

BAR INVENTORY 101

Efficiency Gains and Increased Profits: A Comprehensive Guide to Successful Bar Inventory Management



A How-To Guide

sculpture
hospitality 

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Introduction

Become more efficient & profitable!

Taking bar inventory is time-consuming, tedious and - as a bar owner or manager - probably one of the roles that you drop to the bottom of your to-do list.

Yet, despite that, keeping track of liquor inventory is absolutely crucial to the success of your bar. Beverage inventory management helps your bar to reduce costs, monitor for liquor waste (also known as liquor shrinkage), make better ordering decisions, understand exactly what's selling well with your guests and so many other benefits.

All of those insights lead to one thing...a more profitable bar.

So, how do you implement a successful inventory management strategy that makes your bar more profitable? To help you do just that, Sculpture Hospitality has created this guide. Here you will learn everything you need to know about bar inventory management, from the most common inventory challenges bars face, guide to perform bar inventory and how your business will benefit from a bar inventory management system.



We hope this guide helps your business to become more efficient, and, most importantly, more profitable!

Chapter 1

Signs you have a bar inventory problem

Accurate inventory management is essential to the success of any bar. Without proper tracking and monitoring of your inventory, you may experience several signs of an inventory issue that can lead to waste, inefficiency, and reduced profits.

Here are some signs that you may have a bar inventory issue:

- Frequently running out of popular items
- Overstocking on items that don't sell well
- Inaccurate pour costs or profits
- Difficulty managing costs and profits
- Slow service due to lack of stock
- Unorganized storage areas

If you're experiencing any of these signs, it's important to reevaluate your inventory management strategy and make any necessary changes to ensure that you're accurately tracking your inventory and optimizing your profits.

This guide will help you do just that.



Chapter 2

The benefits of having an effective bar inventory strategy

Running a bar is difficult. The margins can be razor-thin, talented labor is difficult to find and the industry is highly competitive.

That's why data is the foundation to any successful bar, whether it's a chain or small independent business.

Bar inventory - the process of counting everything you have in stock and then comparing those numbers at the beginning and end of a given period to determine the amount of product you have used - is a crucial aspect in understanding exactly how your business is performing compared to your key performance indicators (KPIs).

This process is an important part of maximizing the success of your business.

By gaining clear visibility and more control over your bar's inventory, you will gain valuable insights that improve the profitability of your business.

You'll be able to see exactly how much of each inventory item was purchased. Where it was used and if it was wasted.

Benefits of a successful inventory management strategy include:

- Reduced waste
- Optimized stock levels and improved cash flow
- Increased profit margins
- Enhanced customer satisfaction
- Reduced inventory shrinkage and waste
- Streamlined operations and improved efficiencies
- Data that underlines better business decision making
- Optimal stock ordering
- More adaptability to meet market trends and consumer demand



Chapter 3

How to do a bar inventory - 7 steps to success

An accurate and well-managed inventory will help your bar manage costs, prevent theft, and ensure that your bar is always stocked with the necessary products and ingredients to deliver a fantastic customer experience.

Most importantly, this doesn't have to be a stressful or tedious task for you. Here are seven steps to help you take bar inventory quickly and effectively.



STEP 1 - Create an Inventory Sheet

The first step in taking bar inventory is to create an inventory sheet. This sheet should list all the products that need to be counted, including spirits, wine, beer, mixers, and garnishes. You can create your own inventory sheet, download a template or use inventory management software.



STEP 2 - Determine Your Inventory Schedule

Decide on a regular schedule for taking inventory. This can be daily, weekly, or monthly, depending on the size and volume of your bar. Some bars prefer to take inventory during slow hours, while others prefer to do it after hours. Whatever schedule you choose, be consistent and stick to it.

Chapter 3

STEP 3 - Count Your Products

Once you have your inventory sheet and schedule in place, it's time to start counting. Begin with open liquor bottles. While there are many ways to measure the amount of alcohol remaining in each bottle (tenting, weighing and electronic tenting), the most accurate method is weighing the bottles. Weighing bottles is fast, objective and incredibly accurate, especially when used in combination with inventory management software.

Next, move on to full bottles of liquor, as well as beer and wine inventory. Count the number of bottles and cans and record the amounts on the inventory sheet. Make note of any inventory that is approaching or past its expiration date.

For mixers and garnishes, count the number of bottles and containers, and record the amounts on the inventory sheet.

STEP 4 - Calculate the Value

Once you have completed your inventory count, it's time to calculate the value of your inventory. Start by multiplying the number of bottles or containers by their unit cost. For example, if a bottle of vodka costs \$20 and you have five bottles, the total cost for vodka would be \$100.

