



10-STEP CHECKLIST to

Driving Down Your Beverage Costs

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Introduction

Hands up if you hate doing inventory!

Don't be ashamed to admit it - it's a mundane chore that unfortunately every business selling physical products needs to do on a regular basis. Especially if they want to stay on top of their beverage costs and profitability.

However, completing an inventory is just **one step** of the process. To get the best possible results (which is what you want, I'm sure) you need to follow **all 10** of the steps outlined over the coming pages.

Once you've read through each of the steps, we recommend you take a few minutes at the end of the document to complete the self-grading exercise (page 24). This will help you focus on where the biggest opportunity for you is, and what action to take.

Make sure to also empower your team by sending them copies of this checklist to review and grade. We suggest you make it the subject of your next team meeting so you can mine their collective intelligence and work together to reduce beverage costs ('A problem shared is a problem half-solved', as they say!)

Good luck on your mission to reduce beverage costs - and if you feel you need any support along the way, please don't hesitate to reach out to us at info@barmetrix.com.

Ready? Here we go.....

STEP 1

Audit and Streamline Your POS

Your POS system is one of the most critical items of equipment in your business. Set up right, the team will find it easy and fast to use AND produce the data you need - when you need it.

Thankfully, with the increase in affordable hardware and software, the cost of having a decent POS system has dropped dramatically. Now there is no viable excuse not to have a POS system that will add significant value and flexibility to your business.

When assigning buttons, it's critical that each product or item you sell in your business is set up on a separate button, as this allows you to track each individual product sold, including variations of that product, like martinis, doubles, etc.



Important: Avoid having generic buttons that say only “Draft Beer,” “Premium Beer,” “Domestic Beer,” “House Liquor,” etc as this will make it impossible to reconcile physical products with what has been sold.

In addition to drilling down your individual product identities, your speed screens need to be configured in such a way that allows your bartenders to access the top-served items within **1 to 3 button presses**, increasing their ease of usage and speed of sale. Work with your top bartenders/ staff members to identify the optimum layout and continue to tweak it until you get the thumbs up from your team.

A common mistake many operators make once the POS has been configured is to “set it and forget it.” But as products and sales trends change so quickly - if you don’t routinely audit your POS for speed, functionality, and reporting output - it will quickly go from a high productivity tool, to an Achilles heel in your business.



PRO-TIP:

Audit and adjust your speed screens seasonally for speed, functionality, and reporting output. Assign a captain from the bar team to oversee the project and have them work with team to ensure the best result.

STEP 2

All Cocktails Made to Same Specs

Mixing cocktails should be taken as seriously as a chef preparing her signature dish; by following a specific recipe, using the same specific ingredients and measurements - and preparing it all in a specific order.



This approach is nothing new in the kitchen, yet it is amazing how many bars and restaurants allow their bartenders to vary cocktail recipes as they see fit - or even create new recipes on the fly without regard to how they are recorded. This not only impacts the bottom line, but also the quality and consistency of the drinks they serve their guests and affects their reputation.

Consistency is everything in a well run organization, without it there is little control over the guest experience.

Having a **master recipe list for all cocktails** and mixed drinks available in the venue is a must so that everyone is singing (or mixing) from the same hymn sheet. This recipe list needs to be owned by the bar manager or leader, updated regularly as new drinks come on/offline, and tested against regularly.

Creativity should still be nurtured and encouraged across the bar team, but allowing freestyle mixology without regard to consistency or accountability should not!



PRO-TIP:

Use a smartphone to video your drinks being made to spec by a bar leader so it is easy to train up new recruits. Also limit your cocktail list to drinks that even the newest/ weakest bartenders can make perfectly and efficiently during peak hours.

STEP 3

Lock-down all Serving Sizes

One of the biggest contributors to beverage cost issues and variance is a lack of clear communication and standardization around **portion sizes/ serving** for drinks.



Here's an exercise for you; go around to individual bartenders over the course of a night and ask them the following questions:

- What is our standard wine serve?
- What liquor pour are you using for a mixed drink? What about on the rocks?
- What are our draft pours, and does this vary for any draft products?

Hopefully the answers you get to these questions won't scare you too much. The reality is that often the basics are missed when bartenders are inducted, and so they simply fall back to what they know/ did at their last venue.

