CHAPTER 9

Beverage Controls and Service Procedures

Learning Objectives

After reading this chapter, you should be able to explain and apply knowledge about:

- beverage control, including portion size control (PSC) and standard drink recipes (SDRs);
- other beverage controls, such as the following:
  - bar par stock
  - color-coded outlet stickers or stamps
  - waste, breakage, spoilage, and spillage
  - interbar transfer
  - control of cash bars
  - control of hosted bars
  - banquet beverage storeroom procedures
- beverage cost variance;
- service procedures regarding wine, liquor, and beer service; guest requests for unusual recipes; and suggestive selling techniques.

In Practice

As soon as Myla Thomas was named manager of the Sea Breeze Hotel in Monterey, she quickly walked over to the hotel bar to observe the operation. So far, only the owner, Eric Breeze, knew that Myla had been named manager, and she preferred it that way! She entered the bar area, walked over to the bar, and sat down. Upon seeing her enter, the bartender walked over and asked, "What can I get for you, Miss?"

"I'll have a glass of your house merlot," Myla replied as she glanced around the room and at the TV screen. There was a basketball game on: LA Lakers playing the Bulls in Chicago.

Myla watched the bartender pour wine into a wine glass up to the top of the glass. She watched him ring $4.50 on the cash register and place the check in front of her.

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A waitress approached the servers' station at the side of the bar and yelled out, "Hey, Colin! I need three Bud Lights, a Bombay Sapphire and tonic, a Seven and Seven, and two house merlots!"

Obediently, Colin opened up the Bud tap and stuck a beer glass under it. Myla watched him dispense the beer, which he did rather carelessly. He poured a certain amount of beer down the drain as he attempted to get solid beer to the rim of the glass. As he finished the first glass, he set it down without shutting off the tap and leisurely placed the second glass under the tap. Meanwhile, more beer was going down the drain. He did the same with the third glass.

Having filled three beer glasses and placed them on a tray, Colin took a cocktail glass, filled it with ice, and grabbed the bottle of Bombay Sapphire gin. He filled three-quarters of the glass with gin and the rest with tonic from the dispenser gun, stuck a lime wedge on the side of the glass, and placed the glass on the tray.

Colin grabbed another glass, filled it with ice, grabbed a bottle of Seagram's Seven whiskey, looked at it, and said to the waitress, "I'll be right back, Vivian. I have to get another bottle of Seven Crown." Before leaving, he recorded No Sale on the cash register so he could open it and grab a key from the cash drawer.

 A few minutes later, Colin returned with not only a bottle of Seven Crown, but also a bottle of Bacardi rum and another of Grey Goose vodka. After setting the bottles on the bar, he grabbed a glass, filled it with ice, filled the glass halfway with whiskey, topped it out with 7UP from the dispenser gun, dropped in a maraschino cherry, and placed it on the tray.

Finally, Colin took two wine glasses and filled each to the rim with merlot. He took the tray over to the waitress and said, "Here you are, Vivian." Vivian took the tray back into the dining room.

Colin then walked over to the order entry system's printer and casually ripped off a series of chits that had been building up, rolled them into a ball, and tossed them into the trash can.

"Wow!" Myla exclaimed quietly to herself. "Colin did everything wrong that you possibly can! He got his own liquor from the liquor room since he had the key. Half the beer ended up in the drain; the waitress had to walk gingerly so she wouldn't spill the wine or beer; and at least one patron was going to wonder why his drink was so strong. The customer may think he is getting a good value, but the company's liquor costs are going sky-high! Beer and wine costs would also be well above what they could be.

"And I bet some of those drinks weren't recorded in the order entry system," Myla thought. Colin didn't even look at the chits coming off the printer to see what was actually ordered.

Just then, a customer walked up to the bar with an empty beer glass. "Hey, Colin!" he yelled out. "How about a refill?"

"Sure, Bob!" Colin replied, and he started filling the glass with Coors Light in the same careless manner with which he filled the earlier glasses.

As Colin brought over the beer, Bob dropped a dollar on the bar. Colin walked over to the cash register, rang No Sale, and put the dollar bill in the tray.

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Myla couldn't believe her eyes. "He just gave away a free beer and commingled his tip money with the company's cash receipts! I bet his cash register always comes up even," she mused.

Myla continued to observe Colin tend bar for about 45 minutes. She set $5 on the bar and indicated that she wanted to pay.

"Could I have a receipt, please?" she asked Colin.

"Sure, Miss," Colin replied. Myla watched Colin as he recorded the transaction on the cash register and placed the $5 inside the till.

"I wonder where the beverage manager is," Myla thought. "Probably at home watching the Lakers game."

Introduction

Myla played the role of a secret shopper in the story above. A secret shopper measures and compares customer service levels, spots trends, and provides accurate feedback in the form of mystery guest hotel, restaurant, and spa reports. Managers view secret shopping as an independent verification of what is working and what needs fixing. There are several companies on the Web that offer these types of services to hotels and restaurants.

Despite the worst-case scenario painted in this story, your staff can actually play very positive roles in the beverage profitability of your establishment. While you and the management team set up procedures that establish control over your inventory assets, your servers and bartenders are out there on the front line, making sure your guests' needs are heard and answered. Again, you are balancing the needs and preferences of your clients with your profit-making goals. Both control in the back of the house and service in the front of the house can help you achieve these goals.

The starting point in beverage control and sales is the establishment of portion size control (PSC) and standard drink recipes (SDRs). All employees and managers must work to see that these two controls are followed. Without them, you will not be able to evaluate valid data or to control costs. The objectives of these controls are

- to monitor and identify deviations from standard operating procedure (SOP) so that you can quickly correct the situation.

- to aid the manager in compiling cost data, which is used to compare and analyze potential versus actual cost.

- to provide a basis for consistency.

- to set ingredient quantity guidelines.

- to simplify and standardize training information.

- to serve as a continuous source of reference for everyone involved in service.

- to act as a watchdog for combating both internal and external theft.

Portion Size Control (PSC)

Portion size control is the standardization of beverages in order to control both quantity of liquor and quality of the drink. It is vital to create a method for pouring exact portions because you are often dealing with numerous bartenders and possibly high turnover. The point here,

as always, is consistency. This is undeniably important to building a client base. New customers expect your Bloody Mary to taste like others they have had, and repeat customers expect it to taste like the last one they ordered from you.

