

STANDARD OPERATING PROCEDURE	CODE: CF - 006		PAGE: 1 of 4
	EFFECTIVE:		UPDATE NO.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:		POTENTIAL BEVERAGE SALES VALUE CONTROL

OBJECTIVE:

To perform variance analysis between the potential beverage sales and the actual beverage sales to ensure the bar operation is standardized and with minimal waste

POLICY:

1. The menu sales analysis for beverage must be periodically performed and must be reflected in the potential beverage sales value.
2. If the difference between the potential beverage sales and actual beverage sales is significant, investigations must be made and necessary corrective actions taken

PROCEDURE

1. By determining the standard drink size and the selling price, the potential sales value of one bottle can be calculated and compared against the actual beverage sales amount. The potential sales value will fluctuate depending on the form of sales as different prices may be applied according to:
 - Standard portions by glass
 - If used as a base for a cocktail.
 - If sold as a bottle.

In case of the beverage being used as a cocktail base, the quantity used per order is dependant on the cocktail type and therefore, a Standard Drink Recipe must be prepared for all cocktails. For the same reason, bottle sales to guests should be clearly segregated from other beverage sales.
2. The Potential Sales Value calculation method depends of the type of sales as follow:
 - **Standard portion by glass:** a 26oz bottle can serve 25 glasses of which the standard is 1oz per glass; taking 1oz contingency for spillage, if one glass is sold \$ 5.00, then the potential sales value of one bottle will amount to \$ 125.00. However, if the selling price for a

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whole bottle is \$ 100.00, there would be a difference of \$ 25.00 between the sales and an adjustment of the potential sales must be done, using information from the daily report of full bottle sales.

- **Standard portion by glass and used as a based for cocktail:** the selling price and quantity used vary depending on whether they are served straight or used as a cocktail base. As for food, the sales proportions can be provided from a menu sales analysis and potential cost. Because the sales proportions widely vary depending on the type of a bar, the menu sales analysis must be carefully and periodically performed for each bar. From the results of the menu analysis, the appropriate potential sales value for these spirits can be established. The bottles to be used for cocktails and for straight drinks should be assigned separate potential sales values or alternatively to adjust the potential sales value in advance.

Example: assume that the following quantity of gin is established per the Standard Drink Recipe for a cocktail as follow:

Alexander: 1 oz Pink Lady: 1 oz
Gimlet: 1 oz Martini-gin: 2 oz

By multiplying the ordered quantity derived from the menu sales analysis and potential cost with the standard drink size, the total quantity of gin used can be calculated as follow:

Cocktail's name	Quantity Used Per Glass	Nb.of glass sold	Ttl Quantity Used
Alexander	1 oz	3	3 oz
Gimlet	1 ½ oz	10	15 oz
Pink Lady	1 ½ oz	4	6 oz
Martini-Gin	2 oz	<u>20</u>	<u>40 oz</u>
Total		<u>37</u>	<u>64 oz</u>

As a result, the average amount of gin used to make a cocktail is as follows: $64 \text{ oz} / 37 = 1.73 \text{ oz}$. If the bottle content of the gin used for these cocktails is 32 oz, then 18 drinks can be served from one bottle ($32 \text{ oz} / 1.73 = 18.5$)

Similarly, the total sales value is calculated from the cocktails' selling prices:

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Cocktail's name	Price	Nb.of glass sold	Ttl Quantity Used
Alexander	\$5.00	3	\$ 15.00
Gimlet	\$4.50	10	\$ 45.00
Pink Lady	\$5.00	4	\$ 20.00
Martini-Gin	\$5.50	<u>20</u>	\$110.00
Total		<u>37</u>	\$190.00

As a result, the average price for these cocktails is as follows: \$ 190.00 / 37 = \$ 5.14

From the results above, the potential sales value for the gin is as follows: \$5.14 x 18 = **\$92.52**

- **For soft drink provided free of charge as a chaser** to accompany spirit sales the potential sales is not established. However, potential sales will be adjusted when the soft drinks are sold by themselves.
3. At month-end, physical inventory should be taken for each bar. The inventory count is posted to Beverage Cost and Potential Sales, and the potential beverage cost and potential beverage sales are calculated and adjusted for bottle sales and other adjustments.
 4. When comparing the potential beverage sales amount against the actual beverage sales, there are three main cases:
 - The potential sales established for each item is incorrect, or compilation, calculation or adjustment figures are incorrect.
 - Because the selling price of the same beverage may be different from one bar to another, the potential sales value should be verified to see whether it is accurate
 - For beverage items which become cocktail base material, the menu sales analysis and potential cost should be checked to verify whether the potential sales established is appropriate.
 - Bottle sales should be checked to ensure they are accurately recorded and that the potential sales adjustments are correct.
 - Duties which are not standardized
 - Security: whether the bar liquor shelves and storages are locked

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- during non-business' hours.
 - Portion Size: whether the appropriate standard drink size is being served.
 - Inter-Bar Transfers: whether the inter-bar transfers are being recorded correctly
 - In-house vouchers and return: whether they are accurately recorded and being reflected in the cost calculation
 - The issues from storerooms to bars are not posted accurately to the Beverage Cost and Potential Sales.
5. When the service is standardized and Operations follow the trend as the menu sales analysis, the difference between the potential beverage cost ratio and the actual beverage cost ratio should fall within 0.5 percent. If the variance is larger, the difference should be investigated.
 6. The Cost Controller must separate bottle sales and glass sales in the sales of liqueurs and wines calculated by each bar to prepare the Summary of Actual and Potential Beverage Sales and Costs. This report is submitted and used by the General Manager and the Food and Beverage Manager as a reference material in determining the beverage cost tendencies and sales strategy.

Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date