

Liquor Control System to Stop Leak of Profits

By PAUL SIMON*

REPPEAL of the Eighteenth amendment has made it possible for clubs to reopen an avenue to additional earnings which should lead to a not inconsiderable addition to operating profits, not only through the actual margin between the cost and sales of spirituous beverages, but also because it should lead to increased patronage and to better food sales.

While, before the advent of prohibition, the ratio of liquor sales to food sales was as 1 to 3, it is found that in numerous cases these sales now compare as 1 to 1.

This apparent increase in ratio is undoubtedly partly due to the fact that the selling prices of liquors and wines are considerably higher than previously, whereas the selling prices of food have decreased, rather than increased.

The higher prices of spirits are not caused by an arbitrary mark-up, but are necessitated by the fact that the greater cost of merchandise is further augmented by heavy duties and taxes, on account of which the margin of potential profit is reduced rather than enlarged.

The control of liquor and wines was always important, but is now more essential than ever, because the temptation to dishonesty has grown in ratio with the greater value.

If the potential profit is not to become illusory, it is unavoidably necessary to have as close a method of control as human ingenuity can possibly devise.

New Costs to Liquor

If such a control incidentally results in certain expenses for clerical help and stationery, no objection should be raised, in view of the fact that a new income-producing department is created, the net departmental profit on which should approximately equal 50 per cent of the sales, the cost of merchandise being about 40 per cent to 43 per cent, and other expenses, including payroll, generally not exceeding from 7 per cent to 10 per cent.

To attain a merchandise cost of 40 per cent, it is necessary to guard not only against dishonesty, but also against losses from inefficient handling of the valuable and expensive goods, particularly keeping in mind the fact that on account of the extended era of drought, experienced wine stewards and bartenders have almost disappeared.

The method of control in clubs is, of course, very similar to that in hotels and restaurants, excepting that the lack of cash transactions between bartenders and/or cashiers and guests eliminates one phase of risk. (Quite a few clubs have lately changed to cash transactions on account of shortage of funds, in which cases the aforementioned advantage is lost.)

The following description of a system of wine and liquor control is not intended to present the only possible method. It is clearly realized that methods will, and indeed should be different, according to size and type of the institution and in relation to the volume of business enjoyed.

However, the principle and theory applies irrespective of such varying conditions, and a system should be flexible enough to be elaborated or simplified as individual conditions demand.

In any case, the system must cover the following phases:

1. Purchasing and Receiving.
2. Storing and Issuing.
3. Preparation and Service.
4. Accounting.

1. Purchasing and Receiving

The actual determination of purchasing should be in the hands of the manager, even though the details may be delegated to a purchasing agent or steward.

The reason for this is not only the fact already mentioned, that experienced men can be found only in rare instances to be intrusted with this task, but also that it is found that drinking habits have changed and that, therefore, it is important to find out more or less gradually just what the members really want, and there is the

*Club Managers' convention address.

further reason that with the possible exception of aged, bonded, American whiskeys, the prices of liquors and wines are expected to become lower rather than higher.

Having determined what to purchase and where to purchase it, the next step is the placing of the order. The use of purchase orders in quadruplicate should be rigidly enforced, the original to go to the vendor, one copy to the manager, one copy to the auditor and one to stay in the steward's department. (The term "steward," as used here, applies to the general or wine steward, i. e., whoever is in charge of the beverage buying.)

Inasmuch as the merchandise often is shipped from distant points, sometimes causing a considerable time to elapse between the ordering and the receiving, and also because, at least at present, part shipments are frequent, we recommend that at the time of giving the order, an entry be made on the inventory record. This record will be fully described later on. Such an entry will prevent the duplication of orders.

As the goods are received they must be entered on the receiving record. Of course, in clubs where the quantity of liquor is only small, an ordinary receiving record may be used. In any case, however, the records should be separate from those used for food and other merchandise or supplies received.

We have designed a special receiving sheet which is carried in stock by various firms and which has additional headings in addition to the usual headings, showing the name of the carrier and any distinguishing marks or numbers that may appear on the container. These entries will prove helpful in making a claim for loss or breakage. As to case goods, space should also be provided for recording the number of cases, the number of bottles per case, the size of the bottles and the total number of bottles included in the shipment.