Meeting customer expectations may be even more important for good profit than setting your drink prices correctly. Sales price multiplied by sales volume produces your revenue. You cannot build volume with drinks that do not meet customer wishes consistently. To achieve this, you need portion size control (PSC) for each and every drink. When PSC is in place and followed by the whole staff, the customer will get the same drink no matter who makes it.

Another advantage of consistency is accurate control of the amount of liquor poured. If you control the quantity of liquor, you also control costs. In this way you can maintain your cost-to-sales ratio and protect your profit. To achieve all of this, standardize three elements of each drink: size, recipe, and glass.

Size

There are three common methods of measuring liquor. The first is to use an automated pouring device, with which the major ingredients are measured and dispensed through a handgun or specialized pourer. These shut off at pre-established amounts per drink. A second way is for the bar staff to pour drinks using an established **jigger** size and to fill them only to the line on the jigger. A third method is to free-pour. This is a subjective form of measurement that involves turning the bottle, with a pourer in place, and pouring upside down at full force. The bartender counts in his or her head; to pour an ounce, for example, he or she might count "One, two, three" or "Ten, twenty, thirty." This method is not recommended because it is the least accurate; it is only as consistent as the bartender. Free-pouring varies between bartenders and from day to day.

jigger A measuring device used to serve predetermined quantities of a beverage.

Inconsistency is one of the biggest sources of guest complaints. Mr. Jones might receive a perfect Bloody Mary from one bartender at lunch on Monday; then, on Tuesday at dinner, his drink might be diluted or too strong or too peppery. Even the same bartender will make very different drinks at times. The way to combat this is to implement standardized recipes, discussed later in the chapter.

Computerized dispensing systems are used for portion control, perpetual inventory, standard recipe controls, and accuracy in guest charges. These systems have an electronic control device attached to each bottle to monitor and control the amount of alcohol dispensed. Beverages are poured accurately each time. Some systems have check-processing capabilities that ensure that the guest is charged properly for every drink. Taking control over the pouring of beverages is one of the most critical decisions a manager can make. The following are some of the advantages of using computerized dispensing systems:

- Less time is needed to train bartenders.

- There is less spillage and less breakage.

- Prices are preprogrammed into the machine, so pricing mistakes are eliminated.

- Standard recipe pour amounts are consistent and accurate.

- The system deters dishonest employees from stealing or giving away free drinks.

- Operational control of the bar is improved.

- You have an accurate accounting of the sales and profitability of each item.

- The system produces the sales, inventory, and employee reports you need.

There are several automated dispensing systems on the market; not all of them provide you with every advantage mentioned above. The biggest criticism is that the systems can break down on occasion. The following are some other disadvantages:

- Because of the way beverages must be stored, guests cannot see the bottles or the brand names at the bar. Ambience and brand promotion are lost.

- Most systems cannot mix all possible drinks that are available.

- Most bar operations do not have a contingency plan for use when the computer breaks down. Therefore, a malfunction can literally shut down sales until manual operation is installed.

- A dishonest employee may be able to beat the system by breaking it.

As a manager, you must weigh these advantages and disadvantages in light of your own operation. You should research the available models and try them out, weighing your operation's needs against each system's functions. Whether or not you choose an automated dispensing system, you will still need to establish adequate PSC standards.

Standard Drink Recipes (SDRs)

A successful standard drink recipe, or SDR, is a carefully calculated relationship of ingredients, with further calculations and standards for the glass, ice, and garnish. This is one area in which the chef's expertise can play an important role; it is advisable to combine the chef's cuisine with a suggested drink that goes well with the food. Many diners are calorie-conscious, however, so chefs may need to keep this in mind when suggesting drinks. Twelve ounces of regular beer contains 150 calories; 5 ounces of wine contains 100 calories; and 1.5 ounces of 80-proof distilled spirits contains 100 calories.

There are many bar books to refer to when planning a drink menu and making recipe calculations. Simply write down the exact recipe for each drink you serve. Then, train the bar staff to follow the recipes consistently; this way, they'll produce a consistent product no matter who tends the bar.

Prepare each drink and take its photograph; compile these photos into a visual presentation manual for your bar staff. The following information should be included:

- The amount of the primary ingredient to be poured (which becomes the jigger size you need to make available to your staff)

- The other ingredients and their amounts or proportions to the major ingredient

- The size of the glass to be used

- The amount of ice in the glass

- The amount of garnish and its arrangement on the glass

The ice in the glass is a key ingredient in any drink made with a carbonated mixer or juice. Its function is to chill the drink and control the proportion of liquor to mixer by taking the place of liquid in the glass. The ice goes into the glass first. The more ice you use, the less mixer goes in the drink.

Experts will tell you that the size and shape of the ice cubes makes a difference. With large, square cubes you have to fill the glass more full with ice, as these cubes have big spaces between

them. If you want a strong proportion of mix in relation to liquor, use less ice or a larger glass. If you want a stronger liquor taste, use more ice or a smaller glass. All of these factors must be considered in writing your SDRs and establishing their consistent use.

Getting Specific: How the Controls Work

Your costs will vary widely when different amounts are poured. Review the information in Figure 9-1. From a 33.8-ounce (1-liter) bottle of vodka, you can get 33.8 one-ounce servings, 27 one-and-one-quarter ounce servings, or 22.5 one-and-a-half-ounce servings. Let's assume the bottle price was $12 and you are selling one drink for $3. Watch what happens to your cost when you have three bartenders who use different pours (Figure 9-2).

Figure 9-1 Control for Liter Sized Bottles

Size	Number of Fluid Ounces	Yield in 1-Ounce Drinks	Yield in 1.25-Ounce Drinks	Yield in 1.5-Ounce Drinks
Full Bottle	33.8	33.8 portions	27.0 portions	22.5 portions
Half Bottle	16.9	16.9 portions	13.5 portions	11.3 portions
1/10 Bottle	3.38	3.4 portions	2.7 portions	2.3 portions

Figure 9-2 Sales Variations with Different Pours

Bartender	Portion served	# of Drinks, (per the table above)	Liter Cost	Portion Cost	Selling Price	Total Sales (# of drinks x price)	Cost %
A	1 FZ	33.8	$12.00	$0.36	$3.00	$101.40	11.83
B	1.25 FZ	27	$12.00	$0.44	$3.00	$81.12	14.79
C	1.5 FZ	22.5	$12.00	$0.53	$3.00	$67.59	17.75

You can see that, for just this one item, the cost difference is staggering. The difference between the 1-ounce and the 1.5-ounce servings in terms of cost percentage is 5.92 percent. This is equivalent to Bartender B giving away 6.8 drinks while Bartender C gives away 11.27 drinks.

