Savings Report

How much do bars save with BevSpot?

Stephen Ngo, Operations Analyst

———

INTRODUCTION

Data-driven businesses have one key advantage: the ability to accurately measure costs and profitability.

When bar managers can quickly and easily see opportunities to reduce waste in their operations, they enable themselves to run more profitable operations in the long run. And in an industry where as many as [80% of bars and restaurants fail within five years](#),[1] bar owners can't afford to pass on easy opportunities to run their establishment more efficiently.

One essential metric for a successful bar is your average pour cost—it directly relates to a bar's ability to [control costs](#) and [price for profitability](#). By accurately [calculating](#) pour costs and comparing them to [industry benchmarks](#), a bar manager can easily find out how much their business can improve.

At BevSpot, we provide bar owners and managers with the [tools and data](#) they need to streamline their operations, including their pour costs. And to ensure their beverage programs succeed, our [Customer Success team](#) is eager to work with them to implement operational improvements with that data.

So, how much can we help your bar? For the answer, you could ask a few of our [customers](#). Or, as we like to do, we could show you the data. We looked at the pour costs of all BevSpot bars to see how the numbers change as they begin to use our software. See the results on the following pages.

———

[1] "Food Network Chef Robert Irvine Shares The Top 5 Reasons Restaurants Fail." *Business Insider*, 25 Feb 2014.

SAVINGS BREAKDOWN
by Total Average Pour Cost

Among our BevSpot customers, **the median bar starts with a pour cost of 23.5%; after 6 months of working with us, that pour cost is 16.5%.** For a business with $500,000 in annual revenue, that **7% reduction** amounts to $35,000 in savings every year. For a business with $1 million, that's $70,000. And these dollar savings don't even include all the time and staff labor saved by not using pen and paper.
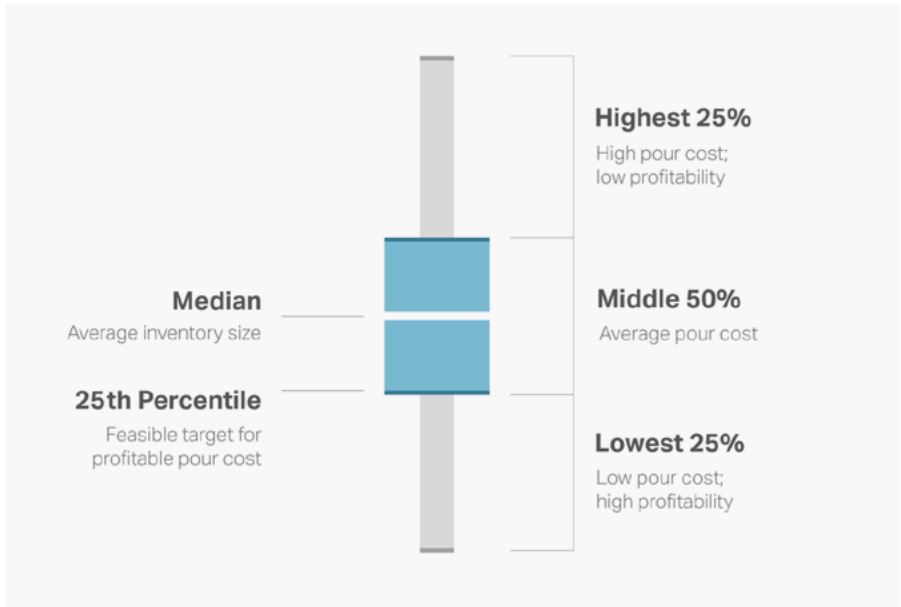
Why do these bars reduce their pour costs so much more in the second quarter? Our software is both an operational tool and an analytics platform. From the beginning, we save you hours by streamlining the inventory and ordering process. But those order invoices and inventory logs contain crucial data, so

when we later integrate them with your POS system, you can compare revenue and costs for every product.

