



## How does your restaurant stack up?

Are your costs in line? Should you expect more in profits? What about sales volume? The National Restaurant Association's new Restaurant Industry Operations Report 1996, allows restauranteurs to compare their own operations with those of a similar businesses.

The new study, which was conducted jointly by the association and the accounting firm of Deloitte, Touche, is based on information from almost 2,200 restaurant operators.

The study uses our industry's most common financial bases and ratios. Operating results are expressed as amounts per seat and as ratios of total sales. The study details such information as sales, cost of sales, gross profit, operating expenses, and pretax income.

Additional data provided are seat turnover, cost per dollar of sales and analysis of employment (analysis of employment includes employees per seat, sales per employee and the number of part-time versus full-time workers). These data are reported by operational characteristics such as affiliation, menu theme and sales volume. The report includes amount-per-square-foot data covering sales and gross profit as well as occupancy and utility expenses.

### Other Highlights

#### Full service (average check under \$10)

In 1995, median food sales were **\$4,938** per seat, and alcoholic beverage sales accounted for **\$643** per seat. Average daily seat turnover was **2.2** and median sales per full-time equivalent employee were **\$34,614**.

#### Full service (average check over \$10)

The average daily seat turnover was **1.0**. Median food sales were **\$4,580** per seat and alcohol sales represent **\$1,245** per seat. Median sales per full-time equivalent employee were **\$40,591**.

*We have included a summary of the report here. You can order the report #CS956 - it is available to members for \$39 and to nonmembers for \$78 (excluding shipping and handling). To order call (800) 424-5156 ext. 5375.*

### The Restaurant Industry Dollar

<i>WHERE IT CAME FROM*</i>	Average Check	
	<u>&gt; \$10</u>	<u>&lt; \$10</u>
Food Sales	87.2%	76.5%
Beverage Sales	12.8%	23.5%
<i>WHERE IT WENT **</i>		
Cost of Food Sold	28.2%	26.8%
Cost of Beverages Sold	3.5%	6.6%
Salaries and Wages	29.9%	28.5%
Employee Benefits	3.8%	4.4%
Direct operating Expenses	6.7%	7.3%
Music and Entertainment	.03%	.07%
Marketing	3.5%	2.6%
Utility Services	3%	2.5%
Restaurant Occupancy Costs	5.8%	5.3%
Repairs and Maintenance	1.7%	2%
Depreciation	2.1%	2.1%
Other Operating Expense	.04%	(0.2)%
General and Administrative	3.3%	4.4%
Corporate Overhead	1.8%	1.5%
Interest	.06%	.06%
Other	.02%	.05%
<b>Income Before Income Tax</b>	<b>5.2%</b>	<b>4.3%</b>

\*All figures are weighted averages based on 1995 data.

\*\*All amounts are reflected as a percentage of total sales.

Source: National Restaurant Association's Industry Operations Report, 1996.

**BEVINCO** will be happy to share the more detailed information in this report on a free informal visit basis. For more details call us at **1-888-BEVINCO**.

## Interview

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**BEVINCO:** The main problem with pour cost is deciding what to compare it against. Most hotel operators simply look at the average pour cost in the industry or at their own historical costs. But, even if your pour cost matches this arbitrary target, it is still probably much too high.

The pour cost calculation does not factor in such things as changes in sales mix, Happy Hour as a percentage of sales, missing invoices which show up later and a host of other things that make PC look either worse or better than it really is.

**ANALYST:** Explain why a change in sales mix would have such a dramatic effect on PC, and more importantly, what should be done differently by proprietors to account for this.

**BEVINCO:** A simple example would occur when an operation sells a higher percentage of, say, bottle of wine in a given month. Wine is a very high cost item. Therefore, if sales are higher in this category, the bar's PC will rise dramatically. On the other hand, if a bar sells a higher amount of liquor, specifically well products, the PC will look great. Either way the operator really does not get an accurate picture of what is happening and they need a method that relates sales directly to actual usage. This way they can identify theft, overpouring, vendor discrepancies, pricing problems and a host of other things that occur every single day.

**ANALYST:** What is the single biggest thing that affects the profitability of an operation, in your opinion?

**BEVINCO:** Time and time again, we find it always comes back to the staff and their effect on the net profits of an organization. For example, when a bartender overpours a drink, the owner is not only losing the cost of the additional product being poured, but also the potential revenue which is not being spent by his customer. If that customer gets the equivalent of a double and only gets charged for a single, in effect he will spend less money, hence the establishment is losing sales dollars.

**ANALYST:** Most successful bars give away drinks to their regulars to promote their business and as a way of generating good will? Are you saying they should not do this?

**BEVINCO:** Not I'm not saying that at all – and I want to make this very clear. The problem is when the staff begins to do it as the rule and not the exception. I think buying cocktails for regulars is fine as long as management and ownership set up the right parameters and the customers know that they are being bought a drink. The problem is when bartenders start buying drinks to take care of their friends or to enhance their tips. That is when the owner sees his profits erode.