If this difference were applicable to total sales figures, the impact on your bottom line could be critically significant. If you are not controlling your recipes (with SDRs) and pours (with PSC), you will need to implement such measures right away.

Master Beverage Pour Cost Sheet

You can use Figure 9-3 to determine the ingredient costs for your beverages and to keep them all in one place. The data must be accurate to be relevant. If you have more than one outlet, use a separate form for each, as you may have different pricing strategies from one outlet to another. Use and update these forms for each outlet. The information gives you a ready perspective on costs across your beverage offerings.

⑪ **Exercise**

Use a measuring device (jigger) to pour a certain amount and then try to free-pour the same amount.

Figure 9-3 Master Beverage Pour Cost Sheet

Product Number	Item Name	Size of Item	Portion per Bottle	Portion Cost	Mixers Cost	Total Cost	Selling Price in $	Cost %

Other Beverage Controls

bin cards A manual system for keeping track of inventory items

The manager is the custodial authority of the beverage storeroom. He or she will be monitoring the stock of each item at all times. When everything is systematically in place, he or she can easily notice if something is missing. One method to systematize your storeroom is to use **bin cards**, including a unique bin number for each item.

A typical bin card shows the brand name, bottle size, quantity on hand, and bin or inventory code number. The minimum or maximum stock levels may also be recorded on the cards, as this information makes it easier to determine purchasing needs. The card is then affixed to the appropriate shelf. Bin cards note each entry and exit of a product. They are also very useful in a perpetual inventory system. The amount of stock delivered is added to the quantity on hand, and the amount issued is subtracted. The number of bottles shown on the bin should always agree with the actual number on the shelf. Storeroom personnel will need to spot-check inventory against the bin cards to help keep track of inventory. The information on the card, then, provides reliable rates of inventory use.

Another aspect of beverage control is eliminating the confusion in bottle sizes, spelling of names, and different brands. The purchasing manager should identify every kind of beverage carried in the restaurant or bar by means of a bin number or item number. Each type of beverage is assigned a block of numbers. For example, in a four-digit system, gin might be 1000, rum 2000, tequila 3000, and so on. Then particular brands would fall into those categories—for example, Tanqueray is 1001, Beefeater's is 1002, and so on. This system makes storage, inventory, par stock, and ordering procedures more organized and standardized. Bin or item numbers are used in a beverage control system for the following reasons:

- To simplify and standardize beverage control procedures and forms

- To facilitate purchasing, storing, requisitioning, and recording of physical inventories

- To provide precise numerical product descriptions to be used in inventory and purchasing control systems

The restaurant or bar par stock list is one of the most important procedural controls in a beverage control system. A par (Figure 9-4) is a pre-established limit of an outlet's beverage stock.

A copy of each par stock listing should be located in the outlet itself; there should also be one in the manager's office and one in the beverage storeroom. Each outlet is then issued only enough beverages to meet those par numbers. The purchasing clerk should never issue any beverage product in a quantity greater than the par value without special authorization

Figure 9-4 Example of Par Stock

Item	Number to Always Have on Hand (par stock)
Shotz Beer six-packs	6
Applewood Creme de Menthe 1 liter	1
Reposado Tequila 750 ml	3
Bumblebee Gin 1 liter	2
Haberdash Peach Schnapps 750 ml	1

by the manager. This might be necessary if the par value is being modified because of an increase in the outlet's business activity. For the most part, however, issuing over par will not be necessary, and this control provides a strong basis for beverage cost reckoning. Establishing par levels for each outlet, and sticking to them, can even eliminate the need for monthly inventory. The person in charge of inventories should conduct regular spot checks to be sure that par stock is maintained. If these levels are in place, you need only multiply the par stock by the purchase price to determine inventory value figures. This system also does the following:

- Assures adequate supply

- Minimizes the physical inventory kept in stock, which helps reduce the opportunity for theft and maximize cash flow

- Reduces the number of trips to the storeroom and thus improves the labor productivity of the bartender and purchasing clerk

- Facilitates requisitioning when empty bottles are counted for return

- Provides an immediate inventory accountability by all personnel

- Discourages a bartender from bringing in his or her own bottle and selling its contents; the outlet-coded sticker or stamp system (see below) will also help to prevent this form of pilferage

For a par stock listing to be worthwhile, the par stock should be spot-checked on a random, unannounced basis in each outlet at least once per month (in addition to the inventory process). These spot-audits, however, are no substitute for direct, hands-on involvement by the manager who has supervisory authority over the bartender. Outlet managers should also understand the par stock system and see that it is enforced.

Color-Coded Outlet Stickers or Stamps

Color-coded outlet stickers or stamps should be placed on liquor bottles when they are requisitioned from the beverage storeroom. These stamps will identify all bottles as company issue, and will also indicate to which outlet they were issued to provide a backup check of where the bottles go. This can prevent theft and can also keep staff from trading bottles between outlets without documenting the transfer.

To enact this procedure, the storeroom clerk should mark all the liquor bottles for a given outlet with some type of color-coded outlet sticker or stamp, as established by the purchasing manager. This sticker or stamp should be placed on the back label of the bottle, rather than on the bottom; this facilitates recognition during inventory-taking and spot-checking procedures. The stamps should be impervious to removal. During any random check, every liquor product in an outlet should match its par stock, and all the full, partial, and empty bottles should have that outlet's identifying color sticker or stamp on them.

