

# Boozhooz

## Make \$4,000 to \$10,000 more – every month – in *your* bar!

BY IAN FOSTER,  
BEVINCO REGIONAL VICE-PRESIDENT

**B**y uncovering and eliminating hidden shrinkage – despite a pour cost that might look pretty good – this bonanza could be yours. “Shrinkage” refers to the amount of alcohol lost in your bar due to over-pouring, miss-ringing, theft, and waste. A 2000 study by my company, Bevinco, for the California Restaurant Association found that almost every restaurant bar has too much shrinkage; the average loss is more than 20 percent – one drink in five.

The good news is that if you tighten up your controls, you can increase your sales and decrease your costs *without bringing in any new customers*.

### HIGH SHRINKAGE FACTORS

Most operators have a hard time believing that they could be living with losses of this magnitude without knowing it. And that is the main reason why these problems persist. The difficulty is not exactly denial, but rather that shrinkage has traditionally been “controlled” by carefully monitoring pour cost. This approach is not only inadequate, it actually works to hide shrinkage problems.

A pour cost of 20 percent sounds impressive but not if it should have been 17 percent. You have to calculate your ideal or theoretical pour cost, which will vary depending on all kinds of factors such as the price of your

drinks, your pour sizes, and, notably, your sales mix.

Every drink you sell has a different pour cost. Some, such as a vodka and tonic might be as low as 10 percent while others, such as a super-premium vodka martini, are usually well over 30 percent. Some months you will sell more vodka tonics, and your pour cost will go down. Other months you will sell more super-premium-based cocktails and your pour cost will go up. So why do most operators target the same, static pour cost every month? Furthermore, these pour cost swings do not tell you anything at all about shrinkage levels.

### HEAVY POUR HABIT

Another reason for 20 percent shrinkage is simple: virtually all bartenders over-pour. Since they think that a larger pour is going to lead to a larger tip, and tipping comprises the lion’s share of their income, almost every drink is over-portioned. An extra half-ounce might not sound like a big deal, but 500 over-pours is equivalent to giving away 150-plus drinks.

Although it sounds counter-intuitive, over-pouring usually results in lower sales. The reason is that most customers are only going to consume drinks until they reach a “comfort level”. That level depends on the circumstances. For example, if I have to



drive home, I stop ordering when I get the first little buzz from the alcohol. That is usually on my third drink. But if my first two drinks are over-poured, I will feel the buzz before I order the third drink, and the bar loses a sale.

A profit increase of \$4,000 to \$10,000 a month is certainly a good incentive to take a careful look at your bar’s profitability, but where should you start? Here are some tips:

- ➔ Understand that a “good” pour cost may not necessarily be all that good.
- ➔ Calculate your ideal or theoretical pour cost every week. You should be within 1/2 of 1 percent of your ideal. For example, if your ideal pour cost is 18 percent, your actual pour cost should be 18.5 percent or less.

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- ➔ Don't assume that your bartenders know how to pour spirits and draft beer correctly. Purchase a spirits pour-training device and test staff frequently, and invite your beer vendor to run a draft-pouring seminar for your bartenders.
- ➔ Hold your bar staff accountable by matching your inventory depletion to your sales reports. Start by counting your beer and wine bottles every week and comparing them to your sales tapes.
- ➔ Consider hiring an alcohol-auditing company to help you audit draft beer and spirits. They will weigh all tapped kegs and open liquor bottles to compare with your sales. Your increased profits will pay their fee many times over. **BN**

*This article originally appeared in the June 2006 issue of Sante, the Magazine for Restaurant Professionals. Ian Foster is also the Master Franchisee for Bevinco's West Coast operations.*



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# TEN TRUTHS ABOUT POUR COST

BY ROBERT PLOTKIN

**P**erhaps the single constant in this business is that every beverage operator would like to see his or her pour cost lower.

Knowing your bar's cost percentages, however, is only part of what you'll need to know to make informed decisions. The direction pour cost is heading is as important as the actual percentage itself. For example, a pour cost of 18.3% could be cause for elation or alarm depending on its relationship to the bar's previous performance.

"I've worked with clients who thought that their pour costs of 18% or 19% were outstanding," comments Ian Foster, regional vice president of Bevinco. "But we found substantial hidden losses from over-pouring, mistaken entries and bartender theft. After we helped the clients eliminate these problems, they were pleasantly surprised to learn that their actual pour costs should have been closer to 16%. The difference amounted to a considerable amount of lost profits."

Managing through the use of pour cost alone has its downsides, however. "Operators intellectually understand that dollar profit is more important than pour cost, but they sometimes have difficulty putting that knowledge into practice," observes David Commer, consultant and former beverage guru

for T.G.I.Friday's. "Top-shelf spirits are steadily increasing in popularity, and rightly so," says Commer. "Because of their higher cost per ounce, they will have the effect of increasing a drink's cost percentage and upping the bar's cost percentage, but it contributes a higher dollar profit. Yet today, managers are often measured and rewarded based on cost percentages, so it is not surprising their primary focus is on pour cost."

What other truths surround this often used and frequently misunderstood profitability gauges? The experts have taken their combined experiences and rendered it down to the following ten truths about pour cost.