In addition to this, the form also carries information the wine steward or the accounting department needs, including the number of the bin in which the goods were placed, the cost per invoice unit (case or gallon), the cost per bottle in the case of bottled goods, and the initials of the person who examined the goods.

2. Control of Storing and Issuing

We recommend a perpetual inventory of

stock ledger record for each brand of goods received. As already mentioned, this record will have a column for the purpose of recording all orders when given, otherwise there is no difference between this and any standard inventory record.

The most important thing about the inventory record is who keeps it. We emphatically recommend that this inventory record is not to be kept in the wine room, but is to be kept in the auditor's office, for the obvious reason that we would not want a wine steward to control himself any more than we would recommend to have a cashier audit his own records and check his own cash.

Since, however, the wine steward undoubtedly wishes to have, and is entitled to a check on his inventory, we recommend the use of a bin card which is to be attached to each bin or shelf and which contains the information regarding the receiving as well as the issuing of goods. This bin card also facilitates inventory taking, serves as a check on the stock ledger and also gives ready information as to the movement of stock.

The issues from the storeroom, or course, are on the basis of requisitions. The form of these requisitions is not of a great deal of importance, excepting that it should be kept in mind that the actual ordering in the bars differs from the ordering in the kitchen and other departments, in that the main daily order from the bar to the wine room will be at a given time, that is, either at night after the bar is closed, or in the morning before it is opened. Therefore, there will be one large requisition daily which may be supplemented by numerous small ones, as certain merchandise gives out due to unusual demand during the day. On account of the fact that most of the items will appear only once on the requisition, the keeping of a perpetual inventory is greatly facilitated.

The above constitutes keeping a control in the wine room and the usual formula of inventory on hand at the beginning of the month, plus receipts, less issues, equals the inventory at the end of the month.

The only item that is necessary for adjustment in the handling of the liquor and wines is the possibility of spoilage or breakage and for that reason a very exact account must be kept of such incidents.

It is obvious that a wine room inventory should be taken at least once a month, which may be taken by checking each in-

ventory card or sheet with the goods on hand.

3. Preparation and Service

The foregoing outlines one of the main phases of control, namely that of the wine room. It remains then to have adequate control of the bars themselves.

I believe that for the moment we can leave out of consideration public bars, because they are generally not permitted, but if they should be permitted in clubs, it is our recommendation that they be handled in the same way as service bars; namely, that a register be used which prints the amounts on a guest check on which the bartender would be instructed to write out the various items served in detail. The bar is to be stocked originally with a standard or par stock, which should be kept at standard or par just as close as possible. It is obvious that it cannot be kept always at exactly the same level, for the reason that bottles partially consumed will be replaced by full bottles. However, it is possible to bring that difference down by keeping track of fractions of bottles to at least one-quarter of a bottle.

The issues are made to the bar on sales prices. The original stock used at the bar, as well as any issues thereafter, shall be charged to the bar at potential sales prices. I quote the following from a paper given by one of my partners, Louis Toth, who was instrumental in designing the type of bar control we are now using for our clients:

We determine the sale value of each bottle of wine and liquor used at the bar, charge the bar with the total sales value of all wines and liquors used, and compare the total charge with the amount of actual sales. This is the whole principle of bar control.

The principle seems simple enough and in the small hotel with one service bar its application also is quite simple, provided the prices of mixed drinks are determined on a logical basis.

If you charge 30 cents for a two ounce drink of blended rye, you will charge the bar 15 cents for each ounce of blended rye consumed, and on this basis you can easily determine the sale value of each bottle of rye whisky. Or, if you charge 30 cents for the two ounce cocktails made of gin and vermouth, it is obvious that you should charge the bar 15 cents for each ounce of these ingredients.

You need not pay much attention to the quantity of ingredients used in fancy

drinks that are sold only occasionally. You can base your sale values on 10 or 12 of the most popular drinks and, so long as the prices of these drinks are in proportion to each other according to the ingredients used, you will have a good bar control. The initial calculation of the sale value of each bottle that goes to the bar deserves your careful study, because the effectiveness of your control will depend largely on how accurately these sale values are determined. If you start wrong, most of the time and effort expended on the bar control will be wasted.

This control should, of course, be a daily control, but in places where the consumption is small it might be under certain circumstances sufficiently protective to increase the control period from a day to several days or even to a week. In each case, however, it must be kept in mind that while we have established a par stock, that par stock is not in itself always correct, for the reason given above, that partially filled bottles will make the stock either below or above par.

