



TAKING STOCK

Getting a handle on stock can make a real difference to the bottom line, and this is where inventory systems come into their own. *Ross Bently* takes a look at what's available, who's using it and how it can improve your margins

It may not be the most glamorous side of the hospitality business but using inventory or stock systems to manage consumable items across the business can lead to improved margins and reduced wastage and costs.

But to realise these benefits, all software suppliers in this sector say operators must integrate their stock systems with other systems, such as procurement, accounting packages and electronic point of sale (EPoS) systems. Stock systems can also be linked to recipe management and nutrition information software. Integration, they say, automates burdensome administrative tasks and also allows a business to compare what it is buying, consuming and wasting with its budgets.

"The hospitality industry has been guilty of operating islands of automation rather than integrating systems to enable better control of the business," says Ian Hocking, European operations director at Adaco.

Getting a handle on stock should also allow operators to find a better balance between tying up capital by having too many items sitting in the storeroom and running out of items, and potentially losing revenue. Most systems

BENEFITS OF AUTOMATING INVENTORY AND PROCUREMENT SYSTEMS



Tina Stehle,
senior
vice-president
and general
manager,
Agilysys

Hospitality Solutions Group

One of the best ways to streamline operations is to automate inventory and procurement. Hospitality customers who do so typically report savings in the range of 5-15% – through efficiencies as well as direct cost savings.

Automated solutions for inventory and procurement deliver big savings over manual systems – from reduced administrative costs to shortened procurement and fulfilment cycles. Purchasing

staff can build their own electronic catalogues that include only those items they are interested in ordering, allowing them to comparison shop online and save money. Staff also no longer have to match receipts with deliveries, figure out complex invoices or key in redundant information.

An automated solution also increases accuracy as staff are no longer required to re-enter data from paper documents – reducing clerical errors. It also links usage to demand, enabling you to maintain up-to-the-minute inventory counts, track the cost of sales and identify the best and worst performing cost centres.

Another benefit is increased

compliance. In a down economy, it is especially important to standardise procurement processes and make sure employees use pre-negotiated pricing. An automated solution ensures that a single standard is enforced across the board.

Finally, an automated inventory and procurement solution gives managers greater leverage to negotiate price breaks, volume discounts and favourable payment terms. And, as global sourcing becomes more common, automated solutions enable hospitality venues to tap a worldwide market and negotiate with additional suppliers.

REDUCED WASTE AT GAUCHO

Staff at Argentine steakhouse restaurant chain Gaucho use Fourth Hospitality's FnB system for stock control, recipe and menu engineering and online ordering across its 13 UK outlets.

According to finance and commercial director Charlie McLean, the system has helped run the business more efficiently and cut costs. He says: "In the restaurant business you have two key levers: stock and wages. If you can control both effectively then you have your arms around the business. I can get updates on a daily basis and know by product what is being wasted, by product what is being over ordered and by product what is being under-portioned to our guests."

McLean says this has improved margins by 1-2% and reduced wastage down from 1.5% to 0.5%.



enable users to set level alerts, which can automatically generate a reorder report for an item should its stock level go beneath a set number.

For larger businesses, an inventory system can be used to get a single view of stock levels across multiple sites while small businesses are now more able to access the technology through the software-as-a-service (SAAS) model, which allows operators to pay a subscription for software delivered over the internet rather than buy it outright.

"The hospitality industry has been guilty of operating islands of automation rather than integrating systems to enable better control of the business"
Ian Hocking

Christian Berthelsen, chief technology officer at software firm Fourth Hospitality, says a mid-sized restaurant, for example, may pay somewhere in the region of £200 per month to subscribe to a stock and purchasing system but will see near instant savings of between 2-7%.

He also advises businesses to use inventory systems not just to manage food and beverage, but all the other items they must buy including stationery, light bulbs, towels, shampoos and spa and golf accessories.

TOP FIVE INVENTORY SYSTEM TIPS

1 Make it part of a fully integrated end-to-end back office linked in with purchasing, forecasting, EPoS and accounting systems.

2 Frequent and accurate stock checks reduce the risk of poor margin reporting further down the line. Weekly rather than monthly stocktaking is advisable to know gross profit based on actual prices where prices are constantly rising.

3 Don't just use it for food and beverage. Use it to record and monitor all consumables.

4 Ensure your data is accurate and well-maintained upfront – items, par levels, recipes – as this will provide long-term benefits that outweigh the initial effort.

5 Provide adequate training to staff who will use the system.

THE UNIVERSITY OF BIRMINGHAM TAKES STOCK

With 27,500 students and 6,000 staff on campus, the University of Birmingham boasts 35 different catering outlets – from coffee shops and grab'n'go eateries through to full-blown restaurants and bars.

According to catering systems manager Lynne Fowkes, it is essential that catering staff keep a tight track of stock and they use five Saffron Connect handheld units, developed by Fretwell-Downing, to monitor the transfer of goods from the central stores to all the catering outlets, plus stocktaking at the central stores and at outlets that take direct delivery.

The catering department is also piloting software that enables the intelligent analysis of data on sales from electronic point of sale (EPoS) and stock reports to flag up any discrepancies, such as if any stock is missing or correct portioning not achieved.