**ANALYST:** How much outright theft do you see when you first take on a new client?

**BEVINCO:** We see shrinkage as high as 50%, and never see anyone who is under 10% in terms of missing inventory. That means that if an establishment is only yielding, say 75% on their inventory, the staff is making as much as the owner. It is unfortunate that this is happening, but I am not saying that all employees are dishonest. It is just that owners often set themselves up for problems because they have such loose controls. We try and get our clients to have yields of 95% or higher in all their product categories. More importantly, their sales will increase without using any more inventory and without attracting more customers!

**ANALYST:** Your company actually goes on sight and does a complete physical inventory each week for your clients. Explain how that works and why you get such good results.

**BEVINCO:** We measure each and every product by weighing all the open bottles and kegs. We also take a full inventory of all backstock. Our software program converts all these weights and counts to actual ounces used. We then compare this usage to the recorded sales in their POS or cash register. The difference is what is missing or unaccounted for. Once the staff knows that their performance is being monitored, things get better almost overnight. I compare our procedure to counting cash. The reason owners count the cash is to make sure it balances to their sales receipts to ensure that theft is eliminated. We do the same thing, in essence, with their inventory by matching the sales receipts to actual product used.

**ANALYST:** This all sounds pretty logical. Why aren't these bar owners doing this themselves? After all, aren't they already doing a regular inventory?

**BEVINCO:** Like anything else, our procedure is not as simple as it sounds. Our software makes us very efficient and fast. Imagine if you had to weigh every bottle and keg, record it's weight and then go back and figure usage for each brand. This might take you a week and you have not even looked at the sales yet. Most owners/managers can make better use of their time. By using us they get an unbiased third party to give them the facts. And they have results within two or three days.

**ANALYST:** Your client list is impressive. Establishments such as Govnr's Park, Pitchers, Blue Bonnet and Marlowe's are well-run operations that have used your service for a long time. Once you have identified and fixed their problems, why do they keep using you? After all, isn't part of your expertise helping them implement procedures that will eliminate theft and waste?

**BEVINCO:** Just like counting cash, if you don't do this on a regular basis things will erode quickly. We find that if a clients stops using us, their losses will return to the same levels as before within 60 days. It is really more expensive for them to stop using us than to keep us on board.

## Who is BEVINCO?

BEVINCO is an international liquor auditing service. We work for thousands of bar and restaurant owners throughout North America. Your BEVINCO auditor uses a computerized program to weigh every container of liquor, wine and beer in your establishment.

Our weekly reports will then compare the usage and the sales of every drop of alcohol in your bar. BEVINCO will uncover hidden losses and give you the tool needed to eliminate any theft, over-pouring and bartender sloppiness.

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***BEVINCO has found that the average bar or restaurant is short by over 20%.***

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We will be happy to send you more information on our service. We have over 150 offices throughout the world. One of our auditors and consultants will give you a free demonstration, please call us anytime at:

# 1-888-BEVINCO



Jeff Merrell, BEVINCO Okanagon, BC Canada  
*-1 of 150 BEVINCO offices world-wide-*

## YOU BE THE JUDGE

**“Test your knowledge on recent cases”**

**A**fter determining that a certain employee

was taking an excessive number of breaks, her supervisor informed her that company policy permitted her to choose between a 15-minute paid break and a 60-minute unpaid break.

The employee, who was recovering from cervical cancer surgery, felt that she was entitled to more frequent breaks. Her condition, she claimed, necessitated frequent bathroom visits. Although the employer attempted to accommodate her, the supervisor thought she was abusing her break times since much of the time was spent smoking cigarettes.

In response to the supervisor’s warning, the employee distributed a five-page letter throughout the workplace complaining about the break policy and the company’s “inhumane, unhealthy, unprofitable, and illegal conduct.” She signed the letter “another 20<sup>th</sup>-century wage slave.”

The employee was later terminated for insubordination. Do you think the employer’s break policy was unlawful as applied to this employee?

While the court noted that the employer had a duty to accommodate her physical limitation, the employee was not entitled to the accommodation of her choice.

Due to the nature of her job, frequent paid breaks would have created a hardship on the company. There was also evidence that she was using the break time for smoking rather than recuperation. So her termination was upheld.

**“WHAT YOU CAN LEARN”**

While employers must accommodate disabilities, including the aftereffects of surgery, employees do not have to be granted the precise accommodation that they ask for.

*-Reprinted from Employers Guide to Employment Practises – Clement Communications 1-800-459-1680*



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### Is Pour Cost an Outdated Way to Look at Your Bar?

*-Interview reprinted from the Colorado Beverage Analyst*

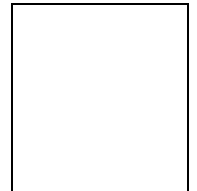
Restaurateurs and bar owners have long used **pour cost** (PC) to evaluate both their profitability and the efficiency of their operations. Many owners have discovered, however, that this traditional method has serious defects that limit its effectiveness. A growing number have turned to BEVINCO to aid them in improving their profit picture.

The Analyst asked BEVINCO's, Larry Goldstein to give us some perspective on why the Pour Cost calculation is both inaccurate and outdated and what owners can do differently to improve the way they manage their bar operation.

*ANALYST:* You say that by using pour cost to evaluate their operations, bar owners are really just not seeing the extent of problems they may have in their business. Why is that?

  
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ADDRESS CORRECTION REQUESTED

Check out our WEBSITE: [www.bevinco.com](http://www.bevinco.com)