Waste, Breakage, Spoilage, and Spillage

Waste is a common occurrence in the food and beverage industry. This does not mean it should simply be accepted as tolerable. Your job is to minimize its occurrence and to control procedures when it does occur. Consider the case of breakage. If a bottle is broken or spoiled in storage or at a bar, the manager or bartender should return the broken bottle neck or spoiled product to the person in charge of the inventory. This inventory control person should complete and sign a requisition for the item and return the requisition to the manager or bartender, who will then submit the signed requisition with the daily order. This provides an authorized paper trail of the variances that inevitably occur, so that patterns or problem areas can be tracked.

The requisition, together with the spoiled or empty bottle or the broken bottle neck, is returned to the beverage storeroom for replacement. The broken bottle neck is discarded. The requisition should be clearly marked as breakage. From an accounting perspective, the bar should bear the cost of breakage. If the quantity in question is more than a single bottle (for example, a case falls from a pallet or mechanical lift), the manager should be notified to verify physically that this breakage has occurred.

When a bottle of wine has been sold to the guest and then is judged to have spoiled, the sale of this spoiled product should remain documented through the POS system. It may be channeled to a special spoilage account set up by the manager or simply voided. For purposes of requisition, a record of the void slip will serve as proof.

Spoilage involves either ingredient spoilage or a guest who mentions dissatisfaction with the quality of a drink. Spillage, on the other hand, is what happens when a server spills all or part of a drink. The server may reorder the same drink and process a separate beverage charge through the POS system. The check should then be settled or closed, with all explanatory notes included and signed by the outlet manager as spillage or dissatisfied guest. The bar should bear the cost of spillage; spoilage also should be charged to the outlet if the item could not be returned to the vendor for credit. The manager should complete a breakage, spoilage, and spillage report to justify why actual cost is different from potential cost. (See Chapter 10 for this form.)

Interbar Transfer

In an operation with more than one outlet, interbar transfers are commonly carried out. These transfers need to be included in an outlet's cost. While the transfer of full bottles from one bar to another is discouraged, on those occasions when it is necessary, train your staff to use an interbar transfer form. An example of this form can be found in Appendix. It should be completed and signed by the receiving bartender at the time of the transfer, and each bartender should retain a copy. To make this explanation clear, let's call the receiving bar Bar A and the transferring bar Bar B.

Bar B now has one bottle short of its par stock, having sent a bottle to Bar A; the copy of the interbar transfer form serves as reconciliation when Bar B's par is audited. The form is then used in lieu of the usual empty bottle when Bar B submits its beverage requisition to the beverage storeroom; the bartender should attach the form to the beverage requisition.

Bar A now has one bottle over par, and the interbar transfer form will serve to reconcile the item if the par is audited. This form also explains why, in the case of liquor, there is a bottle with Bar B's stamp in Bar A's stock. Bar A's bartender should not submit the empty bottle to the beverage storeroom as a requisition, thereby increasing the par. If the bartender in this outlet were to forget and try to requisition a replacement bottle, the storeroom clerk should notice that the sticker or stamp is from another outlet and should not fill the requisition without authorization from the manager.

Cash Bar Control

In a cash bar, a guest pays for each drink as it is ordered. This type of service is often used in the case of banquet events like weddings or large parties. Cash bars are often carried out in a remote location, such as a banquet room or an outdoor deck. However, it should operate with the same type of controls as the main bar. Because such remote locations often preclude the use of automated dispensing systems and POS access is unlikely, pouring methods should be established to monitor and account for all revenues collected. One way to account for sales and inventory, and to ensure that there is no missing revenue, is to use a cash bar worksheet as in Figure 9-5.

Figure 9-5 Cash Bar Control Sheet

Smith Wedding Items	Date: April 5th		Location: Restaurant Deck	
	A Beginning Inv.	B Additions	C Ending Inv.	D A + B − C
Vodka Blitski	1	2	1	1 + 2 − 1 = 2
Tequila Rodeo	2	0	2	2 + 0 − 2 = 0
Gin Parker	3	1	1	3 + 1 − 1 = 3

If you multiply the results in Column D of Figure 9-5 (2, 0, and 3) by the selling price for each of those drinks, you should get the amount of the cash that the event hosts paid for the function. If there are differences, the manager should investigate them. One person should be in charge of monitoring the cash bar operation for effectiveness and control, and he or she should use this form to monitor what is used and sold, and at what prices. In Chapter 12, you will find a detailed discussion of how this process works, both for regular POS systems and for special banquet events.

The procedures and policies you develop for cash bar control will help to prevent loss of cash due to theft. In addition, the following controls should be incorporated into cash bar systems:

- *Ticket or guest check control systems.* Some operations have a cashier sell tickets that can be given to the bartender in exchange for a drink. This frees the bartender from handling cash, facilitates better service, and allows tighter controls. The number of drinks consumed should match the drink tickets sold and collected. When there are void transactions where the drink tickets are sold, have the manager authorize them and make the reason for the void clear for reporting purposes.

- *Recording sales.* It may be cost-effective to use a cash register for cash bar events. This saves hours of manual paperwork time, frees employees from memorizing item prices, and facilitates service procedures. The drink prices can easily be preprogrammed into the register.

- *House bank.* The bank is an amount of money with which the employee begins the shift. The size of the bank should depend on the expected amount of business. Servers may carry individual banks, or the bartender may collect all cash received. Choose a method that meets the needs of your operation.

In a hosted bar, the host pays for all items consumed. The price, agreed upon ahead of time, is applied to the amount of services or food and beverage consumed. When the price is per bottle, a special par stock is set up just for that function, and the amount of food or beverage

consumed is computed by subtracting the ending inventory from the beginning inventory (par inventory plus any additions during the event). Generally, there is no cash for staff to steal in a hosted event, because payment for services and goods is not made directly to them; however, adequate record controls must still be established for billing and accounting.

Banquet Beverage Storeroom Procedures

Banquet beverage use brings up special issues that cannot be reconciled through standard procedures. A banquet beverage storeroom is commonly established for banquet service in large operations, because this type of service is markedly different from any outlet service we have discussed. The banquet manager should restock from the purchasing beverage storeroom as needed by using a requisition form. This form may be preprinted with all the beverage products you carry. The bartender would then only need to enter the quantity needed.

