Tips and Tricks for Managing an Efficient Bar
GUIDE TO BAR MANAGEMENT

Tips and Tricks for Managing an Efficient Bar
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ABOUT BEVSPOT

BevSpot is a passionate tech startup obsessed with helping the beverage industry. Working alongside the best bar managers, beverage directors and sommeliers, we’ve built an online platform that bridges disparate bar systems and allows our users to get back to doing what they love.

We know that technology can save you time and increase your revenue. But, software can only go so far. That’s why we strive to provide you with the right tools and team you need to implement a system that works for your bar.
Managing a bar is hard work. As a bar manager, you’re responsible for all operational aspects of a bar. This includes everything from deciding on the cocktail menu to staying up until dawn taking inventory. Your hours are long, you’re on your feet throughout the day, and you’re probably pretty sleep deprived.

On the other hand, there are many upsides to being a part of the steadily growing 700+ billion dollar restaurant and beverage industry.¹ And as a bar manager, you get to call the shots on various aspects of the bar program, which plays a crucial role in the success of your restaurant. You also get face time with some of the most interesting customers you can ask for, and play an important role in many of your patrons’ most memorable moments.

This guide is aimed at making your job as a bar manager easier. By helping you streamline the most tedious tasks of managing a bar, you’ll be able to focus your time on the fun stuff—like chatting with your favorite customers, tasting new spirits, and making creative and delicious drinks.

Any successful bar manager will tell you that efficient inventory management is the key to maintaining a profitable bar. In order to be able to manage inventory efficiently, the first step is to understand exactly how much of your product is being used over any given period of time, or, your inventory usage.

Inventory usage is a simple, yet critical calculation, as it’s the first step in almost every measurement of a bar’s performance. Inventory usage will help with:

- Calculating profit margins
- Detecting over-pour or theft
- Setting pars
- Determining overall product performance

**Inventory usage formula:**

\[
\text{Inventory Usage} = \text{Starting Inventory} + \text{Received Inventory} - \text{Ending Inventory}
\]
Starting Inventory:

The first step in this formula requires a starting inventory, or the inventory count for every item at your bar at the beginning of the period for which you’re calculating. Throughout this guide, we’ll reference our own theoretical BevSpot Bar to give you a real sense of how these calculations are done. For our inventory period, let’s make it 10 days.

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There are 4 bottles of Absolut Vodka in the liquor room, 1 bottle in the storage closet, and 1.3 bottles at the main bar. The total starting inventory for Absolut Vodka is 6.3 bottles.

Received Inventory:

Always keep in mind that you’re regularly ordering and stocking your bar, so whenever you take an inventory usage report, you need to factor in any product received during that given period of time.

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Over 10 days, 5 bottles of Absolut Vodka were ordered and received from your distributor.
Ending Inventory:

After the designated time period is over, record your ending inventory for every item at the bar.

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After the 10-day period, you had 3 bottles of Absolut remaining (combined for all locations)

Inventory Usage:

6.3 bottles (starting) + 5 bottles (received) – 3 bottles (ending) = 8.3 bottles

This can also be expressed in dollars. If Absolut Vodka costs the bar $15/bottle, then inventory usage in dollars equals ($15 \times 6.3) + ($15 \times 5) – ($15 \times 3) = $124.50.

In this basic example, it seems straightforward, but factor in a bar with hundreds of products, and you’re looking at much more than just Absolut. Here’s how you’ll need to think about breaking down your inventory:

• By category (spirits, wine, and beer)
• By item type (vodka, whiskey, rum, etc.)
• By brand/supplier (Absolut, Johnnie Walker, etc.)

This will also need to be taken over multiple periods of time (weekly, monthly) to ensure you’re getting the most accurate look at your bar’s overall performance.
Once you’ve mastered your inventory usage calculations, you’ll have a better understanding of what products are consumed regularly, enabling you to see exactly what your bar needs to have at any given time. **Setting pars** for your bar is a great way to utilize your inventory usage information. Many bar managers set pars to prevent overstocking and unused sitting inventory, as pars represent the minimum amount of product that a bar would like to keep in stock at all times. By setting pars, you can immediately know when inventory levels for a certain item need to be reordered, ensuring that your bar will never run out of product you need.

Pars are affected by seasonality and changing consumer preferences, so at a minimum, they should be updated twice per year: during a busy season and during a slow season. For more accurate inventory management, they can also be updated more frequently (quarterly, monthly).
To set accurate pars for your bar, here are the steps you want to follow:

**Step 1: Look at your Historical Usage**

Calculate your historical (several month) item-level usage for every item at the bar. Let’s continue with our Absolut example from chapter one.

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Since our inventory usage for Absolut was 8.3 bottles over a 10-day period, our daily usage is .83 bottles.

**Step 2: Calculate your Average Weekly Usage**

Multiply your daily usage by seven days to calculate your average weekly usage.

