

PHOTO BY HEATHER BRAGMAN

TAPPING INTO SUCCESS



PHOTO BY DAVID LASSMAN

Cold beer on tap means hot cash for restaurant owners. But every time a bartender wipes spilled beer from the bar or buys a drink for a customer, the bottom line takes a hit.

A busy bar can literally have gallons of draft beer and profits swirl down the drain over the course of a week or month.

And that's not to mention the loss from leaky pipes and lines that bartenders might not even know about. >

TEXT BY KENN PETERS



Empire Brewing Co.'s Brewmaster Tim Butler oversees his assistant Dan Martin hooking a keg of beer to the tap. US Beverage Net installs one flow meter per beer line in the keg storage room and then is connected to a data transmitter, sending information to a secure Web server. The company easily can review and compare revenue against actual product movement in real time.

A still fledgling Syracuse company has an answer for the problem — an answer that has caught on quickly at restaurants and bars throughout Syracuse and other parts of the country.

US Beverage Net, run by Mark Young, developed software known in the industry as a flow-monitoring system, which measures how much beer is poured from the taps against how much money goes into the cash register.

The concept, as described by Young, the company's chief executive officer, is simple to the point that it's a wonder it wasn't thought of a long time ago.

Easily put, the solution to determine how much beer is going down the drain is to attach US Beverage Net equipment to beverage supply lines so bar managers can monitor the flow and sales from any computer connected to the Internet.

Young and his crew of seven are doing their best to get the word out to restaurants across the country, all of which undeniably face the problem of spilled beer. In fact, the industry estimates that anywhere from 10 to 30 percent of draft beer is wasted including the compensation most bartenders are granted for paying customers.



The US Beverage Net flow-monitoring system measures how much beer is poured from the taps against how much money goes into the cash register.

Young came to the idea through his work, as he says, "in the beer business," for eight years.

"We had a small craft-beer distributorship and we were dealing with selling, shipping and servicing bars," he says. Through that work, which turned out to be his research, Young came to understand the challenges faced by restaurants, and he realized

that controlling and managing inventory more efficiently would be a major plus for owners of most restaurants.

The product vision came from a distributor's standpoint — to tie inventory to distribution in real time.

Nancy Luckwaldt, of Dinosaur Bar-B-Que, in Syracuse, says the system has worked well at her bar, monitoring spilled and complimentary beer.

Indeed, at Tully's Good times, beer variance has dropped to below 3 percent using the system.

The system is almost a can't-miss proposition, Young says, because of the way it works.

To get set up, the company installs one flow meter per beer line in the storage room above the keg. Each flow meter then is connected to a data transmitter that sends information to a secure Web server. Once the system is online, the user can compare revenue against actual product movement in real time. A monthly subscription fee, about \$250 for a restaurant with an average of eight beer lines, allows the user access to the data, along with monthly reports.

Charging a monthly fee, Young says, is a distinct advantage for restaurants be-

cause it allows bar managers to see an immediate return on their investment.

"Our company is not a restaurant or equipment company, so with our plan everything is geared toward immediacy," he says.

When the business plan was developed, Young aimed at high-volume regional and national restaurant chains and connecting the company's product to the supply chain.

"We're always committed to the main components of the plan and we're constantly fine-tuning the details and strategies," he says. While it is a work in progress, it remains focused on its main goals, he adds.

Young says the system's advantages are many.

The system user can see in real time how much of any beverage has been poured and sold.

The user can spot patterns to stop waste and loss due to leaky taps, unauthorized complimentary drinks and spillage.

The user has instant access anytime, from anywhere.

There are also no up-front costs. US Beverage Net installs its system at no charge in exchange for a monthly subscription fee. The package includes inventory control hardware, technology and Web interface.

The system is flexible so it can work with any type of dispensed beverage or numerous lines.

The user can be aware of inventory levels at any time and receive low stock alerts. The system can be programmed to generate sales orders to distributors.

Young, a graduate of State University at Albany, says his father, former Syracuse Mayor Tom Young, encouraged him to "get into accounting." Young did just that, landing a job with Coopers & Lybrand, where he worked for 2 1/2 years.

Following that, Young became an owner of Premier Party Source, a retail store on Eric Boulevard, that also had a wholesale business. Premier sold the wholesale business but retained the Party Source, although Young said he presently is divesting

himself of his position in Premier.

So the question is how did Young support himself while he was starting US Beverage Net?

"I remained with Premier and hired one employee for several months to get US Beverage started," he says. Both of his companies are what are known as C Corporations, meaning they have stockholders. Young says there are about 40 stockholders involved.

The C Corporation was established because it allows multiple investors and shareholders.

"We knew we would have to raise capital in the future, and a C Corporation was our best option and structure for that process," he says. Young cautioned, however, that C Corporations aren't for everybody because they have limitations to the number of shareholders.

Getting the funds to start US Beverage Net involved a series of private loans and equity investors. The Premier Party Source did not support the endeavor.

Through his connections in the beer industry, Young was able to part-

ner with Auper Electronic Controls, of Canada, a company that manufactures flow-meter equipment. Auper had been in business for 20 years and its equipment provided good service in the Canadian market, Young says, which are the main reasons US Beverage Net partnered with it.

"We initially got a contract for New York state to be an exclusive dealer and after that we ended up getting an exclusive arrangement for the U.S.," he says.

Getting the company off the ground took about a year while the concept was developed and a business plan was written.

"We formed the company in 2004 and did actual development for about a year. We founded US Beverage as a separate entity," he says.