The last thing you want is a bartender pouring 1.5oz instead of 1.25oz every single drink simply because nobody told him any different! Ouch.

Having a standard pour seems obvious, but from our experience many venues don't follow any particular protocol, and allow whatever glassware is present and whatever staff may be on duty to dictate what the serving sizes should be.

Again, this can lead to poor drink consistency, wild variations in beverage costs and unhappy guests. Luckily it's a simple fix:)



PRO-TIP:

Etched glasses with either serving size or a logo marking serving size are an easy way to tackle this issue and also to communicate to customers that they are getting exactly what they paid for.

STEP 4

Audit and Align Glassware

One of the most overlooked areas of loss - and often one of the trickiest to identify - is the use of inconsistent or incorrect glassware used to serve products.



In fact, one of the very first exercises we conduct with every new client is a glassware audit.

If a glass does not align with the predetermined serving sizes, staff will potentially be over-pouring.

A glassware audit allows us to identify the exact volume of each glass and therefore identify what serving sizes are actually possible with the available glassware. Depending on the results, the client can purchase new, more suitable glassware or modify their serving sizes to fit their existing glassware.



PRO-TIPS:

Use a set of electronic kitchen scales to measure the weight of liquid each glass holds.

Clear out and replace an old glassware that throw off serving sizes.

STEP 5

Organize All Storage Areas

You may wonder what this step has to do with reducing beverage costs - the answer is **a lot!**



The cleanliness and organization of your storage areas generally reflect what's going on in your bar or restaurant overall. Not only does clutter and poor organization create issues and confusion in the back of house - but it also impacts the front of house operation in ways you may not expect.

If your storage areas are in disarray, the following is likely to be happening:

1. **You won't easily be able to find product.** This leads to guests waiting unnecessarily while a bar back searches for a bottle they can't find and

ultimately not getting the drink they want. Later, you'll re-order more of that product even though you already have plenty in supply.

2. Because stock is not rotating efficiently, **you' end up with a whole lot of "dead stock"** - stock you're not selling nor have any idea that it's taking up valuable storage space.
3. Disorganized storage areas create **an opportunity for staff who are, let's say, less-than-honest to take advantage** of the situation. Look at the image here.... Do you think anybody would ever notice a bottle or two missing from that storage room. Not likely!
4. Because of the disarray, it makes it **exceedingly difficult to conduct an accurate inventory audit.**



PRO-TIPS:

Extra lighting (with a sensor to save electricity) makes a huge difference in helping staff find product and also to deter any opportunistic pilferers.

Label shelves to organize and easily find product.

Document PAR Levels.

Limit access to a few authorized staff.

STEP 6

Conduct Proactive Audits on All Equipment

As with all good practices, being proactive is far better than being reactive. The only way to get in front of equipment breakages is to implement regular and thorough equipment checks.



A single modern draft line can have up to **38 individual parts** that move and wear out; this isn't even including cooler refrigeration and sophisticated glycol systems.

One cracked o-ring on a fob stop with a barely perceptible leak will lead to **1 keg a week** going down the drain. Cooler temperatures must be checked hourly; door seals on coolers checked and cleaned daily.

Even pour spouts have a lifespan; when their seals wear out, they can result in a truckload of spilt liquor and lost potential revenue.



PRO-TIPS:

Have your draft company come in for regular equipment checks.

Keeping a waste log in the cellar for any leakage or spills seen by staff.

Develop and post step by step instructions for best practices equipment checks & waste reporting.

STEP 7

Hold Your Staff To High Standards

Have you ever hear the expression, “Trust, but verify”? Well, that’s what this step is all about. Just because you’ve hired experienced bar staff, it doesn’t mean they’re aware of your serving sizes or what ingredients go into your particular cocktails.



Bartenders need to be regularly tested against your standards (some of which are mentioned earlier in this document) and have their results used to assist further development and coaching. Top operators take this very seriously indeed - some even **testing their staff nightly** to ensure they stay on their game.

At Barmetrix, we have taken this step further by developing a software application called **Protrainer** - and it has been a game-changer for countless bar operators. We designed Protrainer to evaluate bar staff on the following criteria:

1. **Pouring Accuracy:** Most bartenders lose over 10-15% when free pouring- and up to 10% even when using a jigger!
2. **Recipe Knowledge:** Do they know your recipes?
3. **Drink Technique:** Do they look like professional bartenders when making drinks?
4. **Drink Quality:** Is the drink made and presented the way you want it to be?
5. **Speed of Delivery:** How quickly can each bartender make drinks, and how much they can ring in per hour?