For each individual banquet, a special banquet beverage requisition is completed. Products should be issued from a separate banquet beverage storeroom to the individual service bars. After the function, all unused liquor should be returned to that storeroom. If you have enough banquet business to have standard issues to banquet rooms, these can be entered on a requisition form, and they should be charged by function. A **standard issue** is a repeated restocking of products to par levels, just as in a regular outlet. Every item issued, minus the ending inventory, should be charged to that function. In most cases your company will establish a contract with the banquet client prior to the event. The charges can then be reconciled to that contracted price.

standard issue A repeated restocking of banquet beverage products to par levels, just as in a regular outlet. Every item issued, minus the ending inventory, should be charged to the function.

Beverage Cost Variance

When you compare your actual cost to your potential cost, the difference between them is called the variance. This amount will probably vary from month to month, due to the ever-changing nature of the business. Assuming that control procedures are followed and there are no significant changes in the sales mix, the beverage variance percentage should not be more than 1 percent off from the calculated potential cost.

Calculating potential cost for your beverage business is essentially the same as doing so for food. Begin by determining the number of drinks per bottle and multiplying this by the selling price per drink. This is the potential sales per bottle. For example, a 1-liter bottle will yield approximately 27 drinks at 1.25 fluid ounces each. If the drinks are sold at $3.75 each, the potential sales reach $101.25 for one bottle. If your cost for that bottle was $22, you need only divide that cost by the potential sales to reach the potential percentage. In this case it is 21.7 percent.

But perhaps you do not sell all drinks made with a particular liquor at the same price or with the same amount of alcohol. In this case, you will need to determine weighted averages for both drink size and selling price. Let's take a $14 bottle of gin as an example, as shown in Figure 9-6.

The number of ounces used (415.5) divided by the number of drinks sold (315) gives you your average drink size, 1.32 ounces. This number, divided into your bottle size (1 liter or 33.8 ounces), equals the average number of drinks per bottle, 25.6.

Next, find your average selling price by dividing total sales by total number of drinks sold. Your average selling price is $3.18. Multiply this average price by the average number of drinks per bottle. In our example, this is $3.18 × 25.6 for a total of $81.41. This is your potential sales value per bottle. The potential beverage cost is equal to the cost divided by the potential sales, or $14 ÷ $81.41. We get a potential beverage cost percentage of 17.2.

Figure 9-6 Weighted Averages

Name of Drink	FZ of Gin Used	Selling Price (& number sold last month)	Total Sales	Total Ounces
martini	1.5	$3.75 (16)	$60.00	24
gin & tonic	1.25	$3.00 (150)	$450.00	187.5
gin fizz	1.0	$2.75 (39)	$107.25	39
gin on the rocks	1.5	$3.50 (110)	$385.00	165
		Total sold: (315)	Total: $1002.25	Total: 415.50 FZ

Now you need to determine your actual sales revenue. Simply multiply the numbers of each drink sold by the drink's selling price, and total the result. In our example, the total revenue was $1,002.25. Your POS reports should show you the actual number of drinks sold at each selling price and the sales mix of each category.

The next step is to determine the actual beverage cost percentage. The formula for calculating the beverage cost for a specified period is as follows:

Beginning Inventory + Purchases − Ending Inventory = Cost of Product Consumed

In food and beverage operations, which commonly transfer food products such as juices and garnish fruit to the bar, adjustments to the gross cost need to be made. Similar adjustments must be made for any products transferred from the bar to the kitchen, such as wine for cooking. In these cases, the gross beverage cost would be adjusted as follows:

Cost of Product Consumed + Transfers to Bar − Transfers from Bar
= Net Cost of Product Consumed

Using our example, assume the net beverage cost was $180 and the total beverage sales was $1,002.25; the actual beverage cost percentage would be $180 divided by $1,002.25 = 18.0 percent. Now we can compare the potential cost—at 17.2 percent—with the actual 18 percent we calculated.

Compare these two numbers to check for significant variations. When you have added up many items across food and beverage categories, however, it can be hard to see where problems lie. This is made worse if your company has multiple outlets, as we illustrate in the example below. In addition, companies that do not have a perpetual inventory system tabulated by outlet or that have not computed their cost by outlet may find it difficult to identify exact causes of variances because outlets are different and may have varying stock and pricing. So, what do you do? The example in Figure 9-7 shows how to allocate the unexplainable cost variance, so that (for accounting purposes) you can charge a proportionally correct amount to each outlet's costs.

In the example shown in the figure, the calculated potential costs sit at 21.63 percent, while the actual percentage was 22.77. The cost overages on Line 9 are allocated to the outlets proportionally based on their actual revenue. Dividing the actual cost by the potential cost derives the factor of 1.05. The factor could be used also to derive the actual allocated cost on Line 9 by multiplying it by the potential cost. As you can see, there are a lot of small issues—such as losses, waste, and failure to inventory properly—that turn out to be significant when these costs are totaled and compared each month. These are the sorts of issues that can explain a variance. The following list includes many possible reasons to investigate if you are seeing unwarranted variances in your costs.

MONTH __,

LINE #	BEVERAGE OUTLETS	ACTUAL REVENUES	POTENTIAL %	POTENTIAL $	ADJUSTED ACTUAL $	ADJUSTED ACTUAL %
1	BANQUETS	40,360.06	21.50%	8,677.41	9,133.87	22.63%
2	ROOM SERVICE	5,815.18	23.00%	1,337.49	1,407.85	24.21%
3	CAFE	1,222.75	23.40%	286.12	301.17	24.63%
4	FINE DINING	30,545.63	24.00%	7,330.95	7,716.58	25.26%
5	THE BAR	36,249.75	19.50%	7,068.70	7,440.53	20.53%
6	TOTAL	114,193.37	21.63%	24,700.68	26,000.00	22.77%
7	ACTUAL FOOD COST ------------------------------>	26,000.00				
8	FACTOR TO ACTUAL (actual/potential cost)-->	1.0526				
9	THEREFORE, THE AMOUNT TO BE ALLOCATED	1,299.32				

Figure 9-7 Actual versus Potential Cost

Incorrect Charges

- A food requisition has been charged to beverage cost, or vice versa.

- Beverage revenue has been processed as food revenue, or vice versa.

- Sales tax has been mistakenly included in calculating potential beverage cost.

Incorrect Physical Inventory Valuations

- Items have been incorrectly counted or double-counted. (The person who counts the items during inventory-taking can simply turn the label on the bottle to the back when it has been counted, as a reminder not to count the item twice.)

