

LECTURE 6

INVENTORY CONTROL FOR A BEVERAGE OPERATION

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Beverage control entails the evaluation of both alcoholic and non-alcoholic drinks throughout the operation's cycle (Uttarakhand Open University, 2019). Beverages have a longer life span as compared to food items; therefore, the frequency of restocking largely varies depending on stock levels and delivery schedules.

A perpetual inventory system should be used as it readily indicates stock levels. However, this should be coupled up with regular physical stock taking activities since beverage operations such as bars or wine cellars are exposed to greater risk of fraud.

Thus, it is essential that beverages are closely monitored for the following reasons:

- To ensure that only recommended portions are served
- To prevent surcharging drunk guests
- To avoid false claims on accidents
- Hinder the dilution of drinks
- Avert staff from drinking
- Curb unauthorized complimentary drinks
- Fend off sale of external beverages
- Control spillage and breakage
- Ascertain that bottles are well emptied before discarding

Food and Beverage Cost Control

- Ensure all sales are recorded and accounted for
- Block attempts to recover from guests that leave without paying

Purchasing

When purchasing beverages, the goal is to buy them at the best price possible and secure enough stock for the business at any given time. Beverage suppliers include:

- Retail outlets** – purchase by cash and carry from businesses offering a range of wine, liquor and beer.
- Wholesale** – may offer great prices, delivery, variety and after sale services such as wine lists and promotional material. Wholesalers sell large quantities of beverages at a bargain.
- Wine importing enterprises** – directly ship from the manufacturer on behalf of the operation. They are limited in terms of region and range of products and quality.
- Cellar stocks** – similarly regarded to as a suspended debt account, the supplier delivers enough product for the business to dispense within a month after which the operation is charged on all sold units.
- Auction** – applicable for fine wines and liquor. Different buyers bid for a desired product.
- Direct purchasing** – operation buys directly from the manufacturer. Managers may attend a wine tasting event and decide on what to stock then make arrangements to ship or purchase from the supplier.

It is paramount that beverages that only popular beverages are purchased to avoid dead stock. The manager in charge of preparing the specification determines what beverages are to be purchased by stating the exact brand, manufacturer, size or quantity, quality, packaging etc.

A purchasing order is approved and forwarded to the supplier for any purchases to be made. Copies of the same are retained by the receiving personnel and the purchasing personnel.

Things to consider when purchasing beverages

- Guest preferences (brand, type etc.)
- Disposable income

Food and Beverage Cost Control

- Type of beverage (wine, beer, liquor)
- Space and size of operation
- Budget
- Location
- Nature of operation

Receiving

Receiving failures cost beverage operations a lot of money, thus it is paramount that caution is taken in making sure that suppliers are paid for quality goods received. Strict receiving standards and processes aimed at preventing receiving fraud should be implemented.

Recommended receiving controls include:

- a. Inspect all orders while checking for empty or missing packages, broken seals, expiration dates etc.
- b. Maintaining proper records.
- c. Receive only what was ordered and confirm that all orders are received.
- d. Report and reject problematic orders accordingly.
- e. Monitor deliveries to prevent staff fraud.

Storing and Issuing

Storage of all beverages should prevent theft and spoilage. Sanitation within the storage facility should be upheld and the FIFO system of stock rotation be in use (Davis et al., 2008). Additionally, the layout of the storage area should include different sections such as:

- Main area for the storage of liquor and red wine with an ideal temperature of 13-16⁰C. This section may also act as the overall point of sale for the operation where orders are processed.
- Refrigerated section at 10⁰C ideal for the storage of white and sparkling wines.
- Cold room at 3-8⁰C for excess beer in kegs.
- A separate section at 13⁰C ideal for bottled soft drinks and beer.
- Storage section acting as a collection point for empty bottles, kegs, crates etc.

Food and Beverage Cost Control

The storage areas should be closely monitored and secured from access by unauthorized persons. **Issuing** of the beverages should be scheduled and conducted with accompanying requisition forms that should be filled and signed by senior staff such as the bar manager.

Storage records or the cellar records are maintained as a control measure for the beverage operation.

These may include:

The cellar inwards book: contains information on all items received into storage.

Bin cards: highlights the beverages available in stock and those that have been issued.

Control book: maintains records on deliveries made on a daily basis as well as issued items.

Empties: records all containers available for an exchange with the supplier.