Afterwards the software produces a simple report card and ranks the staff on each criteria. You can also do this on your own at a basic level, with a simple pour test kit and a pen and paper, to at least make sure your staff can pour your drinks correctly.



PRO-TIP:

We encourage owners and operators to “gamify” the process and make it a friendly competition—and a ton of fun!

STEP 8

Clearly Define Your Receiving Process



Surprisingly, we have found that a significant amount of “loss” happens around the time the product arrives at your doorstep, if not before. There are three types of issues to watch out for here:

1. The stock never arrived in the first place, but you are charged for it.
2. The stock arrived, but then promptly disappears before you have a chance to move it to storage.

3. Stock arrives that you did not order; which you end up keeping (and get charged for) even though it will just sit on your shelves.

We don't mean to imply that alcohol suppliers employ shady or incompetent people. Honest mistakes happen from time to time, but there are very simple ways to catch these & save money.

Here are 3 tips every receiving process should include:



PRO-TIPS:

Inventory is only taken in by trained personnel. While the process is fairly simple, there are a few practices that must be adhered to 100% to make sure every order is correct.

Check every invoice against the purchase order. If you do not, you WILL receive and pay for items that you did not want.

Never leave product unattended. I have watched too many security tapes of product walking away in the most brazen manner possible.

STEP 9

Perform Regular Inventory Audits

Sounds obvious, right? But not to be overlooked is the word, “regular”. You should be doing a full inventory audit at least every two weeks. A monthly count simply isn’t enough to maximize your profitability. Your accountant may

VARIANCE REPORT													
Sample Venue													
100 Main Street Sydney, NSW 2000													
Tribium Bar - Bar at Venue													
Entire Venue		Monday, 7 July 2003 Open Bottles Cases		Incoming Goods Bottles Cases		Monday, 8 August 2003 Open Bottles Cases		Stock Depleted Sales		VARIANCE in Bottles in mL At Cost At Retail			
Full Product Section:													
The following products are all reported in full bottles and in the majority of cases the products are only sold by the full bottle. In the case that there are units of product shown in the "open" columns for the stocktake, these figures are shown in the unit size. For example, wine will be shown in the "open" column as glasses of wine.													
Beer													
Domestic Bottled Beer (bottles) [-.9%]													
Carlton Cold	-	273	6	-	6	-	237	5	204.00	204.0	-	-	-
Crown Lager	-	177	16	-	18	-	152	14	505.00	495.0	-10.00	-16.30	-75.00
Hahn Premium	-	129	-	-	4	-	112	-	113.00	113.0	-	-	-
Hahn Premium Light	-	58	-	-	1	-	51	-	55.00	55.0	-	-	-
Toohey's Extra Dry	-	-	-	-	-	-	-	-	-	-	-	-	-
Imported Bottled Beer (bottles)													
Asahi Dry	-	126	4	-	6	-	108	4	162.00	162.0	-	-	-
Corona	-	200	10	-	15	-	173	9	411.00	411.0	-	-	-
Heineken	-	158	28	-	12	-	135	24	407.00	382.0	-25.00	-46.25	-187.50
Stella Artois	-	136	8	-	9	-	119	6	281.00	281.0	-	-	-
Total for :: Beer									1,261	1,234			
RTD's													
Bacardi Breezers													
Breezer - Lemon													
Breezer - Lime													
Breezer - Orange													
Breezer - Watermelon													
RTD Other (bottles) [-8.1%]													

Annotations:

