



BAR THEFT

Why does bar theft happen?

Running a club's bar can be profitable, but it can also be hard—and you don't want it to become a financial drain on your club. With so much cash flowing in and out, it can be tempting for employees to pilfer. Industry experts have estimated that up to 75% of employees steal at least once. Unfortunately, Food and Beverage Department Managers aren't always aware there's a problem. If you're only examining the big numbers coming in through the register/POS, you might miss the bigger picture. But it's not sales that make or break your operation—it's profits. And if your margins are low, you'll soon be out of business. Bars are especially vulnerable to theft, with alcohol a main target.

Simple ways to stop theft at your bar

Types of alcohol theft identified

- ✓ 70% provided free drinks to friends
- ✓ 57% took part in unauthorized drinking
- ✓ 52% over-poured drinks to increase tips
- ✓ 41% failed to ring in all items ordered
- ✓ 41% took alcoholic drinks for their own use.

Bar staff may also steal cash. Be on the watch for two common methods:

✓ They don't ring up the sale, drop the money straight into the cash register drawer and remove it later when no one is looking

✓ They overcharge or short pour customers and pocket the difference

The root causes of theft

There are three main conditions that allow for bar theft to occur:

Opportunity - Your staff sees that you have little or no idea what's in your inventory.

Emotional justification - Unhappy staff who do not like or respect you as their manager could be stealing from you to get back at you.

No knowledge - If you do not know how to do the job yourself, your staff could be taking advantage of you. Staff who realize they are smarter than you may use that knowledge to steal.

Oversight is critical - An ounce of prevention is worth a pound of cure when it comes to reducing losses from fraud and theft.

Monitoring - eliminates the temptation to steal.

Intelligent use of a good POS can help you to establish the most effective procedures for your bar. "The single biggest thing you can do to reduce theft is get rid of your cash register and use a POS system.

Keep in mind that technology on its own isn't a process. It's a tool for establishing best practices. "The technology you employ is a piece of your system and does not constitute a system in and of itself.

Determine what you want to accomplish, design systems to do so and purchase only the technology that helps get you there,"

Here are four practical, concrete measures you can use to stop theft in your bar operations.

Tip 1 - Emphasize accountability

No record means no accountability. Make sure staff are always using the POS properly:

✓ Never allow staff to work out of an open cash drawer

✓ Don't let anyone check out their own cash

✓ Disable the no-sale button

✓ Conduct surprise cash counts

✓ Track voids, complimentarys, walkouts, cancels, etc. in your POS. Be sure to review these for every employee when you check out their cash

✓ Go cashless. Combining modern technology such as EFTPOS with your POS system also gives you the option to go cashless.

"The single biggest thing you can do to reduce theft is get rid of your cash register and use a POS system. A cash register is the number one place for theft."

Some unscrupulous suppliers have found ways to steal your draft beer and waste your money. Here's some top tips for stopping them:

- ✓ Supervise delivery personnel at all times. Watch for the common scam where they enter your bar or restaurant with a full keg, pretend to unload it, then walk back out with it on the dolly.
- ✓ Keep empty kegs in a separate location. This way delivery personnel can pick them up on the way out.
- ✓ Only allow beer delivery drivers to remove on-line kegs with your permission.
- ✓ If beer costs are coming in above 25%, weigh your beer kegs right after they've been delivered. Make sure they're at their stated weight.
- ✓ Use a third-party service to clean and maintain your lines. They have nothing to gain from wasting beer during routine maintenance.

Tip 2 - Keep track of inventory

In addition to watching for theft, be sure you're storing your alcohol properly. You can lose up to 50% of your beer by storing it at room temperature or higher.

Keep track of inventory

Security and supervision are critical when it comes to keeping track of inventory around deliveries and storage. When you're putting processes in place, keep three practices in mind: secure, observe, count.

Secure - Keep your storage room secure and only give keys to a select few trusted employees. Observe - Strictly adhere to a clear process around receiving deliveries. Make sure someone is watching the delivery person at all times.

Count - Conduct weekly counts.

