

Boozhooz



Maximizing martinis

How to simply and easily **make more money on martinis.**

BY IAN FOSTER, REGIONAL VICE-PRESIDENT

With a few simple changes to their POS system, most bar operators could significantly increase their profits on martini sales.

Most POS systems are not set up very well in the first place. Usually all martinis (and Manhattans) are rung up using “modifier keys.” First, the bartender rings up the brand of vodka (or gin); then a martini modifier key is rung up which adds a fixed amount to the drink price to account for the larger martini pour. For example, when a Grey Goose martini is sold, the bartender rings up the Grey Goose at \$7 along with the martini modifier at \$2.50 for a total price of \$9.50. There are several problems

with this method.

First, it is far too easy for the bartender to forget to ring up the modifier. And that is particularly tempting for a less-than-honest bartender who knows that by “forgetting,” he can put the extra \$2.50 straight into the tip jar. Even if caught, he knows that most managers will accept his apologetic excuse that it was simply an oversight.

The second problem is that ringing up drinks under a generic “martini modifier key” results in a large number of sales for “martinis,” with no way of knowing how many of these were for well vodka or Stolli or Grey Goose or even gin. This situation defeats the purpose of having a POS

system, because an operator with excessive shrinkage will not be able to determine where the problem lies.

But the biggest issue with generic modifier keys is that they almost inevitably lead to mis-priced drinks – and lower profits. Because the modifier key adds a fixed up-charge to every type of martini, some martinis are over-priced while the vast majority are underpriced.

Let’s look at an example of a bar offering a vodka/soda with a 1½ - ounce pour size and a 3-ounce vodka martini for an extra \$2.50. At the indicated prices, the extra profit and return-on-investment from up-selling a customer from well vodka to Grey

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	COST	PRICE	PROFIT	POUR COST	EXTRA PROFIT FROM UP-SELL	ROI FROM UP-SELL
Well vodka	27¢	\$3.75	\$3.48	7.2%		
Grey Goose	\$1.48	\$6.50	\$5.02	22.8%	\$1.54	126%
Well martini	53¢	\$6.25	\$5.72	8.5%		
Grey Goose martini	\$2.97	\$9.00	\$6.03	33%	31¢	13%

“Because a modifier key has a set price for every drink, the result is that the reward from up-selling martinis is almost non-existent.”

Goose is outlined in the table at the bottom of the previous page.

Because a modifier key has a set price for every drink, the result is that the reward from up-selling martinis is almost non-existent. In this example, the operator enjoys an extra \$1.54 bottom-line profit when his staff up-sells a customer from vodka to Grey Goose – a return-on-investment of 126%. But he only sees a measly 31¢ when the up-sell is from a well martini to a Grey Goose martini – an ROI of only 13%.

THIS TYPE OF PRICING POLICY VIOLATES ALL THE PRINCIPLES OF ECONOMICS AND MARKETING.

Economists talk about “price elasticity of demand,” which is a fancy way of describing how far sales will fall when the price is raised. For example, books have a high elasticity because an increase in price causes a relatively large reduction in sales as customers adapt by visiting the library or watching more television. Cigarettes, on the other hand, have a low elasticity. As an addictive product, studies have shown that smokers rarely cut down on their consumption even when faced with large tax increases.

What does this have to do with vodka? Someone drinking super-premium brands, like Grey Goose, is not very sensitive to price. If they were, they would order a cheaper brand.

So whether you charge \$9, \$10 or \$11 for a Grey Goose martini is not going to lead to lower sales – here the elasticity is very low. In fact, for some luxury brands (i.e.: Louis XIII) the customer actually buys the brand *because* it has a high price. The customer is really buying the status of the brand. Thus, the higher the price, the stronger the signal they can send indicating that they have the wealth/status.

In contrast, the well vodka customer is very sensitive to price changes. If the well martini price was decreased, the customer might deem it a better value and buy more. If the price of well vodka was increased, many customers would switch to draft beer or simply buy fewer drinks.

THE SOLUTION IS TO MAKE BETTER USE OF THE POINT-OF-SALE SYSTEM

Bevinco often recommends that our clients make a minor change to their POS system to maximize the profitability of their martini sales. Instead of selling martinis by ringing the vodka/gin brand and then the modifier key, we recommend that they delete the modifier key and set up a separate key for each martini and Manhattan they sell. That way each drink can be priced to maximize revenue and profitability.