So, the earliest pour cost improvements come by reducing shrinkage (lost or wasted product). And as managers become immersed in their bar data, they can use our drink pricing tool and other advanced features to fundamentally change their business' operations.

Of course, your specific product offering could affect your bar's pour costs and potential savings. So, we've broken down the data to see total how BevSpot customers' pour costs changed in total and within each of their product categories: beer, wine and spirits.

THE KEY

Median
Average inventory size

Highest 25%
High pour cost;
low profitability

Middle 50%
Average pour cost

25th Percentile
Feasible target for
profitable pour cost

Lowest 25%
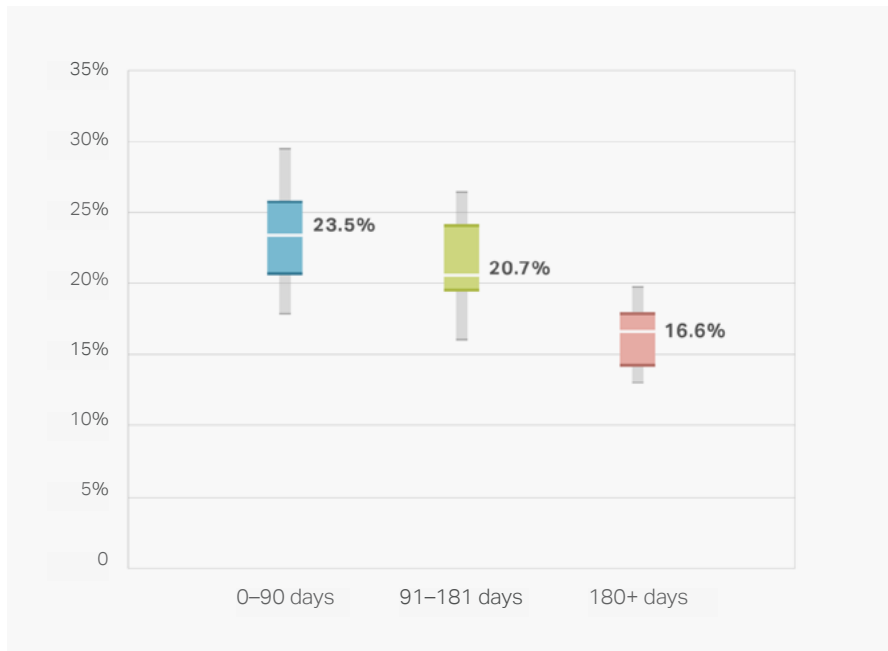Low pour cost;
high profitability

In this report, you'll see graphs showing the average pour costs of BevSpot bars. We've grouped these bars by how long we've been working with them.

The blocks represent the ranges of pour costs over time, separated by the middle 50% (colored blocks) and the top and bottom 25% (grey blocks). The white line represents the median (middle) pour cost within each group.

TOTAL AVERAGE POUR COST

by BevSpot Account Maturity

When first implementing BevSpot, the middle 50% of bars have average pour costs of around **21–26%.** The median (middle) bar has a total pour cost of **23.5%.**

After three months of use, BevSpot bars have the skills and data they need to begin improving. The middle 50%, in the 3–6 month phase, have reduced their pour costs to **19.5–24%.** After 6 months, these bars are fully using analytics so well that the middle 50% lower their pour costs to **14.5–18%.** Of these, the middle bar has a pour cost of **16.5%.**