- Inventory extension is incorrect. This occurs most commonly when the database is corrupted. An example might be that an increased purchase price has not been updated in the inventory item files, or a bottle of one size is recorded under a different size.

- An entry or entries are incorrect. For example, one bottle of vodka is entered as one case.

Sales Mix Changes

- More premium label products are sold. Premium labels are usually higher in pour cost than well brands. Refer to the sliding scale pricing strategy, discussed in Chapter 7.

- Bottle beer sales are higher than those of draft beer. Bottle beers are usually higher in cost than draft beer.

- Imported beer sales increase over those of domestic brands. Domestic brands are usually cheaper than imported brands.

- Wine sales increase. Wine cost percentages are usually higher than those of all other categories of beverage products.

Incorrect Drink Pricing

- Pricing is inadequate to cover costs.

- Item entry into the POS system is incorrect due to staff error.

Incorrect Par Stocks

- Par stocks are not being maintained. If you are using par stock figures to extend your inventory, make sure they are correct.

- Missing, spilled, spoiled, or broken merchandise is not accounted for properly.

- Bottles are not marked or coded by outlet.

Overpour, Spillage, and Underpour

- Bartenders may overpour or spill products when preparing drinks. They may not be using pour-top control devices.

- Electronic liquor dispensers are not checked every 30 days and recalibrated as necessary.

- Draft beer dispensers are not properly calibrated to reduce foam.

- Service staff may overpour wine by the glass.

Inadequate Cash Control Procedures

- A transaction was not prechecked on the POS system before preparing the drink.

- The sale amount recorded on the register did not correspond to the number and type of drinks served.

- The guest check was not placed in front of the guest or customer immediately after serving, in order to have evidence of the transaction openly available at all times.

- The *No Sale* key was used during a sale. Major differences among bartenders' sales on the same shift might be an indication of this problem.

- Guest check controls are not enforced.

- Bartenders may be making change from their tip jars.

- Overages or shortages are not investigated. This problem is common when bartenders undercharge guests in order to earn large tips or to please friends. When guests ask for a favorite employee, it could be because that employee favors them with unauthorized discounts.

- The employee may be charging for a drink not served, and the guest unknowingly pays for it. A dishonest bartender could resell that drink and pocket the cash.

Purchasing

- Beverages are not purchased competitively.

Your job is to investigate these areas of possible loss and, when necessary, implement appropriate controls. People are very creative; you may even discover new problems not mentioned in this section.

Service Procedures

You have seen the unique challenges facing the manager in the operation of an outlet and in the sale of beverages. The purpose of the following sections is to set up standard operating procedures (SOPs) to aid you and your employees in training and coaching. No training or staff

system is perfect; you may need to refine what is mentioned here to fit your company's needs. Without the consistent and accurate cooperation of your staff, however, all of your controls may be worthless. Be sure to include comprehensive training and ongoing coaching for your staff as an operational goal and necessity. Below we provide information that you can use in training your service staff; it is written in a style that speaks directly to servers and bartenders. Be sure to emphasize that these are the procedures and behaviors that you expect your staff to perform. Cody Plott, president of Pebble Beach Company, phrases it like this: Service should "exceed the expectation of every guest, by providing a once-in-a-lifetime experience . . . *every time.*"

When Guests Arrive

- Greet guests with a welcome as they come into the room. If you're busy, acknowledge them with a word or a smile and establish eye contact. If guests know that they have been recognized, they will not mind a short delay in service. No matter where you are in the room, always keep your eye on the other tables.

- Always face the tables while standing at the bar.

Serving Our Guests

- Always be positive. "May I get you another cocktail?" or "Would you care for another round?" is preferable to "Is that all?"

- Place cocktail napkins in front of the guests with any logo, emblem, or written material facing them.

- If you know the guests, call them by name. If they are regular patrons, remember their favorite brand or cocktail and how they like it.

- Suggest one or two featured beverages to the customer when ordering. Use up-selling techniques to encourage customers to purchase more premium products.

- Serve cocktails as soon as possible.

Pouring Drinks

- Place the pour spout in the bottle in such a way that the label is turned toward guests seated at the bar. This allows guests to see what is being poured.

- Never overfill a glass so that it spills on the bar or on the guests when they attempt to drink the cocktail. Never pick up a glass—clean or dirty—by the rim. Always hold stemmed glasses by the stem.

- Strictly adhere to the company pour policy in accordance with recipes. Use pour control devices on all liquor bottles, except odd-sized liqueurs or cordials.

Presenting a Check to a Bar Guest

- Always process the order through the POS system, if available.

- Always place the guest check in front of the bar guest at the same time the cocktail is served. This is very important!

Service Standards We Expect

- Ensure that the table is maintained well at all times. For example, remove soiled napkins and replace used ashtrays. Used ashtrays should always be replaced with a clean one.

- Be alert for minors. If there is the slightest doubt, ask for identification; if the person can't produce an ID, or if you have reason to distrust the ID he or she provides, you will have to refuse service courteously.

- Never argue with a guest. Call the manager to settle disputes.

- It is every staff member's responsibility to refuse service to an intoxicated person. If there is a problem, call the manager.

- Be alert to the guest's need for another cocktail.

- Talk, but be a good listener. Don't join conversations, and never give the impression of listening in on a conversation. Be attentive without being overly familiar.

- If you make an error with a cocktail, rectify it at once. Make the correction without question, and clearly dispose of the mistaken drink. Notify the manager and give a copy of the spillage report to the accountant.

Collecting Payment

- Do not attempt to collect payment until guests indicate that they are ready to pay or to sign the check. If the guest pays by credit card, note his or her last name and expiration date on the guest ticket. If it is a hotel room charge, have the guest print and sign his or her name and room number; then match the information on the registered guest list to the name and room number on the check.

- Finalize the closed check in the POS system. Immediately return change or a credit card receipt to the guest along with the check stub receipt.

> **Quiz**
>
> If you (as manager) see your best bartender pour a drink and "forget" to ring it up, what should you do?

When Guests Depart

- Express your appreciation and invite guests to return.

- Tables should always be wiped down with a damp cloth. Wipe crumbs from chairs, replace ashtrays, and replenish matches. Tidy the floor if necessary.

