

PROFITS ON TAP

Using IT to improve draft beer inventory

■ BY JOHN PAUL GIAMARTINO

During my 20 years in the hospitality industry, I have always believed that food and beverage go hand-in-hand when it comes to improving restaurant revenues. At the same time, keeping a close eye on costs is important to ensuring that profitability is sustained. While inventory management tools are common in the industry, it's long been a challenge to gain control over draft beer inventory.

To determine ongoing beverage cost percentages, or the relationship between cost and gross sales, also known as the pour cost, restaurants and bars typically conduct periodic audits that involve physical counts. While audits have created some control, the process of manually reconciling inventory can be labor intensive. Draft beer, furthermore, has traditionally presented a unique problem since the only way to estimate ounces of beer in a keg is to weigh it, shake it or kick it.

In the summer of 2006, the sport-themed casual dining chain Tully's Good Times was approached by Syracuse-based U.S. Beverage Net (USBN) regarding a draft beer inventory solution. USBN claimed to offer a Web-based service that could accurately monitor every ounce of draft beer poured, and automatically reconcile this against sales from the point-of-sale (POS) system in real-time. Tully's tested the solution without informing staff of its presence.

We found that, for the first time, we had the ability to monitor draft beer flow and variances in real-time. Since the data was automatically reconciled with sales from the POS system, it took the labor and guesswork out of calculating pour cost and waste. We proceeded to audit data for more than a week and found the reconciliation to be absolutely accurate. While our variance (approximately 15 percent) was below the industry average, we now had visibility into a traditionally vulnerable category.

Having monitored our variances over a few weeks, we announced the implementation to the staff. We started monitoring our draft beer variance on a daily basis, implemented some new policies and procedures, and started holding bartenders accountable for accurate pours. Given the easy-to-use Web interface, training others to use the system was straight forward. Our staff embraced the new system and practices to improve their efficiency. Our average variance dropped to below 3 percent. In addition to the cost savings from reduced waste, our draft beer revenues increased by approximately 6 percent, thus increasing our draft beer profits by 4.25 percent.

Since the successful initial implementation, we have rolled out the USBN system at seven of our nine locations. The system has been welcomed with open arms by peers and staff, especially since they can streamline operations and meet their bottom-line goals.

John Paul Giamartino is an owner of Tully's Good Times, a sports-themed, family dining restaurant chain in the state of New York.

[SOUND BITE]

“The front line is the bottom line.”

DAVE THOMAS, COO, BOSTON MARKET AND KEYNOTE SPEAKER, MURTEC (MARCH 14-16, 2007)

[IN PRINT, IN PERSON, ONLINE]

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