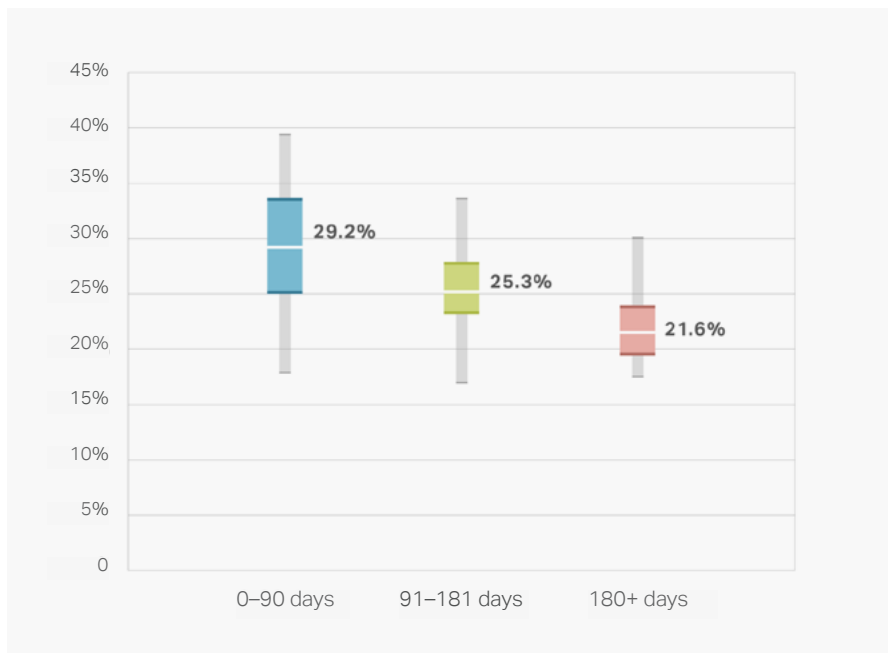## AVERAGE BEER POUR COST

by BevSpot Account Maturity
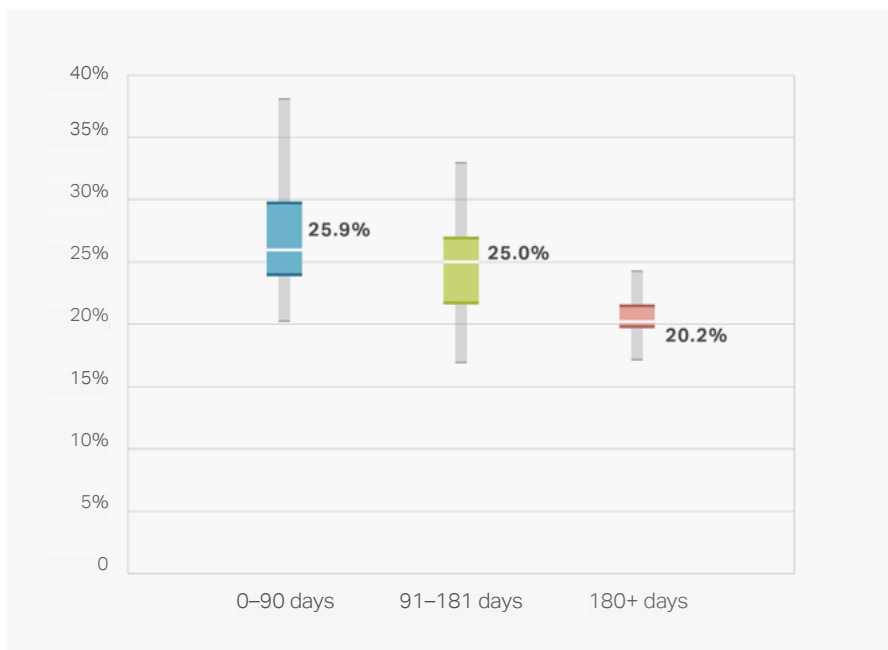
The middle 50% of BevSpot bars' beer sales begin with pour costs of **24–29.5%.** Just 3–6 months after using the software, the middle 50% have reduced these to **21.5–27%.**

After 6 months, these have been further reduced to **20–21.5%.**

AVERAGE WINE POUR COST

by BevSpot Account Maturity

- 0–90 days: 29.2%
- 91–181 days: 25.3%
- 180+ days: 21.6%

As for wine, we see the middle 50% of bars start with pour costs of **25–33.5%.** Wine programs can be more difficult to improve on, but with BevSpot's help, they see their wine category pour cost improve first to **23.5–28%** after 3 months and then to **19.5–24%** after 6 months.