Important Bar Inventory Metrics

1. Inventory Usage – The amount of bar inventory that has been used in a specified period.

Inventory Usage = Opening Inventory + Purchases Received – Closing Inventory

2. PAR Level – Periodic replacement level, commonly referred to as PAR level, is the minimum supply of each product your bar needs in stock to meet the demands of your customers.

PAR level = (the amount of inventory used each week + safety stock) / number of deliveries each week.

3. Pour Cost Percentage – Your bar's pour cost is how much your drinks cost compared to your bar's resulting sales from those products. It is usually expressed as a percentage.

Pour Cost Percentage = (Wholesale Price Of The Product / Retail Price) X 100

Chapter 3

STEP 4 - Calculate the Value (Continued)

Next, add up the total cost for each category of inventory, including liquor, beer, wine, mixers, and garnishes, to get your total inventory value. This value represents the cost of the products currently in stock.

STEP 5 - Analyze the Results

Once you have completed your inventory count and calculated the value, it's time to analyze the results. Look for any discrepancies or variances between the amount of product you counted and the amount that should be on hand based on sales records. Be sure to take note of any waste or spillage that has been recorded. If you still have substantial differences, it could be a sign of potential theft, overpouring, or unrecorded waste and spillage.

STEP 6 - Make Adjustments

Based on your analysis of the inventory results, prepare your next order and make any necessary adjustments to your inventory management practices. This could include reducing the amount of inventory for slow-moving products or increasing inventory for high-demand products. It could also include implementing tighter measures to prevent theft or over-pouring.

STEP 7 - Repeat the Process

Remember, taking inventory is not a one-time event, but rather an ongoing process that requires regular attention and adjustment. Repeat the inventory process regularly to ensure that your inventory management practices remain effective.



Chapter 4

Bar inventory best practices



Conduct Inventory on a Regular Schedule

Conducting inventory on a regular schedule will help ensure that your inventory data is up-to-date and accurate. We typically find that weekly inventory is the most effective, but some businesses can do monthly or quarterly if it better suits their unique requirements.



Make Inventory a Regular Part of Someone's Job

To ensure that your bar inventory is completed consistently and accurately, assign inventory counts to one or two key members of your team. This allows you to make inventory an important part of their role, meaning you can train them and even offer them inventory-based incentives and bonuses.



Provide Team Training

In addition to choosing two key members of your team to conduct your inventory counts, you should also take the time to train these employees. Arming them with the tools and knowledge they need to successfully perform accurate inventory counts will provide your business with some seriously useful insights.

Chapter 4



Keep Your Inventory Well Organized

There's no "proper way" to organize the inventory in your bar. There's a range of factors and organizational methods that you can use to strategically place products behind your bar for increased sales and improved efficiencies. No matter how you organize your products, the most important thing to remember is that once you decide on this order it's crucial that you always keep every item in its proper position.



Label Your Shelves

Some simple shelving labels can go a long way to helping the liquor room stay organized and remind everyone that each bottle has a place. It makes the most sense to create storage sections based on the type of liquor. For example, it's easier if all of your vodkas are grouped together.

Train Staff on Proper Pouring Techniques

Proper pouring techniques can reduce waste and improve the accuracy of inventory tracking.

Understand Actual Vs. Theoretical Costs

Liquor shrinkage, in its simplest definition, is the amount of liquor used compared to the amount of liquor sold. This helps you determine which liquor products are experiencing loss, and, as a result, impacting your company's profits.

Chapter 5

How bar inventory management software helps

A bar inventory management system - also known as a liquor inventory management system or beverage inventory management system - is a software program that's designed specifically to help your business calculate, track and manage liquor inventory data through the centralization and automation of information and processes.

By uploading inventory counts to your beverage inventory system and integrating with other systems such as your POS, your bar will be able to access accurate inventory data and insightful reports that improve your decision making moving forward.



Chapter 5

Through the use of a liquor inventory management system your bar will be able to reduce liquor waste, design a more profitable menu, improve your ordering processes, optimize stock levels, as well as gain a number of further insights that help you to build a more profitable business.

How to Choose the Best Bar Inventory Software

How can your business find the best bar inventory management software for your specific requirements? To give you a hand, we've listed some key functionalities to look out for when selecting your system

Direct POS Integration: A POS provides a number of inventory management functionalities, from data forecasting, order planning reports, integrated accounting and much more - but a POS doesn't give you complete inventory insights like a bar inventory management system will. Instead, it's crucial to integrate the two systems.

