

STOCK AUDIT CASE STUDIES

2008

HOW ORDINARY IS ORDINARY?

An invoice sitting in the authorised tray at a Hotel showed the purchase price for a rather ordinary claret as £172.25 per bottle; our Stock Auditor checked this as it seemed somewhat 'extraordinary' and discovered that the price should have been £14.31 per bottle, an overcharge of almost £950, which, if not spotted by us would have been happily paid.

TAKING THE TAKINGS

A part weeks revenue from one stocktaking period to another was spotted by one of our Auditors recently to be substantially different, what was originally shown as one days trading had been 'split' between two days meaning that the branch had falsified figures month on month. A detailed investigation found that the revenue had been 'misappropriated' by the now ex Manager. Proving that vigilance is a key ingredient of good stocktaking.

DOUBLE CHECK – THEN CHECK AGAIN

A Hotel in the Lakes was dumbfounded when a stock result analysis revealed losses on one of their key draught beer lines of 29% of the actual consumption. They were urged by Venners to check their process for 'seeing in' deliveries and telephoned us two days later to report that the GM had decided to double check a delivery whilst the dray was still at site. Not surprisingly, he had uncovered a short delivery that had mysteriously not been spotted by anyone else.

PREMIUM FOOD – PREMIER PROBLEMS

A manager of a small business reported to a Venners stocktaker that he was struggling to get his kitchen team to achieve their target GP margin. The stocktaker on investigating the variance noticed that there was inconsistency in the brand of products being stocked. On consulting the company's menu costings, it was found that they had been calculated using proprietary brands, which had agreed and discounted purchase prices, but the chefs were purchasing premium brands. They were unintentionally spending an additional £60 per week which affected the margin by 2%.

REDUCED MENU - INCREASED MARGINS

A manager of a private Hotel in the Highlands complained bitterly that his chef was incapable of hitting his targets despite reasonable trade for the time of year. Through a series of visits, we were able to identify that the problem was the sheer size of the menu.

The hotel had 18 starters, 24 main courses and 12 desserts on the menu, not including specials, but was only serving 200 covers per week. Wastage levels were immense, prepping for items that were never going to sell. We suggested that a much reduced menu was introduced, with a small special menu every day, the gross profit increased over the next three months from 55% to 61%.

FREE POUR – POOR POUR

A stocktaker identified that a unit with a poor results history was generating a vast majority of its shortage through its spirits range. The unit sold all spirits free-pour so we recommended that the four main selling lines were changed to optic dispense. Despite the fact that having an optic carousel on display "didn't fit the brand", the effect was immediate, with shortages on spirits halving in the first month. A 1ml over-pour on a 25ml spirit generates a 4% shortage. Image isn't always profit.

DAILY GRIND

A major coffee retailer was flummoxed by the apparently poor returns at one of his major coffee outlets. The Venners stock auditor decided to complete an analysis detailing line by line sales rather than just GP margins, he wanted to identify what was being lost through poor grinds, staff consumption and pilferage. The results staggered everyone – the unit was losing 35 kilos of coffee a month equivalent to over 5,000 grinds. With an average price of £2.00 per cup of coffee the cash being haemorrhaged was colossal. The retailer was fairly content with his margin when we started working with him but delighted once he closed these loopholes.

SILENT THIEVES

When carrying out an 11 day stocktake at a major Welsh Hotel the function bar was showing a large shortage which appeared to be due to full bottles of spirits being missing. Indeed the stock auditor pinpointed that the missing items were all on the bar display during his previous visit. According to the management the bar had not been used since the previous stock. The bar was locked and no break in was obvious. Encouraged to look at the CCTV cameras a break in was spotted. Two persons were seen dismantling a panel and gaining access to the bar and taking spirit bottles. Now in the hands of the police this would have gone unnoticed without a stocktake.

OUT OF DATE – OUT OF POCKET

On gaining a new client with 30 premises we started to report that most pubs had vast quantities of either out of date or short life stock. All of the stock was listed and valued in the individual Operational Reports which Venners complete which prompted the customers Operations Director to mobilise his Area Managers to visit all of the offending sites to dispose of the out of date stock and transfer the stocks that were getting close to their best before dates to other premises. This saved the Company several hundreds of pounds at cost. The Ops Director did comment "...why was this out of date stock not noticed or reported on by our previous stocktakers" – sadly we had to tell him!

SOCK IT TO ME

Following poor results in a large multi bar site, where trade is very concentrated for a short period of time, it was advised that cash spot searches were carried out on bar staff during the busy period. As one bar was approached by the management a member of staff leapfrogged the bar and tried to run away. She was soon caught and discovered to have hundreds of pounds inside her socks. The police were called and she was arrested and charged.

MORE SILENT THIEVES

Following several poor stock results with big losses on spirits at a customer's premise we suggested that they reduced the stock holding on each bar and keep par stocks throughout. The customer adopted this and on entering one of the bars one day the Bars Manager noticed, because it was now obvious, that several bottles of spirits were missing. Our Auditor noticed a ceiling tile was out of place. It was then discovered that you could access the bar through the ceiling from the cloak room, where again there was a ceiling tile out of place. The route of the thief to the bar had been discovered. CCTV was installed, the cloak room was kept locked and the losses on the spirits stopped.

IT'S NOT JUST COUNTING BOTTLES

What do you do if you run a charity theatre but need help and advice on running your bar – ask Venners. Faced with such a customer we found a business that was over stocked, under priced and in need of general advice. After a couple of months the unit had reduced stock levels, adopted a better stocking policy and is now achieving acceptable margins but above all else, their confidence is now high. It's not just counting bottles we have an extensive knowledge base for our customers to call on at any time.

OUTSOURCE IS THE BEST SOURCE

A major Hotel company who conducted internal stocktaking recently appointed Venners to look after a portion of their estate. Within four months we were able to tell them that using an external provider had:-

Increased the gross profit by up to 2.4% in 86% of their Hotels, worth circa £96K
Reduced the stock deficits in 71% of the Hotels, which annualised is worth approx, £250K
Reduced allowance claims in 57% of the Hotels

Proving external controls and stocktaking deliver **BIG** results.