

# Complete Buyers' Guide

Bar and Restaurant Inventory  
Management Systems



**Buyers' Guide**



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Looking to Improve Visibility and Control Over Your Restaurant or Bar's Inventory? Here's Everything You Need to Know About Selecting the Right Inventory Management System.

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## Introduction

# Food and beverage inventory management is crucial

With around 25 to 35 percent of a restaurant's operating budget dedicated to purchasing food (that's not even taking into account beverage inventory costs for the bar), proper inventory management can significantly improve expected revenue.

Inventory management is the process in which your business monitors all of its stock. This procedure involves your restaurant or bar taking regular inventory counts (weekly, monthly or quarterly), allowing you to monitor exactly what inventory you have and where it's being used.

This process will help your bar or restaurant to find where money is being wasted, improve your ordering processes and increase your profit margins.

The key to any successful bar or restaurant inventory management strategy is the implementation of an inventory management system.

To help guide you through the process of finding a software solution that works for your organization, we've created this complete Buyer's Guide. Let's explore what an inventory management system is, why its use is more successful than a spreadsheet, how you'll benefit, what to look for when purchasing a system, how much these systems cost, along with some implementation best practices.



We hope this Buyers' Guide helps to answer some of your inventory management system questions!



## Chapter 1

# What is a bar & restaurant inventory management system and why it's important

A restaurant or bar inventory management system is a software platform that is designed specifically to help your business improve your ordering processes, reduce bar shrinkage, record your inventory and provide insightful data that allows your restaurant/bar to make more strategic inventory decisions.

But how does it help your business achieve this? Through insightful analytics that look at your business's inventory processes at a granular level.

By using automated technology to track your food and beverage inventory, an inventory management system provides your bar or restaurant with the functionalities you need to perform precise counts and analyze the performance of your inventory processes.

The result? Increased cost savings and smarter inventory decisions that significantly improve the profitability of your bar or restaurant.

Let's take a look at some of the benefits of a bar and restaurant inventory management system in more detail.





## Chapter 2

# What are the benefits of an inventory management system?

There are a number of reasons why restaurant and bar owners will benefit from investing and implementing an inventory management system into their accounting processes, here are a few of the key benefits.

### **Complete Visibility into Your Inventory**

Losing money in food and beverage inventory is easy to do, but it can have a huge impact on your bottom line. By using an inventory management system, you will have clear visibility of what's coming in and out of your restaurant or bar. You will know exactly where you are experiencing inventory inefficiencies that are affecting your profitability.

### **Achieve a Better Work- Life Balance**

As a business owner you're likely working round the clock to make your business work, so why make things more difficult for yourself with manual processes and outdated ways of working. With an inventory management system, you can spend less time on tedious tasks and more time focusing on strategic planning, the customer experience, or even going on that vacation you've always wanted to.

### **Cost Savings**

Poor food and beverage 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.



**Improved  
Ordering  
Decisions**

How are you supposed to know how much of each product you are supposed to order if you have no insight into how much you are using? It's impossible! An inventory management system gives you the analytics you need to optimize your inventory order, ensuring you always have the right amount of product in stock.

**Better  
Decision  
Making**

In line with the above point, accurate inventory data can help you make more informed decisions about all areas of your business. Use the insightful data and the knowledge an inventory system gives you to make better decisions around menu changes, pricing, and even marketing strategies.

**Improved  
Efficiency**

Are you still analyzing your inventory counts using manual spreadsheets? Inventory management software will automate these backend processes, giving you more accurate insights and allowing your team to focus on higher-value responsibilities.

**Reduce Your  
Stress**

Knowing that your inventory is well-managed and controlled can significantly reduce stress and anxiety, allowing you to focus on other - more important - aspects of your business, such as creating new dishes and delighting your patrons.

**Better  
Customer  
Satisfaction**

When customers visit your restaurant, they expect to be able to order their favourite dish. If you can't deliver that due to a product shortage, it has a serious impact on not only customer satisfaction, but also customer loyalty as well. Your ability to meet customer expectations, revenue targets and profit goals is directly influenced by your ability to successfully manage your restaurant inventory.

**Reduced Waste**

Restaurants are unpredictable, and without proper inventory management procedures, products can easily become unaccounted for. In fact, shrinkage (commonly known as variance) caused by theft, product spoilage, breakage, spillage or human error is a common issue for most restaurants, and without proper inventory management you won't even have the visibility to see that it's happening.