The price of the Grey Goose martini in our fictional example might be increased from \$9 to \$10.50 without any significant impact on the number sold. Similar increases could be

“...Bevinco recommends that our clients delete the modifier key and set up a separate key for each martini and Manhattan they sell.”

applied to other premium vodkas, gins and whiskies. The operator might even consider reducing the price of their well martinis slightly; say from \$6.25 to \$5.90. Such a marginal reduction could lead to higher sales and profits.

Adding these new keys to a POS system is easy and the pay-off over a year is substantial.

ENSURING THAT SPEED OF SERVICE DOESN'T SUFFER

One objection to such a change is that ringing up drinks will be more time-consuming, slowing service. This is a valid concern. If the POS screens are set up correctly, though, replacing the modifier key with brand-specific martini keys *can actually speed up ringing*. The key is making sure that the screens are optimized. [See sidebar at right.]

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Optimizing Your POS Screens

USUALLY, RINGING UP A MARTINI involves three steps: a bartender has to touch vodka on the main screen, then the brand of vodka on the next screen and finally the martini modifier button.

If the POS screens were configured more efficiently, the bartender could ring it up in two steps. On the main screen, the bartender would touch the martini button:

And then simply the type of martini on the next screen:

DOMESTIC DRAFT	COCKTAILS A-I	MARTINIS
PREMIUM DRAFT	COCKTAILS J-R	MANHATTANS
DOMESTIC BEER	COCKTAILS S-Z	COFFEE DRINKS
PREMIUM BEER	WHISKEY	LIQUEURS
WINE - GLASS	RUM	BRANDY
WINE - BOTTLE	TEQUILA	GIN
CHAMPAGNE	VODKA	NON-ALCOHOL

WELL VODKA	ABSOLUT	ABSOLUT CITRON	ABS MANDRIN
BELVEDERE	CHOPIN	GREY GOOSE	GOOSE PEAR
GOOSE ORANGE	HANGER 1	KETEL ONE	LEVEL
SKYY	SMIRNOFF	STOLICHNAYA	STOLI BLUEBERRY
WELL GIN	BEEFEATER	BOMBAY	STOLI RASPBERRY
SAPPHIRE	TANQUERAY	TANQUERAY #10	STOLI VANILLA
APPLETINI	CHOCOLATE	COSMO	LEMON DROP
MARY'S	ROADRUNNER	SAKI	ZEN
DIRTY	DRY	EXTRA DRY	GIBSON

INSIDE:

Making More Money on Martinis: Mmmmm!

IAN FOSTER discusses the commonly-missed opportunities of POS, the psychology of drink pricing, and shows you how to optimize your POS system for tasty profits!

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WHAT ABOUT CASH REGISTERS?

Very few cash registers can accommodate a specific key for each type of martini. But adding an additional modifier key for premium martinis and Manhattans would be a good solution. By adding this modifier, the operator can charge an extra \$2.50 for a well martini/Manhattan and, say, \$3.75 for a premium martini/Manhattan.

WHAT ABOUT "ON-THE-ROCKS" DRINKS, DOESN'T THE SAME THEORY APPLY?

Absolutely. Many bars offer an extra $\frac{1}{2}$ oz portion for drinks prepared "up" or "on-the-rocks" for a 50¢ or \$1 up-charge. And the extra portion is accounted for by ringing up a "rocks" modifier key. But that setup has all the same problems as the generic martini modifier discussed here. For example, if the Grey Goose in our

example was sold "on-the-rocks" for an extra 50¢, the operator only breaks-even on the deal. Even though the check amount was boosted by 50¢, this was off-set by the cost of the extra $\frac{1}{2}$ ounce. While the operator doesn't actually lose money on the deal, their pour cost is much higher and they have squandered an opportunity to drive profits.

Replacing a generic martini up-charge modifier with brand-specific martini keys solves the key problems mentioned earlier. It eliminates the problem of the bartender "forgetting" to ring up the modifier; it allows the operator to track inventory losses to the specific brand; and it enables the operator to maximize revenue and profitability. **BN**

PROFIT ROCKS!

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