A Large Database of Products: Counting your inventory should be easy. Look for a liquor inventory management system that has a large database of different types and brands of alcohol to choose from during your counts. This will speed up the entire process and make it more efficient, allowing you to focus on tasks that drive real value to your bar.

Expert On-Hand Advice: A bar inventory management system is incredibly helpful, but to truly use your system to maximize ROI and optimize your inventory, expert support is crucial. Technology should be combined with expert advice from specialists who understand exactly how the software works and what specific features will help your bar become more profitable.

Chapter 6

The benefits of using bar inventory software



Complete Visibility into Your Inventory

It's easy to lose money in your inventory, and that can take a significant dent into your bottom line. Inventory management systems give you clear visibility into where you are making poor inventory decisions - perhaps you are overordering, maybe your team members are overpouring or possibly bar shrinkage is a huge issue within your business. You'll know exactly where missing inventory is when you use an inventory management system.



Save Time to Focus on More Creative Tasks

By removing the manual and time-consuming nature of managing bar inventory on a spreadsheet, you will have more time to focus on the creative endeavours that help your bar delight its guests and truly stand out from its competitors.



Optimize Sales

Identify opportunities in your bar for the top and worst selling items, as well as your most and least profitable products. Use this information to adapt your recipes to better optimize how you use your inventory and sell the products that make your business the most money.



Cost Savings

Did you know that poor bar inventory control is actually one of the leading causes of lost money for bars and restaurants? Put a stop to those hidden costs by using an inventory management system to gain complete visibility and analytics into your inventory processes and decisions.

Chapter 6



Improved Efficiency Through Automation

Using manual spreadsheets is incredibly time-consuming, time that employees could spend on higher-value tasks that help your business grow. Bar inventory management systems will automate these backend processes, allowing your team to focus on higher-value responsibilities.



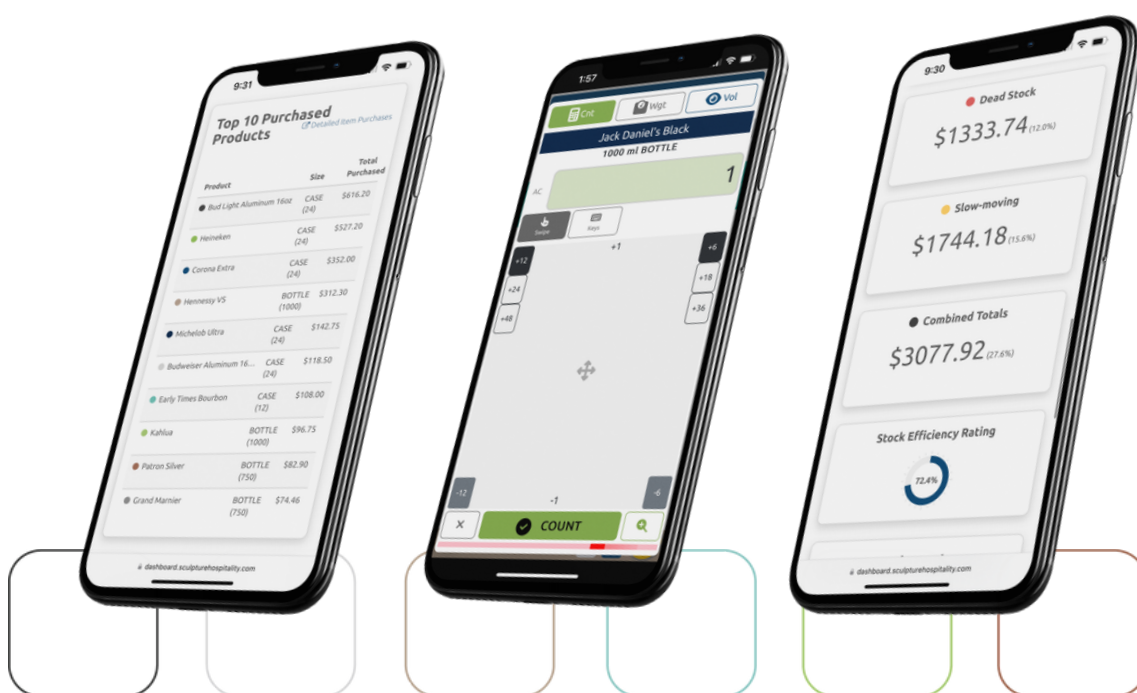
Improved Ordering Decisions

Gain insightful data, such as period automatic replacement (PAR) levels, so that you can improve your ordering processes and avoid over or understocking your liquor inventory.



