

Gross Profit Percentages

To establish gross profit percentages, take the amount of gross sales and subtract the cost of liquor in relation to those sales. From that you obtain the dollar amount of gross profit. To convert this to gross profit percentage you divide the gross profit by the gross sales and the resulting figure is your gross profit percentage. The Branch Advisory Committee, upon review of the audited financial statements from each branch, sends comments back to the branch with respect to the gross profits. These gross profits must be monitored carefully to ensure the branch is "selling what it's buying." The monthly gross profits will be reflected in the schedule of licenced gross profits that must be produced on a monthly basis and is also the schedule that must be included in the audited financial statement.

The Hospitality Industry tells us that licensed operations should show gross profits along the following lines: -

Liquor.....	70 - 75%
Draught Beer.....	60 - 65%
Bottle Beer.....	55 - 60%
Wine & Coolers	55 - 60%
Off sales.....	20%

Branches have regularly maintained these profit averages for many years, which prove the percentages, are achievable. "A Schedule of Gross Profit on Sales" must be produced monthly. It is important to understand the percentage of profit applies to the selling price of a product before inclusion of applicable taxes.

The rule of thumb is to increase the price by 3% for each 1% your profit is too low. Do not forget to also add on the taxes.

Inventory may be taken daily, weekly or monthly. The ideal and most practical method is to take stock on a weekly basis, at which time the weekly percentage is tabulated. Complete stocktaking must be done at the end of every month. However, in some instances where management is trying to find the problem in the gross profits, inventory is taken at the end of each day.

If the percentages vary from 10 to 20% on a weekly basis, check all records very closely. If they vary 20% or more, look for a "leak" as the variation could mean there is some dishonesty or inefficiencies in the system. Dishonest employees/volunteers must be dealt with immediately as per the Zero Tolerance Policy referred to in this manual. If you have a union, there are specific procedures that must be followed.

Branches need to produce a profit on their bar operation that in turn will pay operating costs and Legion expenses. It should be understood that this profit will not meet all expenses and therefore we must utilize various other income-raising sources such as Pull-Tabs, Special Events and Rentals. Each month the monthly operating statement presented to the membership must include a "Schedule of Licenced Net Profit"