**1 TO CATCH A THIEF:** Pour cost is relatively ineffective at on catching employee theft, in fact, a bartender with only a limited understanding of how things really work behind the bar can rip you off all night long and actually make your pour cost drop. The best line of defense is to supplement your efforts with an analytical index hinged to gross sales, such as tracking bar productivity [see inset]. The combination of the two are highly effective at detecting any scams, schemes and illicit practices.

**2 MAINTAINING CONTROL:** Although it may be tempting to ask for the assistance of your bartenders when

taking a physical audit, don't. It is strictly a management function. Better yet, the owner should conduct the audit and calculate the operation's cost percentages. It's even advantageous for the staff to see you behind the bar taking audits of the inventory. Knowing that ownership/management is actively engaged in tracking costs is a deterrent in itself.

**3 FACTOR OUT VARIABLES:** You need to take precautions to ensure that your pour cost calculations do not penalize the staff for normal occurrences. Complimentary drinks go with the territory, so track them and factor out their cost from the ending inventory. The same is true for drinks spilled, products wasted and inventory transferred from one outlet to another, such as to the kitchen for use in entrees or desserts. The result will be a more reality-based pour cost.

**4 A CALL TO ACTION:** Large fluctuations in pour cost percentage signal trouble. A swing of one or two percent in either direction should trip an alarm. Costs typically shouldn't deviate more than a point between inventory periods. When it does make a significant move either up or down, investigate why. While at times the reason may elude you, the effort will reinforce to the staff your commitment to controlling costs.

**5 TROUBLESHOOTING A RISING POUR COST:** Employee theft is but one of the factors that will cause your pour cost to rise. Increases in wholesale prices and lagging drink prices are notorious for shrinking margins and sending pour cost steadily skyward. If the demographic composition of your clientele shifts, your product mix will also likely change. Significant shifts in sales mix will affect pour cost. Also, don't forget to factor in any drink promotions that you may have run and lastly, don't discount the possibility of human error when conducting the audit.

**6 POUR COST INTERVALS:** The higher your sales volume, the more frequently you need to take physical

audits behind the bar and calculate your ongoing costs. The more frequently you calculate your pour costs, the more insight you'll gain into your business. If a problem does exist, the sooner it is uncovered, the sooner it can be dealt with. Some operators track their costs on a daily basis.

**7 CONSISTENT METHODOLOGY:** Regardless of whether you weigh your bottles or ascertain their contents visually, stay the course and keep doing what you're doing. Consistency in methodology is almost as important as the accuracy of the audit.

**8 HOW LOW IS LOW?:** While it's natural to want your pour cost to high profitability, there is a point where cost percentages can drop unreasonably low. In other words, a liquor pour cost in the low teens likely suggests that your drink prices are too high, serving portions inadequate, or both. In either case, there's little value for the clientele.

**9 COMPARING APPLES TO APPLES:** Because liquor, beer, wine and non-alcoholic beverages sell at different cost percentages, each category needs to be calculated separately for the entire process to have significance. You would also be well advised to calculate pour costs for your bottle and draft beers separately. The method of deriving pour cost percentage is the same for any of the categories.

**10 TAKE A DEEP BREATH:** The consensus of our experts is that you need to exercise control when responding to

**“One of the prime advantages of Bevinco over the other systems on the market is the fact that it is conducted by an independent auditor...”**

an unpleasant set of pour cost figures. Eliminate all plausible variables and recheck your math. Many a great bartending staff has been broken up over cost percentages—hopefully for the right reasons.

It seems the age of technology has finally arrived behind the bar. One of those innovations is Bevinco, an independent auditing service. Armed with a laptop computer, electronic scale and database software developed specifically to track brand-specific depletion, a Bevinco auditor can generate management reports that compare exact usage to sales. The reports calculate the cost percentage and profit margin for each product behind the bar, as well as comparing those results to their respective optimum figures. The system is so precise that it will catch any type of impropriety.

One of the prime advantages of Bevinco over the other systems on the market is the fact that it is conducted by an independent auditor, someone who has no vested interest in how the numbers come out. **BN**

*ROBERT PLOTKIN is the past president of the National Bar & Restaurant Association and author of numerous books including Successful Beverage Management — Proven Strategies for the On-Premise Operator. He can be reached at BarMedia, 1-800-421-7179, or e-mail him at robert@barmedia.com*

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## INSIDE:

How would you like your bar to earn an additional **\$4,000** or even as much as **\$10,000** every month?

**IAN FOSTER** explains how the use of an alcohol auditing company can improve your profitability *without bringing in any new customers.*

# BEVINCO CELEBRATES ITS TWENTIETH ANNIVERSARY!

BY KRISTA RECOSKIE

Bevinco was founded by Toronto, Ontario, resident Barry Driedger in 1987. This unique service to the beverage and food service industry has adapted over the years to an ever-changing technological environment, developing the proprietary software and methods that are at the heart of Bevinco's inventory management system. From its start as a one-man operation, Bevinco has expanded into a successful franchise-based operation that now numbers hundreds of men and women worldwide.

Over the past 20 years, Bevinco's



unparalleled expertise and experience in the hospitality industry has made it the world's #1 On-Premise Solution to liquor inventory control. And we're still eager to grow, helping business owners worldwide increase their profits!

This year Bevinco is honored to celebrate its 20th anniversary which will take place in Chicago, Illinois, during Bevinco's Annual Convention in early June.

Most importantly, a special thank you must go to everyone who has supported Bevinco over these past 20 years – and for the next 20 to come.