PERFECT PRODUCT PORTFOLIOS

PARTICIPANT GUIDE

BARMETRIX

DESIGNING YOUR PERFECT PORTFOLIO

Your product portfolio should be geared towards profitability, and it should also align to your brand.

Write a few lines below about your brand identity:
What kind of experience are you trying to offer your customers?

List 3-5 criteria of your brand here: Products will have to HELP you meet these criteria in order to "make the cut" and remain in your portfolio.

What will you consider when selecting your products? (Local? Brands to be proud of? Quality matters? Organic? Home-crafted? Different/ Unique? Modern or classic? Categories?)

Imagine your product portfolio separated into three categories: CORE, MAINTAIN, and EXCITE.

CORE	MAINTAIN	EXCITE

List a few examples that come to mind, and try dropping them into one of these three categories.
Now take a look at what's in your categories. Are your CORE, MAINTAIN and EXCITE offerings helping you deliver your brand to your customers? Compare your products to the list of criteria you made; try to right-size your portfolio.

Write down the ONE change you will make in your product portfolio to improve alignment to your brand:

BUILDING SUPPLIER RELATIONSHIPS

It's also critical to find that win-win with your suppliers in order to maintain a perfect product portfolio.

BENEFICIAL GOALS

Are there any goals your supplier might have that would also benefit your business? Take a look at the ideas below and circle the ones you can find a win-win with:

Selling Seasonal Products	Selling More Products	Selling High Volume of One Brand
Promotions & Tastings	Teaching Bartenders About Specific Products	Offering Specialty Drinks
Business Assistance & Development		Creating Drinks That Feature Certain Products

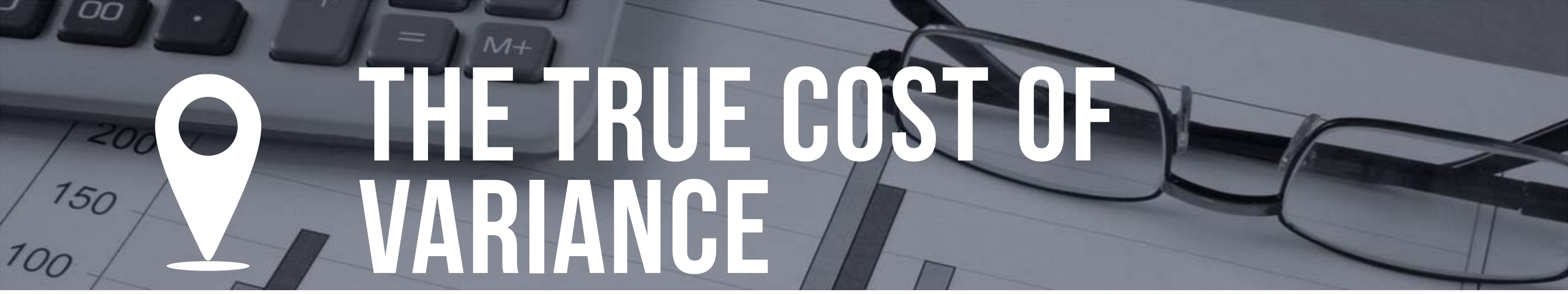
Now fill in a few ideas of your own about finding the win-win:

UNDERSTANDING VARIANCE

Most bars experience between 10-20% variance — or, worse yet, don't even have a handle on HOW much variance they experience.

Do you know how much variance your bar experiences in a given week?

How do you currently monitor variance?



THE TRUE COST OF VARIANCE

COMMON MISCONCEPTIONS

Misconception #1: “Things will balance out on our next stock take.”

Reality Check: 9 times out of 10 when stock is missing, it is gone!

Misconception #2: “We don’t have a problem with variance.”

Reality Check: There isn’t a bar on the planet that doesn’t have a problem with variance. The question is: How big is the problem?

Misconception #3: Only view losses in wholesale dollars.

Reality Check: Each time a product is handled or managed it is a direct expense to your business

So, what do these losses actually cost?

THERE ARE 4 POINTS AT WHICH PRODUCTS CAN GO MISSING

1 BEFORE IT ARRIVES

More often than you would think your orders do not arrive as planned. Often stock is short delivered, yet the stock is signed for by staff members. More commonly, a larger (more expensive) product is ordered and a smaller size arrives Examples of this would be: ordering 1000ml and 700ml arrives or; ordering 15 cases of Heineken and only 14 arrive.

The cost to the business:
Wholesale Cost + Management Costs to get to the root of problem

2 AFTER IT ARRIVES ON SITE, BEFORE MAKING ITS WAY TO THE BAR

This stock is taken from the venue without record, examples of this would be:

- Staff or management loaning it to others
- Staff or management taking it for personal use
- Cleaners / contractors taking it

The cost to the business:
Wholesale Cost + Management Costs + Overheads

THE TRUE COST OF VARIANCE

3 ON THE BAR, BEFORE IT IS CONVERTED TO RETAIL

On average, thousands of dollars are lost each month right under our noses. Most goes missing without being noticed, except in your bank account e.g. bartenders over pouring drinks unintentionally; most bartenders over pour by 10% - even when being tested for accuracy!

The cost to the business:
Wholesale Cost + Management Costs + Overheads + Opportunity Costs

4 ON THE BAR; AFTER IT IS CONVERTED TO RETAIL

Theft in hospitality is an extremely expensive activity to the business owners e.g. bartender making drinks and then pocketing the cash.

The cost to the business:
Wholesale Cost + Retail Cost + Management Costs + Overheads + Opportunity Costs

LEGEND:

Wholesale Cost: purchase price of item plus tax

Retail Cost: value that customer would buy for

Management Costs: the time your managers burn up in these issues

Overheads: in retail business ALL costs need to be divided amongst product activity

Opportunity Costs: this is the money that slips away while paying customers wait idling by while bartenders are stealing and/or serving mates. Also, the costs of having a group of “free drinkers” in a capacity room, while otherwise paying customers experience delays in service.

Take a look at the 5 keys to monitoring variance below:

- FREQUENCY: Every 7 – 14 days, on a regular basis
- THE RIGHT TOOLS: Proper inventory system including a 1:1 comparison for products vs. depletion; weighing not guessing the closest tenth!
- THE RIGHT PEOPLE: Managers can’t write their own report cards. Get an outside company or independent auditor to take your inventory.
- SHARE THE RESULTS: In most venues staff expectations of variance are far below reality. The first step in getting aligned on reducing variance is to share variance with your team.
- COACH TO PERFORMANCE: Inventory isn’t a blunt instrument. Once your staff are on board with reducing inventory, challenge them to constantly lower the average variance. Don’t use it as a punishment, but as a coaching tool.

PORTFOLIO GOAL SETTING

Set a percentage goal to lower your variance:

What THREE steps will you take away from this exercise to improve your product portfolio?

WHO will actually do this?

WHEN is the deadline for these changes?

HOW will you know this is working?

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