Our Restaurant Standards

- Always be courteous and helpful to fellow employees. This will be noticed and appreciated by guests.

- Pay particular attention to personal appearance and grooming, and wear a clean uniform.

- When leaving the floor for any reason, tell the room manager or the bartender first.

Specific Procedures: Beer Service

For both bottle and draft beer, always serve beverages cold, at approximately 40° Fahrenheit. Certain specialty beers may have other temperature requirements, which your vendor should be able to provide. Use cold glasses when serving beer; a room-temperature glass makes a beer mediocre. Fill the glasses with ice cubes, or put them in the refrigerator—whatever is necessary to serve cold beer in a prechilled glass. Beer temperature rises 2° Fahrenheit in an unchilled, rinsed, thin-shell glass, and it rises 4° to 5° in a rinsed, heavy-shell glass or mug.

Draw or pour beer properly. The size of the head you put on each glass can be controlled by the angle at which you hold the glass at the beginning of the draw. If the glass is held straight and the beer drops into the bottom of the glass, a deep head of foam will result. If the glass is tilted sharply (about 90°) and the beer flows down the side of the glass, the head of foam will be minimized. How much you tilt the glass and when you straighten it to allow the head to form can be determined by a few trial draws. You can also control foam by opening the lever fully. Partial pull of the lever can create too much air.

Keep your beer glasses clean. This is very important, as beer will lose its delicate taste and zest when it is poured into a glass with the slightest film of soap, grease, lipstick, cream, or other substance. A beer glass should be washed each time it is used unless the guest requests that the glass be refilled. Proper cleaning and drying can be accomplished in these simple steps:

1. Empty and rinse used glasses with clear water prior to washing.

2. Wash each glass with a brush in water containing a solution of odor-free and nonfat cleaning compound that will clean the surface of the glass thoroughly and rinse off easily in clean water.

3. After washing the glass, rinse it in clean, cool water. The final rinse should be sanitized. Do not dry glasses with a towel. Stack them on a rack or on a corrugated surface where they can drain freely and air can circulate in them.

4. One of the secrets to serving a perfect glass of beer is to rinse the glass in cold, clean water before filling.

Ring the order through the POS system. Serve beer by placing the glass (serving from the right) in front of the guest. In the case of bottled beer, pour the glass one-third full and place the bottle (with the label facing the guest) next to the glass. Then, thank the guest. Most people will react more positively when they feel appreciated.

Specific Procedures: Wine Service

Prepare the supplies you will need for wine service: a wine bucket for whites and sparkling wines, a wine opener, a service cloth, and the correct number of the right kind of wine glasses for what you are serving. Set the glasses on the upper right side of the table setting, above the knife. Then, present the bottle so that the host can read the label. (The host, male or female, is the person who orders the wine.) Wait until the host confirms that this is the bottle of wine that he or she ordered.

Remove the foil cap by placing the bottle near the edge of the table and cutting the cap cleanly without twisting the bottle. Move your hand around the bottle; the label should face the host. Use the knife part of the corkscrew to cut the foil 0.5 inch from the top of the bottle. Remove the foil cap and wipe the bottle neck with the service cloth before uncorking.

To uncork the wine, insert the tip of corkscrew into the middle of the cork while keeping the bottle on the table. The corkscrew should enter straight and should not break the cork. Turn the corkscrew until the tip of the screw almost reaches the bottom of the cork. Then, remove the cork by placing the lever on the neck of the bottle. Push the lever down, grasp the lever and cork together, and lift the cork out gently. Unscrew the cork and place it next to the host. Wipe the mouth of the bottle with a cloth again.

When opening champagne, do not pop the cork. Maintain pressure on the champagne cork as it pushes against your hand. Do not hold the champagne bottle by the neck. Your hand will cause the air in the neck to warm up and expand. This may cause an unexpected forceful release of the cork from the bottle. An ideal way is to wrap a towel around the cork and then grasp and wiggle the knob of the cork with a twisting motion. Let the pressure inside the bottle and the twisting of the knob force the cork out.

Serving the host from the right side, pour a minimum of 1 ounce of wine into a glass by holding the bottle in your right hand with the label facing up while pouring. Do not lift the wine glass when pouring, and do not allow the bottle to touch the wine glass. Wait for the host's approval, and then proceed to pour the wine for the other guests. Follow these instructions while pouring the wine:

- Serve ladies first, moving counterclockwise and ending with the host.

- Never overfill a wine glass. White wine glasses should be a maximum of two-thirds full, while red wine glasses should be a maximum of one-half full (5 ounces in either case).

- Old red wines should be treated with care and poured gently. Do not angle them abruptly.

- To avoid drops from running down the bottle neck, twist the bottle a half turn before lifting it away from the glass.

Lastly, in the case of chilled wine, place the bottle in the wine bucket (which should be 6 inches from the edge of the table) near the host. A red wine should simply sit on the table without a bucket. Be sure to enter the order into the POS system and verify the proper sales price (report any discrepancy to the accountant or manager on shift). Retain the wine tag, which is usually the company control number for identifying the type of wine sold and POS receipt. At the end of the day, you will do the following:

- Take all wine tags and complete a wine requisition sheet. Submit this wine requisition sheet, along with the wine tags, to the purchasing department.

- The storeroom should not issue a replacement bottle of wine if a wine tag, wine bin number, and POS receipt are not presented.

Specific Procedures: Guest Requests for Unusual Recipes

When a guest orders a drink the bartender is not familiar with, the bartender should be honest with the guest. However, if the guest can provide the recipe, method of preparation, glass to be used, garnish, and so on, the bartender should be pleased to prepare the drink. The bartender should relate the ingredients and portions to a similar drink and charge the guest accordingly. In the event that there is an unstocked liquor or ingredient involved, advise the guest accordingly. Do not make a substitution without the guest's knowledge or suggestion; just politely suggest another drink.

Do not be ashamed to admit not knowing an unusual drink; simply follow the above procedure. For example, in some areas of the country, water is requested with the word *ditch* or *branch*. Ask the guest courteously what he or she means if you do not understand, and later, inform the manager and the accountant so the other staff can be alerted to language that they, too, might hear.

