

Measuring Bar Profits - Where Can You Improve? - By Ken Burgin

2008-07-29

Whether it's wine, beer, spirits, coffee or soft-drinks, there are plenty of ways to look at the performance and profit-margins of beverage sales.

If there are problems, you'll need to examine the details to locate the cause. Could you produce these Key Performance Indicators easily?

Sales per Head. Check separately for alcohol beverages and non-alcohol. It's the perfect indicator of two things - how much your beverages appeal to your customers and how well your staff are selling. This KPI can be a good basis for a sales bonus system.

Gross Profit on Individual Items. If you're selling two bottles for the same price, but one costs \$5 to buy and one costs \$7, obviously you try to maximise the sales of the one with the highest margin. How do the margins on cans of Coke compare with post-mix Coke? How much post-mix gas do you use for every 1000 serves? What are the margins on mineral water poured by the glass compared to served by the bottle? How much do you really make on fresh-squeezed juice? How do you compare faster-serving bottled beer and tap beer?

Total Sales and Overall Gross Profit % on Sales - the main KPI to show if results are holding steady, improving or declining. Ultimately, the actual Gross Profit (real money) will matter the most.

Stock Value - how much cash is locked up in your cellar? Are there more items you could order 'just in time'? As freight costs jump and minimum orders are more common, compare the benefits of more stock or smaller deliveries. The romance of long wine lists and 'special deals' can lead to bulging shelves -- be strong!

Stock Turnover - how fast is the stock selling? If you are carrying wine stock worth \$50,000 and the value (not sales) of what you sell each week is only \$10,000, it's taking 5 weeks to turn over your stock. Too long?

Carrying Cost of Stock - what is the cost of financing this \$50,000 of stock? Take the current interest rate for borrowing money, apply it to your stock value, and divide by 52 to get a weekly figure. If stock is valued at \$50,000 and the interest rate is 8%, annual cost of financing the stock is \$4000 or \$77 per week.

Sales per Till - in a fast-moving bar, efficient layout and nimble staff will make a huge difference to sales per hour. It's worth keeping staff on their own till and comparing the results.

Sales and Stocktake Discrepancies. Alcohol means security problems. As an essential KPI, measure the difference between what you used (from the stocktakes) and what your POS system says you sold. What's the difference? Best practice will bring the variation down to below 1% - how does yours rate?

Profitable Hospitality offers management and cost-control systems (Manuals & CD-ROMs) for restaurants, cafes, hotels, bars and clubs. The systems are based on the extensive consulting and operating experience of CEO Ken Burgin, and enable busy owners and managers to set up complete operating and cost-control systems in minutes, not months. Profitable Hospitality also runs regular management training workshops in the areas of kitchen profit & efficiency, restaurant marketing and functions management. A free monthly e-newsletter keeps you up to date on the latest industry management issues. www.profitablehospitality.com.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article33753.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html