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Weathering the storm...one pint at a time

Restaurants look to technology to offset rising beer costs, poor economy

Syracuse, NY – June 16, 2008 – It seems that a perfect storm is brewing for the restaurant industry. Customer traffic is sliding, commodity and fuel prices are sky rocketing, and profit margins on food and beverage are being squeezed. One of the most troublesome categories for restaurants and bars to manage has been beer. Shortage of hops supplies has led to price increases of 20 to 80 percent for different varieties. Breweries are transferring their increased cost burden to restaurants, even as restaurants struggle to justify price hikes to consumers. The situation spells trouble for restaurant concepts such as Hooters, which gets 25 percent of its revenue from beer. Faced with economic circumstances beyond their control, restaurant operators are focusing on something that is in their control – operational efficiencies. California-based Hootwinc, LLC, a franchisee operating Hooters restaurants in Washington, Oregon, and Southern California, has adopted a new technology at companywide stores to stem the draining profits from its bottom-line. The results, says Mark Potter, CEO of Hootwinc, are “drastic”.

Beer, especially draft (or beer served from kegs), is a leading profit maker for restaurants. While draft beer generates average gross margins of over 85 percent, it is also plagued by huge losses due to wastage and theft. Since draft beer is served directly out of kegs containing nearly 2000 ounces, restaurant operators have no visibility or control over how much beer is being poured. While the lack of visibility allows negligent bartenders to get away with poor pouring techniques, it also enables the cunning ones to make extra cash in tips by giving free beers away. After years of agony, and millions of dollars lost, technology has come to the rescue of restaurant owners.

“Using this new technology solution has allowed accurate tracking of our draft beer, and has drastically affected our ability to decrease loss and drop money to the bottom line,” says Potter. The technology, invented by Syracuse, New York based US Beverage Net, allows restaurant owners to measure every ounce of beer dispensed and automatically compare it against what is paid for at the cash register. The system, called bevManager, involves the installation of a flow meter in every beer line between the keg and faucet. Flow meters measure ounces of beer flowing and send the data to the company’s centralized servers. The system is also tied in with the restaurant’s cash register to monitor beer sales. When restaurant operators log in to the bevManager system via a regular internet browser, they can monitor the quantity of beer poured against revenue collected at the cash register in real time. Losses, if any, are identified immediately.

“The system has helped us troubleshoot and pinpoint not only mechanical issues that cause loss of product, but also theft and poor techniques in pouring by our bartenders,” Potter says. The real time system allows restaurant operators like Potter to view product losses by the hour or minute, and place accountability on their bartenders. The system is also capable of alerting restaurant managers of any suspicious activity by sending email or text message alerts to their mobile phones.

Besides curbing losses, the system saves restaurant managers time and effort in carrying out their daily tasks – from managing inventory, to placing and receiving orders from beer distributors. “You know what they say, “what gets measured gets done”. This measurement supports our operational teams to help them conduct and

streamline daily functions. They troubleshoot daily costs so they can better spend their time with our guests and employees,” notes Potter.

In fact, the technology was first invented by US Beverage Net CEO Mark Young to monitor keg inventory levels at restaurants via the web. “I owned a small beer distributing company and was looking to monitor keg inventory levels at restaurants without sending my limited sales force on site. I could not rely on the rough estimates of restaurant managers, so I started developing an automated system.” Along the way, Young says he realized the huge need of restaurant operators to be able to track their own product movement and losses. “We quickly realized that they were losing one out of every four kegs due to wastage and theft. We decided to build software that would allow operators to not just track their product movement but compare that against what is actually paid for.”

In the midst of soaring food costs and the worst consumer sentiment in 16 years, there are many restaurateurs like Potter around the country that are thanking Young for his invention. His company has been in business since 2005, and has since worked with restaurant concepts such as UNO Chicago Grill, Buffalo Wild Wings, BJ’s Restaurants, and Heartland Brewery in addition to several Hooters franchisees. The company has two patents pending on its technology.

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