

Glossary of Beverage Management Terms

Cheat Sheet

It's not an easy thing, to run a bar.

We've been there, which is why we've created a glossary of terms for bar managers, with the aim of making your job easier. Here, you'll find the ultimate bar management index, with definitions of some of the most important terms and examples of their practical application.

Save it to your desktop, pin it up in your storeroom, share it with your team.

Learn it inside out, and prepare to find beverage management a little bit easier.

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BATCHED PRODUCT

This refers to the combination of several ingredients or products to make a large quantity drink, or "batch." Here's an example: infusing spirits, such as spicy tequila (several bottles of tequila with jalapeños), or preparing a large batch of Sangria. These are important to keep track of in inventory.

BREAKAGE FEE

This refers to the act of "breaking up" a case. It's usually cheaper to buy an entire case of liquor because distributors don't need to break the case apart and deal with selling the bottles individually. Often, distributors charge a breakage fee.

CALL PRODUCTS

A bartender will defer to the "well" brand liquor unless a customer specifies which brand they would like. This specific brand request is referred to as making a "call."

CASH COW

These are the products that bring in the bucks. Their pour cost is low, their profit percentages are high, and they fly off the shelves every weekend. Cash cows are easy to identify with the right bar tech.

COMPS V. VOIDS

Comps — such as buybacks, free drink giveaways or buying a round for regular guests — are paid for out of the pocket of the business. Voids, on the other hand, are essentially entry errors (the items go through the computer system but are never actually made, and consequently don't cost the business anything). For accurate tracking, it's important to ensure these items are clearly separated in your POS system.

CONTROL STATE

There are several U.S. states where wholesale and, sometimes, retail sales for off-premise consumption are controlled directly by state-run government entities. The government maintains varying levels of control — from total control of all beer, wine and spirits to just spirits — in the following 18 states: Alabama, Idaho, Iowa, Maine, Maryland, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia, and Wyoming.

COST PER OUNCE

Cost per ounce is the formula used to price liquor. Take the total dollar amount of a product and divide it by the number of ounces in the bottle. Use this cost per ounce formula to price products in each group to ensure you have low, medium and high price options. Or, use the free Drink Price Calculator on our website.

DROP *(in reference to ordering)*

The “drop” is the minimum order amount a distributor requires for any order. For example, a certain distributor may require an eight-case drop to accept your beverage order.

LEAD TIME

This is the total time between ordering a product, having it delivered, and it being available for use. For example, we ordered our Tito’s Vodka on Monday. It was delivered on Thursday and available for use that day. Tito’s has a lead time of three days.

LOSS LEADER

A loss leader is a product that is sold below cost price in order to stimulate other, more profitable sales. For example, pricing Prosecco below cost during a brunch sitting, with the aim of enticing customers to spend more on food and Bloody Marys. Loss leaders help attract attention, build a customer base, and allow you to drive up sales and prices of other products.

OFF-PREMISE RETAIL

This refers to any retail location where beverages are sold but not available for consumption on the premises, such as liquor stores.

ON-PREMISE RETAIL

This refers to any retail location where beverages are sold for consumption on premise, such as bars, clubs, tasting rooms, and restaurants.

PARS

Pars represent the minimum amount of a product that a bar would like to keep in stock at all times. By setting pars, or “stocking goals,” you can immediately know when your inventory levels for a certain item need to be reordered, and you’ll avoid sitting on too little (or too much) stock.

To set a par, you need to:

- Look at your historical usage
- Calculate your average weekly usage
- Consider seasonality
- Set your target goal

POUR COST

Pour costs, also referred to as your bar's "percentages," represent the percentage of cost that your drinks make up compared to your resulting sales. To determine your pour cost, simply divide your inventory usage by your sales. Multiply that number by 100 and throw a percent symbol at the end of it, and there's your pour cost. Pour costs are influenced by drink costs, drink prices, and product loss.

PREMIUM PRODUCTS

"Premium" or "top shelf" liquor brands are the high-quality bottles of liquor. Some establishments serve premium brands as their well brands — sometimes referred to as the "premium well."

REORDER QUANTITY

This is the amount of an item that needs to be restocked in order to bring the item's sitting inventory level to its par level.

SHRINKAGE *(in reference to inventory)*

Shrinkage is another term for product variance, or lost product. This is calculated as the difference in product between the amount sold and the inventory used. There are multiple causes for shrinkage, such as over-pouring, staff giveaways, and even theft.

SITTING INVENTORY

Sitting inventory is how much product you have physically sitting on the shelf waiting to be sold. It represents sitting dollars, and too much of any product can have a negative effect on your bar. When ordering inventory, try to reduce your sitting product, as it represents money, risk and time.

THE THREE-TIER SYSTEM

This refers to the three-tier alcohol distribution system put in place after the end of prohibition. The pyramid generally starts with the "suppliers" or "producers" of the alcohol, which is then moved by the "distributors" or "wholesalers" down to the "retailers."

USAGE

Inventory Usage: Inventory usage calculations tell us exactly how much of each product has been used over a defined period of time. To calculate your inventory usage, take your starting inventory, add the inventory you received during that time period, and subtract your ending inventory.

Product Usage: You can now take this data and sort and analyze it by specific product types. Calculate usage for all of your spirits, and compare the total usage for each product type to see exactly how much you're selling in any given period of time.

Relative Usage: Now that you know how much of each type of product you're selling, divide these usage numbers by the total usage for your bar. This will give you the percentages of product you should allocate to each specific product type. Apply this same process to all your product types to see how much of each spirit type you should be stocking.

WEEKS OF INVENTORY

This is a term for how many weeks worth of product you have sitting on the shelf, or rather, how many weeks worth of sales your sitting inventory represents. This can be calculated by taking the amount of your sitting inventory and dividing it by your average weekly usage.

WELL PRODUCTS

Well products are generally less expensive liquors that are used when a customer doesn't specify their preference. Products normally used as "wells" cost the least and are poured the most.

VARIANCE

Product variance, otherwise known as "loss" or "shrinkage," is one of the biggest detractors from a bar's profitability. It represents the difference between the amount of product sold over a given period of time, and the amount of product used over that same period. Variance can be calculated as the cost of the product sold divided by its usage.