Breakages: any mishandling or bad purchases such as faulty kegs etc. should be recorded. A description of the issue should also be provided and signed by a staff member in management.

Production

Production procedures stipulate the preparation standards, procedures and portions ensuring that the beverage operation secures profit. Production controls are established through:

1. Providing and using standard recipes for cocktails.
2. Specifying on the crockery and stemware to be used.
3. Serving standard portions for all drinks. Any government regulations on this should be considered.
4. Using beverage dispensing tools and equipment to accurately measure amounts poured. Complex equipment should be maintained in a timely order to reinforce on accuracy.
5. Practicing volume forecasting and effective production planning.
6. Establishing and maintaining a minimum stock level.

Food and Beverage Cost Control

Selling

Sales control reinforces the beverage operation's ability to attain its profits by ensuring that each drink stocked contributes to a percentage of sales revenue determined by its size. The value attached is referred to as the standard sales value.

An effective sales control system is dependent on certain factors. These include:

- Implementation of any established standards.
- Use of standardized cocktail recipes
- Provision of specified stemware for different drinks
- Consideration or specification of drink size
- A code system for the drinks in stock
- Specified stock levels

The specifications should be consistently adopted in order to maintain sales targets otherwise any changes in the quantity of drink served, amount of ingredients in a recipe or the bottle size will affect the amount of profit garnered from that drink.

Changes in the amount or size of servings should be accommodated by an accompanying adjustment in price to ensure that the operation remains profitable. As such, various considerations to be made in pricing of beverages include:

- a) **Selling by the bottle:** the management team is tasked with establishing the selling price of drinks.

The price per bottle is naturally lower than the total price per glass although there is minimum handling in this.

- b) **Selling by the glass:** this requires that the number of drinks per bottle is defined in order to establish the sales value of each drink.

This is a great way for a beverage operation to maximize on profits since the overall price is higher than that sold by the bottle.

- c) **Soft drinks and bottled water:** the pricing of soft drinks and mineral water depends on whether they are sold separately or as part of a cocktail. The cost is higher when sold independently.

This should be considered and reflected in the costing sheet.

Food and Beverage Cost Control

- d) **Cocktails:** entail drinks that are a combination of two or more prized items which require keen control in sales evaluations.

A predetermined potential sales value on all drinks is used in evaluations of sales. In the event that profits garnered from the bar fall by 2%, then detailed calculations on different drinks are done to determine the cause.

An effective point of sale system frequently provides such information hence easing control activities.

A proper sales control system is essential in identifying duties and responsibilities of each employee within the system, which in turn promotes accountability. On the other hand, the system pinpoints any opportunities of pilferage and devices means of curbing any such actions.

Sales control strategies may include:

- a. Producing receipts in print for each sale.
- b. Include amounts spent and received in each receipt.
- c. Maintaining a single cashier.
- d. Training employees on sales control measures.
- e. Processing each sale at a time.
- f. Adopt numbered guest checks to monitor sales.
- g. Hinder alterations of guest checks.
- h. Ensure products are automatically priced.
- i. Automate the ordering and selling process.

Control activities for a beverage operation include:

- a. Provide security at the storage area
- b. Adequately equip the unit with necessary equipment such as refrigerators
- c. Ensure the store is locked at all times
- d. Maintain appropriate stock levels
- e. Practice regular control through stock taking
- f. Maintain appropriate records
- g. Adhering to standard recipes for cocktails

Food and Beverage Cost Control

- h. Ascertain that guests do not leave before paying
- i. Automate the ordering and billing system
- j. Establish effective control procedures
- k. Strictly implement storing and receiving procedures
- l. Recruit skilled personnel

Quiz

1. Explain why beverages require precise monitoring.
2. Describe the direct purchasing mode of buying beverages.
3. Mention various control points that should be considered when receiving beverages.
4. State why you think it is important to keep a record of all breakages.
5. Outline ways in which you would attain the control of beverages in the production stage.
6. Examine different factors you would consider when pricing beverages.
7. List the important things to do in order to uphold cost control in a beverage operation.

REFERENCE

Davis, B., Lockwood A., Alcott P. & Pantelidis I. S. (2008). Food and Beverage Management. 4th Edition. Routledge 196 – 199

Uttarakhand Open University (2019), HM- 301. Food and beverage management. [Online]
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