- Red Box 1:** The number of units of stock depleted during the week is shown here. Depleted stock is calculated as Opening Stock + Stock Received - Closing Stock. From the report, 407 units of Heineken were depleted (consumed) during the week.
- Red Box 2:** The detail in these columns show the opening position for stock on hand and indicates that there were 158 bottles and 28 cases of Heineken on hand on Monday 30 July.
- Red Box 3:** This central column of the report shows stock orders received, stock loans and requisitions. The data here shows that 12 cases of Heineken were received into the venue during the week.
- Red Box 4:** The third section of the report shows the closing position for stock on hand and indicates that at the end of the week there were 135 bottles and 24 cases of Heineken on hand on Monday 6 August.
- Red Box 5:** Sales from the POS System are loaded and show that during the week 382 units of Heineken were sold.
- Blue Box 1:** The first variance column shows the number of units of variance. This column shows that 25 units of Heineken are missing. 382 units were sold, however 407 units have been used. Variance in units is calculated as Sales - Stock Depleted.
- Blue Box 2:** These two columns express the variance in wholesale cost and in retail terms. Heineken has a cost of \$1.85 per unit and is sold for \$7.50 per unit.

[Example of Barmatrix Liquor Variance Report]

be okay with you auditing your inventory only 12 times a year, but in terms of reducing loss, **monthly audits are a waste of time.**

Why?

Because there are too many variables, too much data, and too much to remember over a month-long period.

If your monthly report shows you are losing 20% of your inventory (which, by the way, is an extremely common starting variance in the US market), what do you do?

Where do you even start to figure out what is causing all the issues? **You cannot hold your staff and management to 30-day old data.**

The answer is to increase the frequency to at least every two weeks. Sometimes you might even need to implement a nightly spot check of certain problem products to get the control you need.



PRO-TIPS:

Bartenders should be able to do an audit with your stocktakers.

Management should sign off on results in real time at completion of audit.

STEP 10

Communicate Inventory Results with Staff

So now you have all the data... how do you use that data to fix the issues?



Simple...you share that information with your staff and have a constructive conversation about the numbers. This should not be an “angry” or confrontational meeting (at least not at the beginning of the process!)

You'll be amazed at the feedback you get when you share the results with your staff and simply **ask for their help** on how to solve the issues. Most issues we run into are procedural in nature, and you can expect to hear first-hand from the front line staff exactly where the process is breaking down.

Examples of what we've heard at staff meetings when discussing beverage costs:

"The draft beer is always foaming."

"We can't find that product in the POS."

"We are missing recipes for certain drinks."

"Customers complain that they are getting under poured because even 2 ounces looks tiny in our huge rocks glasses."

Once the staff see that you are not only listening, but also taking action on their feedback, you'll be amazed at how forthcoming they become on how to further improve your operation!



PRO-TIP:

Set an inventory target e.g., variance %, beverage cost. Share target values with your staff and offer incentives for them to hit those numbers. When they hit those numbers—and they will—make sure you celebrate it!

Self-Grading Exercise

Use this sheet to grade your current performance across the 10 areas of the checklist.

Assign each step with a score of between 0 - 10, with 0 being the lowest and 10 being the highest. Then prioritize the scores and create a next step actions to address the lowest performing areas.

Step	Score (0 - 10)	Priority	Action Required
Step 1: Audit and Streamline Your POS			
Step 2: Set Clear Specs for all Cocktails			
Step 3: Lock-down all Serving Sizes			
Step 4: Audit and Align Glassware			
Step 5: Organize All Storage Areas			
Step 6: Conduct Proactive Audits on All Equipment			
Step 7: Hold Your Staff To High Standards			
Step 8: Clearly Define The Receiving Process			
Step 9: Perform Regular Inventory Audits			
Step 10: Communicate Inventory Results with Staff			

If you would like to discuss your results, or need further support in managing and reducing your beverage costs, feel free to reach out to us on at info@barmetrix.com - we're here to help!

Summary

There are a lot of moving parts to keeping your beverage costs to a minimum - but having timely, accurate data is one of the most critical steps to take.

Completing a full, reconciled inventory audit at least every two weeks is a must for any hospitality business.

Just ask any of the 5000+ bars and restaurants that Barmetrix has worked with over the last 15 years. They'd be happy to show you the impact they've seen in their business by following the exact same steps outlined in the guide above.

ABOUT BARMETRIX

Barmetrix is a global hospitality consulting and coaching business that specializes in helping bar and restaurant operators run more profitable businesses.

We focus on the following areas:

- Reducing Beverage Costs
- Reducing Food Costs
- Enabling Bar Staff To Maximize Revenue Behind The Bar
- Management & Leadership Coaching
- Bar And Restaurant Growth & Scalability
- Educational Based Seminars And Workshops