The form we recommend for the morning requisition is a combination of bar inventory and requisition. It shows in the one column the par stock, in the next the stock actually on hand, and thereafter, the actual requisition which is shown with quantity, unit cost, total cost, unit sale value and total sale value. Then follows the daily inventory, if one is used, giving the unit cost and total cost, the quantity being in the "on hand" column. This form is issued in triplicate, the original for the wine room, the duplicate for the auditor and the third copy remains in the bar.

In a small bar this system will be sufficient for all practical purposes. Where the consumption is large, however, it must be taken into consideration that the so-called potential sales value, as charged to the bar, is not necessarily, and rarely is, exactly the same as the actual sales for the reason that the bar may sell the same kind of things at different prices, and further, that the quantities used in various drinks may not be always the same.

Therefore, in cases where that condition exists, it will be necessary to obtain from a distribution of the sales, a record of the price differentials so that they can be taken into account.

4. Accounting

Because of the fact that many of the expenses incidental to the service of bev-

erages and food cannot readily be divided, the statement showing departmental operations is combined for these two classes of sales in the following manner:

One column shows the food sales and the costs and expenses directly attributable to these sales, a second column does the same for beverages, a third column contains the undistributable items, such as service payroll, music, laundry, linen, cleaning and dining room supplies and decorations. The fourth column of this statement is the total of the other three, which column is used for comparison with previous periods.

The sales of both food and beverages can be shown by dining rooms, as is generally the custom in departmental reports of this kind. In addition, a separate statement can be included in the report showing the beverage sales classified as to wines, domestics or imported, mixed drinks and liquor, draught beer, bottled beer, soft drinks, etc., also showing in this schedule the respective costs of these sales as taken from the daily controls.

Thus we have a statement of the complete operation of the catering department, showing the details for management purposes and yet not making any arbitrary division of items not readily distributable. This follows the policy adopted by hotels when they originated their standard classification of accounts, wherein it was decided that arbitrary division of such items as general expense, engine room expense and repairs would only distort figures and render managerial analyses more difficult.

Three new expense classifications are added because of the advent of beer and liquor sales, that of license and taxes, bar expense and wine cellar expense. With the classifications already used in the food department and the columnar statement mentioned earlier in this section, the statement of food and beverage operations is then quite complete.

The description is not more than a short outline of what the principle of liquor control should be.

As explained, it gives the outline of a system that will fit establishments with a small or medium sized sale of beverages, and it also gives the fundamentals for a system in an establishment for large sales, but in that case, of course, a great many more details of control will have to be carried out.

Fourth Annual "Heart of America" Tourney Invites Amateurs

IN KANSAS CITY, May 15, 16 and 17, the "Heart of America," 72-hole medal play Amateur Championship will be held. Every year this tournament has grown in popularity, prestige and importance, and is now the greatest amateur tournament of the Middle and Southwest, perhaps the greatest amateur medal-play even in the country.

The tournament is expected to draw the best in golfers from Missouri, Kansas, Nebraska, Iowa and Oklahoma.

There will be a pro-amateur event held the first day at Hillcrest GC., with suitable prizes for the successful teams.

In addition to the regular amateur championship, a special flight is being prepared for inter-collegiate competition, and representative teams from all the colleges in this territory are being invited to enter.

The finals of the amateur championship will be played May 17 at Milburn and Indian Hills clubs.

Last year the tournament winner was Johnny Dawson, nationally known amateur from Chicago. Amateurs throughout the country are urged to enter. The Kansas City Golf association is expecting a banner entry list this season. Many special plans for the entertainment of the visiting golfers are being formulated.

Suggests Share of Golf's Tax for Green Section

L. P. CHRISTENSON, president of the New Jersey State Golf Assn., speaking before the Greenkeepers' Association of New Jersey, estimated that golfers are paying about \$900,000 annually to the federal government on dues alone.

"Why could not \$100,000 of this be used by the government in financing the Green Section?" asked Christenson. He expressed the belief that a 10 per cent refund of golf dues income would help conserve that revenue.

Those close to Washington operations doubt the possibility of getting a distinctly golf project in the Department of Agriculture budget, but think that some turf project for lawns, parks, golf or other sports use might be secured.