



Cost Control at the Bar Goes High Tech

As published in The Kitchen Sink column of *FSR Magazine* online, January 2014: <http://www.fsrmagazine.com/restaurant-consulting/cost-control-bar-goes-high-tech>

Tale of the Tap

For most restaurants, the typical slip-page at the bar can average between 10 and 20 percent. Draught beer losses have been shown in industry trade group studies to be 18 to 30 percent in venues without any controls in place. Consider this hypothetical example. The average cost of a non-domestic keg of beer is about \$150 (not including the deposit on the keg), and the restaurateur has a shrinkage rate of 25 percent because the bar is not being monitored. Under that scenario, the owner would lose \$37.50 per keg.

The situation, however, is actually much worse. Assuming the owner is trying to maintain a 20 percent average pour cost for draught beer, the sales dollars lost per keg/per week under this scenario is \$187.50 (\$187.50 in sales equals \$37.50 at a 20 percent cost of draught beer assuming all ounces lost were sold at retail). The loss in sales dollars for the year would amount to \$117,000 (624 kegs per year multiplied by \$187.50) assuming 12 kegs are sold per week, or 624 kegs per year.

Not only can BevChek spot temperature spikes in the draught lines, it automatically records and reports what was paid versus what was poured. Thanks to its interface with your POS software, it reconciles the ounces poured with the sales rung. It can also send text alerts to you if it catches an after-hours pour.



By Tim O'Connor, CPA

Tim O'Connor, CPA, is a partner at Edelman & Company LLP, and has been in public accounting for 24 years. His practice is focused on the restaurant and hospitality industry. He assists restaurant owners with operational analysis, tax consulting and preparation, and financial statement reporting. Tim is regarded as a trusted business advisor by his restaurant clients, helping them grow over the years by leveraging his banking relationships and industry contacts.

If you own, manage or work in a bar, restaurant, or any other kind of food operation, you know the truth in what Chris Evans told me the other day: "If management is not measuring, then they are not managing."

Evans is senior partner at BevIntel, the distributor of BevChek, an inventory management device for bar and restaurant operations. Instead of depending on good luck and a lot of manual checking, BevChek uses a proprietary software and state-of-the-art magnetic flow meters to automatically monitor the output of every keg, 24/7/365.

Keeping costs down

Your food and beverage costs are right up there with rent and labor. So, being able to continuously track precise yields, profits, and quality of every single beer keg is a huge cost control advantage.

In an industry where profit margins are typically thin and the fight against waste can be a deal breaker, capturing real-time data about your beer system is a big plus for owners and managers. BevChek continuously monitors every aspect of your draught beer system. Consequently, it frees you and your managers up to spend more time with customers and to do the other things that make you more money. Shawn McClary, manager of Mick Morgan's Irish Pub and Restaurant in Newton, Massachusetts, can attest to the value of having the data BevIntel delivers. "Working with BevIntel saves us thousands of dollars a month and it saves a lot of time freeing management to focus on fixing problems and growing sales."

The more draught lines you have at the bar, the more you need to have a handle on controls. According to Evans, "For an establishment using BevChek, a reasonable goal for draught shrinkage would be 2 to 3 percent. This would be considered a healthy shrinkage rate considering an owner needs to maintain tight control, without shortchanging the guests."

The HR impact

Using a high-tech system to monitor waste sends a major quality-control message to your staff. It says to bartenders, wait staff, and others that you're taking cost control seriously and are running a tight ship.

BevChek monitors the ounces going through draught lines at a bar to within 1/100th of an ounce. Because it is integrated into the POS system, owners and managers can monitor each pour during each shift at the bar. As a result, you can accurately determine what was poured, by whom, and what was sold—in real time.

As Evans explained, "Within 45 seconds from the time of the pour, a restaurant owner has the ability to monitor the flow of the draught and determine whether the sale was recorded in the POS system, all of which can be monitored from the owner's cell phone." When management shows that it's paying attention at this level, the staff sharpens their game.

Take it to the bank

Bankers love data. They want accurate, timely financial information when considering a loan request. Even better are data from a transparent, arm's-length source, professionally prepared by a trusted source.

So, the next time you need to impress your lenders, consider the impact of being able to demonstrate that you're controlling costs with the help of top-notch technical and professional assistance, not merely asserting that you're working on it.

Let's assume, for example, that a restaurant's owner wants to open a second location or make some kind of improvement that needs financing. Imagine that the owner had implemented the cost controls outlined above in "The tale of the tap."

If they had, then the owner would have an additional \$117,000 to leverage against the funds they want to borrow, increasing the value of their principal asset and their lender's confidence.

Whether it's looking good to your bank, controlling costs, or doing the other things that build a strong brand and a loyal following, it takes the right ingredients—a combination of the right technology and a team of trusted advisors.



edelstein

EDELSTEIN & COMPANY LLP

160 Federal Street, 9th Floor | Boston, MA 02110
T: (617) 227-6161 | F: (617) 589-0530
info@edelsteincpa.com | edelsteincpa.com

Copyright © 2014 Edelstein & Company LLP