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\[ .83 \text{ bottles of Absolut} \times 7 \text{ days} = 5.8 \text{ bottles/week}. \]

**Step 3: Factor in Seasonality**

Account for seasonality by multiplying this average by a seasonality factor. If your initial historical usage calculation uses data from your slow season, consider the effects of heading into a busier season. Your busy season might be, on average, 50% busier, so you’ll want to multiply your initial average weekly usage calculation by 1.5.
Step 4: Set your Target Goal

Determine your target weeks-worth of inventory to stock for the bar. Overstocking is a real money-drainer, so we recommend staying on the conservative side and setting a goal of 2 weeks. That said, each establishment is different and you’ll want to play with a target that works for your business.

For a 2-week target par:

Seasonality-adjusted weekly inventory of 8.7 bottles per week x 2 weeks of inventory = **Par of 17.4 bottles of Absolut.**

This means that whenever we’re taking inventory and placing orders, we’d want to make sure that we have at least 17.4 bottles of Absolut on hand at all times.

Easy enough, right? But it takes a lot of time when you need to stay on top of calculations for every item at your bar.

**Did you know** that BevSpot allows customers to set up pars instantly and cut ordering time from hours to minutes using Smart Par? By setting your pars within BevSpot, you can easily see and add any items below par to your ordering cart with one click, and automatically track your inventory usage over time, enabling you to adjust your pars to ensure optimal inventory levels as seasonality and consumer preferences change.
Sitting inventory at your bar can often be overlooked as profitable products just waiting to be sold. While the ultimate hope for all sitting inventory is that it will, at some point, convert to sales—the simple fact is that until it does, it represents a critical investment in your business that could be spent elsewhere.

These three factors will help you understand how sitting inventory really impacts your business:

Money

Each unused wine, spirit, beer, and other bar-related product represents cash sitting on your shelves—unusable cash. Sitting inventory ties up costs: you can’t use it to buy more inventory, and it’s not immediately counting toward your profits.
BEVSPOT BAR:

Consider that BevSpot Bar stocks $40,000 in inventory at any given time, but our overall weekly usage is at $10,000 per week. Based on this usage-to-inventory ratio, this bar is sitting on four weeks-worth of inventory.

\[
\text{Sitting inventory/weekly usage} = \frac{\# \text{ of weeks of sitting inventory}}{\text{weeks of sitting inventory}}
\]

Imagine reducing that sitting inventory to $30,000. We now have three weeks-worth of inventory (still a plentiful amount of product to have), and that $10,000 reduction will immediately free up money for other business expenses such as rent and payroll.

Would you rather have cash toward business expenses or unopened bottles sitting on your shelves?

We agree.

Risk

So we’ve established that sitting inventory is basically unused money sitting on your shelves. Now let’s consider the risk associated with that money, because those unused bottles may not be as safe as you think.

Think about how you use cash on a personal level. Most likely, the bulk of your money is secure in a safe or in a bank account. When you go to an ATM, you probably don’t take out too much at a time. This is because most of us, at some point or another, have learned the difficult lesson that it’s never a good idea to walk around with too much cash. Maybe it was that time your wallet was stolen in Europe, or that night when you bought a round of drinks for...everyone at the bar.
Either way, we know it’s never fun to lose money.

Apply this same logic to your bar—**that inventory sitting on your shelves is always at risk**, risk of being broken, stolen, or mysteriously going missing. According to beverage auditing companies Beverage Metrics and Stock-Taker, 25% of inventory in the industry goes missing to shrinkage, and the National Restaurant Association reports that 75% of that is to theft. In this case, not only is your sitting inventory tying up cash that you could be putting back into your business, it’s actually increasing your costs and lowering your profits.

**Time**

Any bar manager will say that taking inventory is the most tedious and time-consuming part of the job. Each bottle, can, and keg represents the time required to count it each week or month.

By reducing your inventory, you’re also directly reducing the time you’ve set aside to take inventory, thus freeing up valuable hours to focus on more important activities that generate greater sales and profit for your business (or a few extra hours of much-needed sleep).

The next time you complete an inventory, think about the money, risk, and time your product represents and take active steps to reduce your inventory levels. This will improve your business by making it easier to manage, and generate greater profits. The most successful accounts we work with have the lowest levels of sitting inventory because they understand these dynamics and strive to run at the most efficient inventory levels possible.

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2 http://www.restaurantowner.com/public/Profit-Tip-75-Percent-of-All-Inventory-Shrinkage-Happens-as-a-Result-of-Theft.cfm
Some key points to take with you:

• The $700 billion+ bar and restaurant industry is a great place to be.
• Inventory usage reports help with all managerial aspects of a bar: calculating profit margins, determining shrinkage rates, setting pars, and finding poor performing products.
• Setting pars is a great way to maintain inventory goals for your bar. Pars should be set based on a busy season projection.
• Sitting inventory can drain your business. Order to reduce sitting inventory levels.

Interested in learning more?

These tips and tricks can be extremely helpful to understanding the operations side of your bar. But if you really want to unlock the data and insights behind it, we’re confident that our bar management software can help. Want to learn how?
Check out our interwebs or just give us a buzz at 617-658-3123, we promise we’ll answer!