**Opportunity for Growth**

By optimizing inventory management, you can free up your resources to invest in other areas of your business, such as expanding your menu, hiring more staff, or opening a second location. Improving your internal efficiencies gets your business ready to scale up when you are ready.

The benefits of successful inventory management are endless for your restaurant or bar, and can result in huge ROI. The cost savings and improved profitability you realize will ensure your restaurant or bar has all the data it needs to grow!

**All the Above Benefits Lead to Higher Profits**

Profit margins are typically incredibly slender in the hospitality industry, and that means successful inventory management is crucial, for your bar or restaurant. After you account for your ingredients, your venue, your staff and all of your business's daily operations, there may only be a small profit on each menu item.

This means that one small miss-calculation in your pricing, or a hiccup in your inventory counting, could seriously impact how much profit your business brings in. An inventory management strategy that uses insightful software will ensure your business is profitable.



## Chapter 3

# Can't I just use a manual spreadsheet to manage my inventory?



**As a bar or restaurant owner, you know just how important it is to keep track of your inventory.**

Accurate data into your inventory levels gives insightful analysis around how your business is financially performing; what your periodic automatic replacement (PAR) level should be for each item (the ideal amount to order); where your business is missing products; and a huge number of other findings - we could discuss the benefits of accurate inventory data forever!

The problem is, most bars and restaurants are still using pen, paper and manual spreadsheets to keep track of inventory counts and analyze that information.



**Spreadsheets are an ineffective method of gathering and analyzing inventory data.**

Using spreadsheets requires a huge amount of work, they lead to human error that result in data inaccuracies, those using them typically don't have the in-depth hospitality inventory knowledge to analyze granular data such as variance or pour cost, and they stop your business from automating processes and integrating inventory counts with other systems such as your point-of-sale (POS) system.



**All of this results in a serious lack of visibility and control over your restaurant or bar's inventory.**

Investing in an inventory management solution for your restaurant or bar is a way for your business to automate and manage its inventory processes in one centralized and easy-to-use platform.

This can help you not only streamline all processes associated with inventory management, but also gain complete control and visibility into your current inventory. Through insightful and actionable data, you can make strategic decisions that directly impact the profitability of your restaurant or bar.

There's simply just no way of achieving this by managing your bar and restaurant inventory using spreadsheets.

## Chapter 4

# Having an inventory system vs. NOT having one: **A comparison**

A well-functioning inventory system can significantly improve operations, reduce costs, and enhance customer satisfaction, while without one your business may struggle with manual processes, inaccurate data, and inefficient decision-making.

In this comparative analysis, we lay out the difference for your business of having an inventory management system Vs. not having one.

<b>With an Inventory System</b> <b>VS</b> <b>Without an Inventory System</b>	
<b>Automation</b>	<b>Manual processes</b>
<b>Increased visibility and accuracy</b>	<b>Lack of visibility into inventory</b>
<b>Increase cost savings</b>	<b>Lack of inventory control</b>
<b>Time saved to focus on other tasks</b>	<b>Inefficient operations</b>
<b>Reduced theft and waste</b>	<b>No visibility into lost product</b>
<b>Improved menu planning &amp; pricing</b>	<b>Business decisions without data</b>
<b>Avoid product shortages</b>	<b>Poor customer satisfaction</b>
<b>Avoid overordering &amp; deadstock</b>	<b>Wasted spend on unneeded products</b>

## Chapter 5

# What inventory costing method should you use on your system?

If you're considering investing in an inventory management system, then you're probably wondering how you will better calculate your food and beverage costs using the software.

This is a huge point, since the success and profitability of your business depends on accurate inventory data that guides smarter decision-making.

Pay too much for your stock and charge too little for your menu items and you'll be losing out on a healthy profit margin, but purchase the right amount of stock at the right prices - and work out the optimum price to set your menu items - and you'll build a highly profitable business.

**There are three primary accounting methods that restaurants and bars can use to determine their costs:**

1. **First-in, First-out (FIFO)**
2. **Last-in, First-out (LIFO)**
3. **Weighted Average Cost (WAC)**

Let's dive into these in a little more detail so you can choose the methods that work best for your business.