As things work now, US Beverage Net buys its equipment from the Canadian manufacturer and incorporates its own software to its U.S. customers.

Young says the company >

Company: US Beverage Net (USBN)

Address: 1001 W. Fayette St., Syracuse

Founded: July 2005

Web: usbeveragenet.com

CEO: Mark Young

What company does: Develops software to monitor the amount of beverage that is dispensed against how much is sold.

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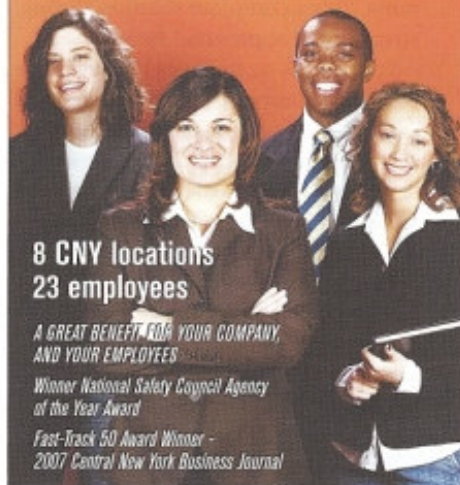
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has grown as planned.

"Right now we're involved in a national marketing effort where we're targeting regional and national chains in at least 10 states," he says.

Getting customers for US Beverage Net's product involved good old-fashioned sales work, he says.

"We made cold calls," he says.

For example, at the UNO Chicago Grill, the company made a connection with the regional director of operations, who was able to lease the system because it's deemed an operational expense rather than a capital expense.

"We have worked with franchise groups rather than corporate offices. They also are a little easier to access," he says.

Now, as US Beverage Net's reputation spreads, the company is getting referrals from existing accounts. "We're going to be able to shorten our sales cycle and move quicker with paying locations," he adds.

While the tap beer system is gaining ground, US Beverage Net is working on a solution for monitoring the sale of bottled beer just as the system monitors tap beer. Tracking the sale of tap beer naturally led to the idea of monitoring bottled beer, he says.

"Bottle beer is as big a problem as draft, but draft is harder to track and take inventories because it has to be weighed. Previously, it was an estimate, but now with Beverage Net, it's easy," he says.

Because of the directness of its system, US Beverage Net is able to back up its claim that it can provide an immediate increase in profits for all restaurants. "It's a complete solution through a streamlined approach," he says.

Young says he believes US Beverage Net has a competitive advantage because it rolls out on a monthly subscription basis. "Capital investment is relatively non-existent, meaning we can provide a very advanced solution for a very reasonable cost," he says.

The huge advantage for restaurateurs is that they can see an immediate return on their investment and bars that have the highest volume of poured beer can see the biggest returns, Young says.

Zebb's Deluxe Grill & Bar, in Mattydale, claims it's saving \$700 per week on spilled beer.

Hooters restaurant reports that corporate-wide, its draft-beer variance

PHOTO BY DAVID LASSMAN



Mark Young, CEO of US Beverage Net, works with several people who have been with him from nearly the beginning. The company right now is targeting 300 companies that are in 160,000 locations, so him and his team have their work cut out for them. From left, Rajiv Kalra, chief administrative officer; Mark Young, chief executive officer; Sundaresan Ravindran, manager of business systems and Josh Solomon, director of sales.

» **ADVICE TO WOULD-BE ENTREPRENEURS FROM MARK YOUNG**

Make sure you have a financial plan and a solid understanding with financial investors. It's easy to underestimate what the future holds. Make sure you are managing every possible scenario.

» **WHAT LESSONS HAS HE LEARNED ALONG THE WAY**

Always be aware of your financial picture. You have to be a good salesperson no matter what the product is, because you will always be selling from employees, to customers to investors.

» **THE BIGGEST HURDLE ALONG THE WAY**

Raising money for most people can be the biggest challenge, not just raising the money, but raising it on the right terms.

was almost immediately reduced from 16 percent to below 4 percent, while Ker's WingHouse Bar & Grill, with 22 locations in Florida and Texas, reports its draft-beer loss fell below 1 percent.

The results of using US Beverage Net's solution are similar with other restaurants. The Piccadilly Pub, with 13 locations in Massachusetts, claims it saw a two to three barrel a week decrease in draft beer waste.

In terms of the future, Young believes the market is still untapped, no pun intended.

He believes there are approximately 900,000 eating and drinking establishments throughout the United States, which would benefit from the equipment.

"Our targeted sweep right now is 300 companies that are in 160,000 locations, so that's a big demographic," Young says.

What ever happens in the future, Young is sure US Beverage Net will remain in Syracuse, and he's confident his workforce will increase.

US Beverage Net is in the process of adding an eighth person to its staff and he says there will be a need in the future for more support and service personnel. The current staff is deployed in such a way that each person is responsible for one area, such as sales, follow-up, product installation, marketing, corporate administration and technical.

The company is also putting a lot of effort into its product as it looks for ways to have the software evolve and improve. Software updates are provided regularly to US Beverage Net's clients.

To protect the company's products, two patents have been applied for and are pending. Young says the patent process is lengthy, complex and expensive.

Young works with seven other people who have been with him from nearly the beginning. Given the target audience, they have their work cut out for them for some time, he says.

Is this a win-win for US Beverage Net and its clients?

"This is more an education process than a sales pitch," he says.

Young says the operating executives of bars and restaurants report they lose on average of 20 percent of their product annually. "And we've demonstrated that our product can monitor and provide information to them quickly."

In short, Young says, the equipment can prove that it fulfills every claim US Beverage Net makes. ■