

### **The Real Cost of Over-pouring**

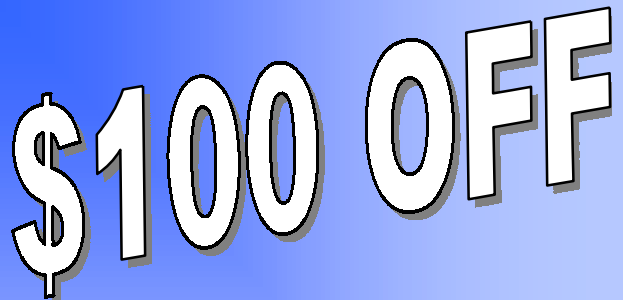
Eliminating over-pouring usually has a surprisingly large effect on profits. At first glance, one would think that over-pouring results in a loss at cost. If your pour size is 1-½ ounces and your bartender pours a 2 ounce drink, it

Most bars find that a reduction in over-pouring results in a direct increase in sales (i.e.: the loss is at retail). Although this seems counter-intuitive, it actually makes sense. The reason is that most of your customers are going to consume drinks until they reach a “comfort level.” For example, if I have to drive home, I know that when I first feel the alcohol, I should stop ordering - that usually means I can order about 3 drinks. But, if my first two drinks are over-poured, I will feel the alcohol a little earlier (my comfort level) and I may forego the third drink. The cost to you is not just the 36¢ but the \$5 I would have spent on a third Crown Royal.

To give another example, if I do not have to drive home I might intend to stop drinking when I feel like I am in danger of a hangover the next day. For me, that might mean around 6 drinks. But, again, if the first four are over-poured, I might think to myself “these drinks are hitting me harder tonight” and I might not order a 5th and 6th drink – the cost to you now would be \$10.

The bottom line is that hidden losses are probably costing you a great deal of money. Our company provides a solution to all these problems. BEVINCO’s expert auditors will clearly identify all the hidden losses and, more importantly, give you the tools you need to eliminate them.

*By Ian Foster*



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# The Restaurant Doctor

*Here are a few excerpts from Bill Marvin's excellent Electronic House Call e-newsletter:*

## **TURNING THE TABLES**

I recently worked with a client who wanted to increase business on the nights when he already had all the business he could handle. My suggestion was two-fold. First, offer free champagne to guests who have to wait. In my experience, they might have one glass and then go back to their regular beverage, but it is a nice surprise that takes the edge off the wait. Local laws will determine what you can do or how you have to do it, but I suggest this is a policy that you do not advertise -- let your guests pass the word for you. The offer will at least move them into the lounge.

The second piece has to do with logistics. When people are on wait, he will basically start the dinner service in the bar. Waiting patrons can have a drink and order appetizers. While they are waiting, a staff member will distribute the dinner menus and actually take their entree orders. The guests will be informed that when the dining table is just about to clear, their orders will be placed in the kitchen. When the guests get to their table, the salads will already be down and the entrees will follow quickly. It seems like better timing for all concerned as the guests, who have already been waiting for awhile, do not have to start the meal service from the very beginning. We estimate that this will cut their time on the table by about 30 minutes . . . and enable the restaurant to get another turn out on their peak nights.

## **Improving Your Tableside Manner**

Here are a few observations from the road for those who want to find out how good they can be:

### **Share a sense of urgency**

Find out if a guest has a schedule, then operate with the same sense of urgency. This is really about making sure that your actions communicate that you are always aware of the time and are striving to meet it. It is off-putting (is that a word?) to be on a deadline only to watch your server lollygag around with co-workers as the clock ticks. Failure to share the diner's sense of urgency affects the guest's mood which affects the tip which affects whether they ever come back to your place or not!

### **Get to it**

At a breakfast along the way, I asked a server for a glass of water. She continued to clear and re-set her tables for about two minutes before going for my water . . . in a

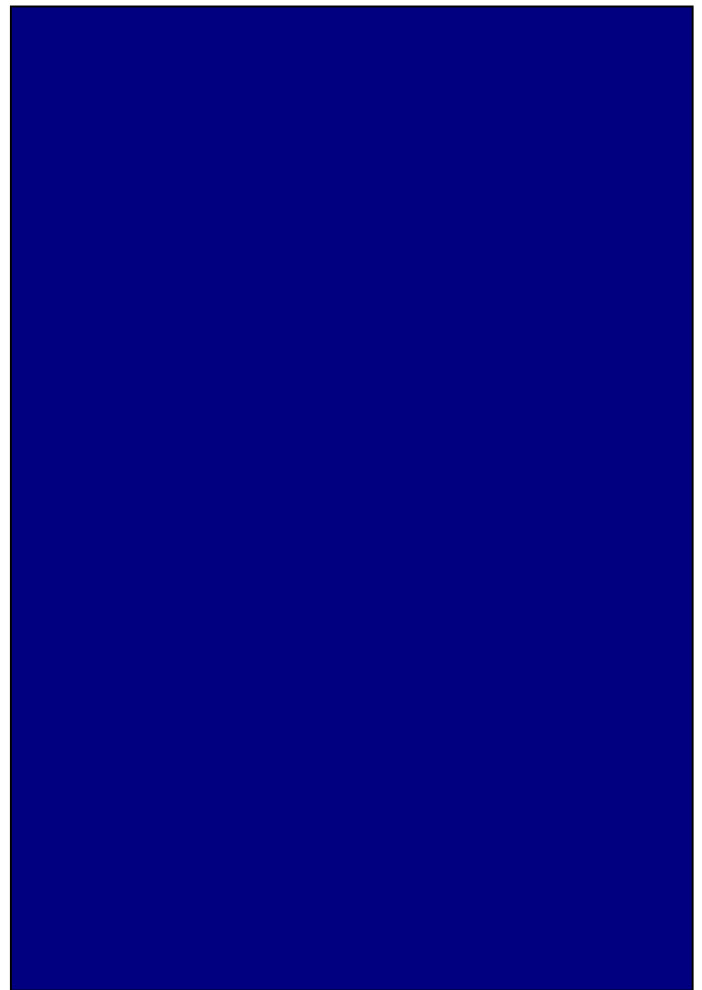
dining room that was nearly empty! What are we telling our servers about priorities? When was the last time you had a discussion on that topic with your crew?

### **Be appropriate**

Several times during this trip I have watched servers interrupt guests' conversations to ask questions or move on to the next step in the service. What ever happened to the practice of approaching the table and waiting there quietly until the guests stop talking and look up at you? At that point, they are ready to listen and you can proceed. If they do not stop talking after a reasonable time, their conversation is more important to them than whatever you may have to propose. Leave quietly and try it again in a few minutes.

*The Electronic House Call, is a (free!) weekly e-letter from Bill Marvin, The Restaurant Doctor. You can put your name on the mailing list at [www.restaurantdoctor.com](http://www.restaurantdoctor.com)*

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