

# 10

# Beverage Control Systems

## Aims and learning outcomes

This chapter aims to provide the knowledge and skills to understand and adopt stock and beverage control systems for their bar. On completion the learner should be able to:

- Identify the major planning areas involved to manage costs, pricing and revenue for achieving profits
- Apply the controls, techniques and documentation for receiving, storing and issuing products
- Outline the rationale and procedures for stock control in bars
- Explain the point of sale systems used for stock and beverage control in bars

## 10.1 Introduction

This chapter introduces the learner to the areas of stock and beverage control. There are many benefits for having specific procedures for the control and recording of stock and beverages in bar premises. Operating a regular and rigorous system of stock taking and beverage control within a bar will help to control costs, achieve profit margins acceptable for the success of the business and identify problem areas in relation to the products, stocks, beverages, etc. of the bar business.

## 10.2 Managing costs and revenue to make profits

In Chapter 9, under the sub headings 'Food costing' and 'Control and calculation of costs to achieve profit margins' we highlighted the relationship between cost of the food and beverages and the prices needed to achieve profit margins acceptable to the business. It would be a little simplistic to believe that excellent cost to sales relationships automatically results in profit for the bar. A large numbers of bars operate with higher than normal cost percentages and continue to achieve acceptable profits. Dittmer & Keefe (2006) contend that it is possible to obtain a higher food cost percent by lowering menu prices to increase customer volumes,

but the effect on profit must be judged by management. Katsigis & Thomas (2007) argue that profit is the primary goal of a beverage enterprise, but by itself profit does not indicate the degree of business efficiency, moreover profit figures are not significant until they are expressed in relation to other elements. Lillicrap and Cousins (2010) refer to these elements as “the relationship between the costs of running the operation, the revenue that is received and the profit that is made”. Dittmer & Keefe (2006) agree and add that an understanding of these relationships is the key to fully comprehending cost control in food and beverage operations.

### A plan for profit generation and financial sustainability

The money your bar receives is revenue, and this income incurs expenses (overheads and the cost of products and services required to maintain the business). As a bar owner, you or your shareholders will not continue to invest in a bar which does generate profit. A good financial plan which includes a monthly or annual budget with projections for expenditure and income is an excellent starting point. This approach will provide you with a roadmap or basis to evaluate the bar’s performance compared to the objectives of your financial plan. Try to be detailed, objective and realistic when formulating your projections of costs and revenue in relation to the desired profit. Katsigris & Thomas (2007) suggest that you should gather as much data as possible and be flexible with adjustments before applying it to a future that might change before it arrives. The ideal method used to monitor your projections is a Sales Projection sheet (digital or hard copy – see Table 10.1).

**Table 10.1:** Sales Projection sheet

Sales Projection Sheet								
Sales period date from:				to:				
Date	Mon	Tues	Wed	Thurs	Fri	Sat	Sun	Totals
<b>Shift period 11am-6pm</b>								
Week ending:								
Week ending:								
Week ending:								
Week ending:								
<b>Month totals</b>								
<b>Shift 6pm - closing</b>								
Week ending								
Week ending								
Week ending								
Week ending								
Week ending								
<b>Month totals</b>								

A large selection of templates for sales projections are available on line for free. If you bar is already trading, simply extract your past sales information to project your future sales, and try to be as detailed as possible (e.g. previous different trading periods, days of the week, impact of promotions, entertainment, special events, others bars). This information will be used to plan for the month/year ahead, (e.g. do you need more or less staff members, add new products and services or maybe carry out renovations because of local competition).

You now need to project the **bar expenses** (see Table 10.2 - provisional projected budget) for the same period as your sales projections above (month/year). Again, if you are currently trading you could use past figures for expenses (see Table 10.3) and add these to any upcoming ones which you have identified (try to be as forensic as possible).

**Table 10.2:** Provisional projected budget

Provisional Projected Budget		
	Allocated amount.	Percent of revenue (sales)
<b>Projected Revenue (Sales)</b>	<b>Enter in this column: total amount from sales projection sheet above.</b>	<b>Percentage: 100%</b>
<b>Variable costs</b>	Enter in this column the projected amount for each expense.	Enter in this column the percentage of each expense in relation to projected revenue (sales).
Wage costs (variable i.e part-time employees)		
Costs of beverages		
Administration		
China, glassware, flatware, linens		
Operations and maintenance (repairs)		
Marketing and advertising		
General expenses		
Utilities		
<b>Fixed costs</b>		
Rent		
Insurance		
Interest		
Taxes (local and national)		
Wages costs (fixed – full-time employees)		
Depreciation		
Projected profit		
TOTAL	Total amount from sales projection sheet above.	100%

adapted from (Katsigris & Thomas, 2007)