Better Data Analysis

A bar inventory system allows you to quickly analyze data and track performance. This gives you a better understanding of customer trends so that you can adjust your product selection and inventory levels accordingly.



Chapter 7

Seek Expert, In-Person Support: Don't Depend Solely on Tech

While many bar owners are turning to inventory management systems to solve their inventory management challenges - and don't get us wrong, this technology is a significant improvement on manual processes - users still need expert advice to maximize the benefits these technologies offer.

Since a huge number of inventory management system providers don't offer expert help to their clients, bar owners and managers are left relying on technology forums and customer support for help maximizing their ROI and optimizing their use of the technology.

To truly make the most of a beverage inventory management system, technology must be combined with expert advice - specialists who understand how the software works and what features will specifically help your bar grow.

That's why *Sculpture Hospitality* stands out in the industry. Not only have we developed an innovative bar inventory management system, we also have a team of local industry experts to help you implement it successfully.

No matter where in the world you are based, our team of hospitality experts are on hand to offer your business in-person (or video if easier) interaction and support to help you customize your bar inventory management system to suit your business's unique budget and requirements.

"We are not a tech company that provides service, we are a service company that provides amazing technology."

Vanessa De Caria, President & CEO,
Sculpture Hospitality

Chapter 8

Bar inventory FAQs: quick answers to your most common questions



What is Bar Inventory Management?

Bar inventory management is the process of tracking, controlling, and optimizing the stock of alcoholic and non-alcoholic beverages, ingredients, and other supplies in a bar to ensure smooth operations, minimize waste, and maximize profits.

Why is Bar Inventory Management Important?

Effective bar inventory management helps in reducing inventory shrinkage, minimizing stock-outs, optimizing order frequency, and ensuring customer satisfaction. It also helps bars maintain adequate stock levels, maximize profit margins, and operate more efficiently.

How Often Should I Conduct Bar Inventory?

The frequency of conducting bar inventory depends on the size and sales volume of your establishment. Smaller bars may opt for weekly or bi-weekly inventories (or even monthly or quarterly in some cases), while larger establishments might benefit from daily inventory checks. Regular inventory counts are crucial for maintaining accurate records and identifying potential issues early.

Chapter 8



What Tools Can I Use to Manage My Bar Inventory?

There are various tools available for managing bar inventory, ranging from simple spreadsheets to specialized bar inventory management software such as *Sculpture Hospitality*. These tools help streamline the inventory process, track stock levels, generate reports, and provide insights into sales trends and inventory performance.

How Do I Calculate Pour Cost?

Pour cost is calculated by dividing the cost of a drink (ingredients and supplies) by the drink's selling price. For example, if a drink costs \$1 to make and sells for \$5, the pour cost is \$1/\$5, which equals 0.20 or 20%.

What is the Ideal Inventory Turnover Ratio for a Bar?

The ideal inventory turnover ratio for a bar varies depending on factors like drink type, location, and clientele. However, a higher turnover ratio is generally preferable, as it indicates efficient inventory management. The average turnover ratio for bars ranges between 10-15 times per year.

How Can I Reduce Inventory Shrinkage?

To reduce inventory shrinkage, implement proper inventory control measures, such as regular inventory counts, secure storage areas, staff training, and monitoring. Additionally, consider using inventory management software to track inventory levels and identify potential discrepancies or theft.

What Factors Should I Consider When Ordering Inventory?

When ordering inventory, consider factors like sales trends, seasonal fluctuations, storage capacity, supplier lead times, and the shelf life of products. This will help you maintain appropriate stock levels, avoid stock-outs, and minimize waste due to spoilage.

Conclusion

Bar inventory management is a critical aspect of running a successful bar. By implementing an effective inventory strategy and utilizing specialized inventory management software, you can ensure that you always have the right products on hand, reduce waste, and optimize profits.

In addition, getting professional, in-person help from a professional inventory management company with local experts can provide additional guidance on how to interpret your inventory data and optimize your inventory strategy.

By following the steps outlined in this guide, as well as utilizing specialized software and expert help, you can improve the profitability of your bar through improved - and strategic - inventory processes.





Contact Sculpture Hospitality

Through a mutual passion for the hospitality industry, Sculpture Hospitality was founded in 1987 as the pioneering company to develop bar and restaurant inventory management solutions. Sculpture's innovative solutions have revolutionized inventory processes, helping bars and restaurants across the hospitality sector to become more efficient and profitable.

Since the company was first founded, Sculpture Hospitality has expanded worldwide with more than 350 successful global franchisees who love providing expert inventory management solutions to businesses in the hospitality sector. To learn more, visit Sculpture Hospitality at:

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