These cycle counts need to be done by you or by someone you trust. Compare the audited inventory to the amount of sales from the previous week (called a "Variance report"). If inventory is short, first make sure that the staff are correctly entering information in the POS before assuming the loss is due to theft.

Some basic conduct rules around the bar can substantially reduce theft:

- ✓ Ensure all drinks are entered in the POS. This should include dropped bottles.
- ✓ Use jiggers or pour-measuring technology...
- ✓ If you prefer not to use measured pours in your bar, make sure you test your staff weekly on their free pouring accuracy.
- ✓ Require staff to exchange empty bottles for full ones.

Train and manage employees

Your employees are on the front line with direct access to your money and stock. Most experts agree that a lot of employee theft is driven by the need to resolve feelings of inequity or to adhere to social

norms. For some, the temptation to take a little extra for themselves may be too great without the right management and training. Most people will rationalize their decision to deceive.

The justifications were many:

- ✓ They identify a culture that condones it (i.e., they witness someone else doing it)
- ✓ They're stealing to benefit others
- ✓ There was no supervision or control.

Only a minority engage in grand theft. But when it comes to the little things, such as the occasional overpour, rates of theft are much higher.

Good training can help ameliorate these factors. If you have a well-trained team that trusts and respects you, you'll be able to resolve harboured resentments before they grow into something bigger and more costly for your bar operations.

Tip 3 - Hire the right staff.

Careful and considered hiring can get you the right candidate and reduce the risk of letting a bad apple rot your operations. Make sure that you invest the time to recruit and hire properly. This process needs to include asking previous employers why the candidate left their former position. A signed honour code has an impact on your employees' conduct. A robust Employee Code of Conduct should be part of your Employee Manual. Make it a requirement for all new employees to read and sign the code. This document needs to include a loss prevention policy which clearly lays out any consequences for getting caught stealing.

Employee management and training

You can use management and training as an opportunity to make staff aware of the real cost of theft and of the policies and practices you have in place to crack down on the problem.

- ✓ During recruitment and ongoing training, highlight the real cost of theft to your facility's bottom line. Make sure employees know that theft equals losses that could potentially jeopardize the restaurant and therefore their jobs.
- ✓ Explain the elements of the business to your employees: beverage costs, waste, proper pours. By sharing this information, your employees are made aware of the fact that you're tracking these measures and will notice if something doesn't add up.
- ✓ Make adherence to systems and procedures mandatory. You need to have clear consequences for not following procedure, otherwise proper procedures will slip when things get busy.
- ✓ Keep an open-door policy. You want employees to feel motivated to approach you in private if they see other employees stealing, and senior employees to keep an eye on new hires. In a large study of employee fraud in organizations worldwide, approximately 40% of fraud cases were discovered via a tip.
- ✓ Remind employees at your next meeting that what they may think of as minor theft of lemons, limes or toilet paper can cost the course. Customers tip less when they don't get lemons with their tequila or limes in their Corona.

Tip 4 - Prevent bookkeeping and administrative errors

How you administer bar operations can leave you open to serious fraud if you're not careful. Make sure that you have established accounting best practices and carefully monitor who has access to your bookkeeping and administrative records. A study conducted by restaurantowner.com noted that profitable bars and restaurants have, at minimum, the following accounting best practices: At least a monthly financial profit & loss statement

✓ 73% of golf courses that received monthly financial statements reported being profitable

✓ Only 49% of respondents that received just quarterly or annual statements were profitable.

Weekly food and labour cost reporting

✓ 75% of golf courses that received weekly food and labour costs were profitable

✓ Only 60% of respondents that didn't get weekly reports were profitable

Counting and computing inventory on a weekly or monthly basis

✓ 72% of golf clubs that do an inventory at least monthly were profitable

✓ Only 58% of operators that don't compute inventory values are profitable

Conclusion

There is no avoiding the topic of theft when you're running a bar operation. But that doesn't mean it has to ruin you or your club. Proper management ensures a culture of stealing doesn't gain a foothold and lodge itself permanently among your staff. Keeping good practices around cash management, inventory management, and deliveries helps you minimize losses from theft, and ensures you stay profitable and running strong.