AVERAGE SPIRIT POUR COST

by BevSpot Account Maturity

- 0–90 days: 17.3%
- 91–181 days: 17.9%
- 180+ days: 13.5%
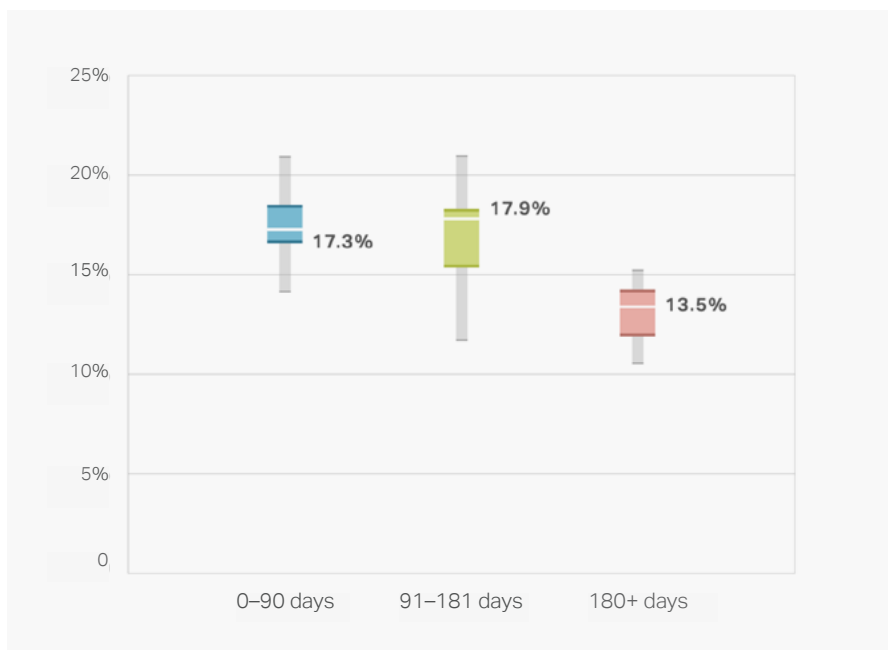
BevSpot bars take longer to see reductions in their spirit and cocktail pour costs than wine and beer, but those eventual savings are huge. When they begin, the middle 50% have pour costs of **16.5–18.5%.** After 3 months, when product variance is declining, those pour costs have gone down to **15.5–18%.**

After 6 months, bars are now fully using our drink pricing tool to adjust cocktail prices and recipes. As a result, their pour costs go down significantly—all the way to **12–13.5%.**

CONCLUSION

While BevSpot bars typically see savings on beer and wine within the first 3 months, it takes longer for many of them to see substantial improvements on spirit and cocktail pour costs. Reduced product variance impacts beer and wine's margins early on, but managers need time to identify and reprice high-cost cocktails. This task becomes easier once clean sales and cost data is available.

After using BevSpot for inventory and ordering for a period of time, bars enable our analytics platform and customer success managers to identify these high-cost cocktails for them. This gives managers the ability to modify their cocktail prices and recipes, in addition to their beer and wine ones. These are the significant pour cost savings seen in the 3–6 month phase.

The findings in this report were initially published on [*the BevSpot Blog*](#) *on July 19, 2016.*

About BevSpot

BevSpot is a bar management software platform for inventory, ordering, invoicing and unlocking your bar's sales data. So you can grow your business faster—from anywhere.

Learn more about our software plans, start a free trial, or chat with a representative today to find out how our tools can help your business.

[bevspot.com/bar-restaurant](#) | 1–617–658–3123