Service Procedures: Suggestive Selling Techniques

Suggestive selling is the creative and enthusiastic merchandising of your products to generate sales and to enhance guest service. To be an effective salesperson, a service staff member must be knowledgeable and must put to use all the selling aids and tools available. These selling aids and tools include the following:

- Food and beverage menus

- Cocktail and wine lists

- Your own knowledge

- Your enthusiasm

- Proper language and manners

- Food and beverage product boards

- Table tents or posters

- Your sincerity

- Your confidence in your products

The key to these selling techniques is suggestion. Servers need to be trained to "read" the customers so that they can suggest something appropriate. They should not say, "Can I get you something to drink?" Servers should guide guests to order something specific.

Techniques to Use

- Be positive. Phrase sentences so it sounds as though the guest is already sold on the idea and they need only tell you the particular item. Here is an example:

    Server: "Good evening. May I take your order?"

    Guest: "I'll have a Budweiser."

    Server: "The shrimp cocktail is excellent. May I order one for you?"

- You can also offer two choices, making it more difficult for a guest to say no. Don't ask if guests want something, but ask *which one* they'll have: "Deep-fried zucchini or onion rings would go great with your Budweiser."

- Understand the ingredients and preparation methods used to help in sales: "Try our deep-fried zucchini."

- Be honest.

- Servers can be salespeople, but they do not have to be pushy to be effective.

- Know the chef's specials before beginning the shift.

Summary

Beverages differ from food in several respects: greater consistency in quality, availability, price, packaging, and yield, as well as looser storage requirements. As a result, control procedures differ significantly. Alcoholic beverages are usually classified as fermented wines and beer on the one hand, and distilled spirits and cordials on the other. Several trends are evident in the beverage market. As health concerns regarding the consumption of distilled spirits have risen, sales have dropped significantly. Concurrently, sales of beer and nonalcoholic beverages have increased, and premium brand sales now account for a greater percentage than they have for decades. In addition, numerous laws have been enacted to curtail alcohol abuse. One that affects beverage operations directly is the legal notion of third-party liability. These kinds of restrictions on the growth of beverage sales mean you must be even more careful with your pricing and sales strategies.

Competition and service levels are key factors in these considerations. When setting prices, consider all costs associated with production, not just product cost. Watching and managing your potential versus actual costs over time can give you an edge in future pricing.

Inventory procedures are distinctly aided by a bin number system, whereby each item has a specific, standard number and location. This helps to simplify control procedures and forms and facilitates purchasing, storing, requisitioning, and recording of physical inventories. One of the most important tools to help control physical inventory is the bar par stock. It is used to assure adequate supply, to minimize inventory stock, to reduce trips to the storeroom, to facilitate requisitioning, to increase inventory accountability, and to reduce theft. Additional methods for improving control include color-coded stickers or stamps, bottle-for-bottle exchange, maintaining a perpetual inventory, and requiring properly authorized requisition forms for issuance of beverage products. It is also important to maintain records of all breakage, spoilage, and spillage, as well as internal transfers, when your establishment has more than one outlet.

Standardized portion sizes and recipes must be followed to control quality and costs. Automated dispensing systems help to achieve this goal, and they should be considered as a possible way to increase control and consistency.

As with food, potential beverage costs must be compared to actual beverage costs to determine any variances so that corrective actions can be taken. Possible causes of variance are incorrect charges, incorrect physical inventory valuation, sales mix changes, incorrect drink pricing, incorrect par stocks, overpour, spillage, underpour, and inadequate cash control procedures. Your job is to monitor and control these possible causes and to use that data to locate the problems when they do occur.

Proper service procedures must be followed regardless of the types of beverages being served. In addition, suggestive selling can increase not only guest satisfaction, but also check averages.

Chapter Questions

Critical Thinking Questions

1. What is a perpetual inventory system, and why is it important?

2. How do standard pour sizes of drinks contribute to your control systems?

3. What are the advantages and disadvantages of using automated beverage dispensing systems?

4. When a guest orders a glass of wine, it is important to fill the glass completely. True or False?

5. List five ways to *mis*manage revenue with use of guest checks, and list controls to prevent them.

6. How would you determine your actual and potential beverage cost percentages? What do you do with this information when you calculate it? Why is it important?

7. Describe inventory-taking procedures.

8. If the menu price of a beverage is $3.95, and the potential cost of the beverage is $0.95, what is the potential beverage cost percentage of the item?

9. If the potential cost of a beverage is $0.85 and the targeted beverage cost is 20 percent, what is a reasonable menu price for the beverage?

10. If the potential cost of a beverage is $0.85 and the targeted beverage cost is 25 percent, what is a reasonable menu price for the beverage?

11. If a case of liquor (12 bottles) is sold in 750-milliliter bottles for $89.90, what is the cost per ounce?

12. If a case of liquor (12 bottles) is sold in 1-liter bottles for $110.90, what is the cost per ounce?

13. Restaurant A buys beer for $18 per case (24 bottles), as does Restaurant B. In order to generate more business, Restaurant A sells this beer for $1.50, but Restaurant B considers this too low a markup and sells its beer for $2.95. What is the potential beverage cost at each restaurant?

14. Using the data above, if Restaurant A sells 10,000 bottles per month, and Restaurant B sells 1,000 bottles, what is the gross profit of each restaurant based on beer sales?

15. If liquor costs $0.33 per ounce, a beverage item's potential cost is $0.60 based on 1 ounce of liquor, and the beverage sells for $2.95—but the bartender pours 1.3 ounces of liquor into the drink—what is the actual cost of the beverage?

16. In the example above, what is the variance in dollars and in percentage?

17. If the beginning beverage inventory is $2,000, purchases are $12,000, the ending inventory is $3,000, and beverage sales are $55,000, what is the actual beverage cost percentage?

CASE STUDY

Case Study: Cheating the Customer

Amy Anderson was hired by Water's Edge Restaurant as a waitress and cashier. Shortly after taking the job, she was shocked to overhear an employee bragging to a coworker about shortchanging customers. She confronted the employee, who then snapped back, "Mind your own business. Besides, everyone does it and the customers never miss the money." Amy didn't know how to respond to this aggressive stance.

Your task:

What would be the practical consequences for the food service industry and for consumers if servers and cashiers shortchanged customers at every opportunity?