### **First-in, First-out (FIFO)**

The FIFO costing method assumes that the goods a restaurant purchases first are the goods that it uses (and sells) first to calculate cost of goods sold (COGS). The remaining inventory in the restaurant consists of the most recent purchases and is accounted for at the good's current cost.

### **Last-in, First-out (LIFO)**

A reverse approach to FIFO, LIFO values inventory on the assumption that goods purchased last are sold first at their original cost. This method assumes that the oldest goods continue to remain as ending inventory, while the newer and more expensive goods are used first,

### **Weighted Average Cost (WAC)**

Generally considered the middle ground between FIFO and LIFO, WAC uses the average unit cost to calculate COGS as opposed to the oldest or newest.



## Chapter 6

# How to calculate your pour cost

One of the most important metrics to calculate for bars and restaurants when using an inventory management system is pour cost.

Pour cost is the percentage of costs that your drinks cost compared to your bar's resulting sales from those products. This enables your bar to measure its gross profit margin on each product or recipe.

For example, if your bar's pour cost is 20 percent for all of its beer, liquor and wine, then your business has made 80 percent in gross profit from all of the alcohol that your bar has sold.

Pour cost relies on effective bar inventory management counts and point-of-sale system sales data. You can calculate it by:

**$(\text{Wholesale price of the product} / \text{retail price}) \times 100 = \text{pour cost percentage.}$**

The most important aspect of this calculation is to figure out the wholesale cost and retail price for a specific quantity. For example, if a bottle of Budweiser costs \$1 and you sell it for \$4, then your pour cost is  $\$1 \div \$4 = .25$  and  $.25 \times 100 = 25\%$ . This calculation is typically done on an individual product/menu item, to measure how much you make from every item you sell through your point-of-sale.

The result? You will be able to identify where you are losing money through liquor shrinkage, as well as gain insight into your bar's top and worst performing products.



### What pour cost should you be aiming for?

Despite this being one of the most common questions we receive here at Sculpture Hospitality, there's really no such thing as the "ideal pour cost". It entirely depends on your business. It depends on your costs, pricing, how long you are open for and your bar's sales mix. For example, a nightclub would generally need a far lower pour cost than a sports bar since it's open significantly fewer hours each week.

## Chapter 7

# How to calculate your food cost

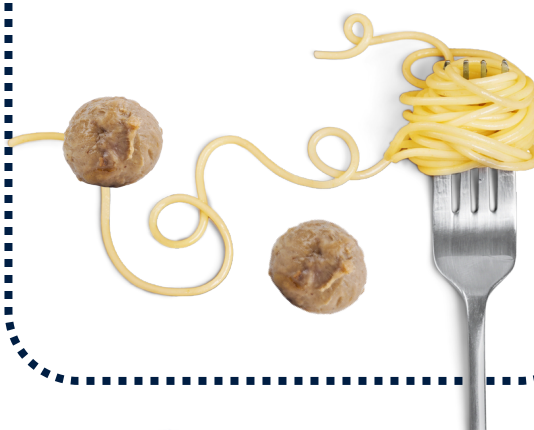
To manage your costs and improve your restaurant's profitability, it's crucial that your business not only knows exactly how much you are spending when you order new stock - but also how much of that inventory you're actually using.

The first step, is to understand your food cost percentage. Food cost is the ratio of a restaurant's cost of ingredients (food inventory) and the revenue that those ingredients generate when the menu items are sold (food sales). Food cost is expressed as a percentage.

It's typically advised that the food cost percentage should be **between 28 and 35** percent for optimum inventory performance.

### For Example:

If all of the ingredients you used to create your spaghetti and meatball dish cost \$4 and you sell that dish on your menu for \$10, then your food cost percentage would be 40 percent.



To go one step further, you need to understand your restaurant's food variance. **Variance, or shrinkage**, is a term used to describe the difference between what is expected and what actually happened.

**Variance is simply the difference between how much you spend on a product, compared to the actual usage amount cost.**

If your inventory usage amount and your sales data don't equate, then that's going to push your overall food cost percentage up, making your menu items more expensive to create.

Understanding your food costs as well as your food variance, gives you the opportunity to better control your inventory and make changes that directly impact the profit margin of your menu items.

### For Example:

If your **actual inventory usage** is \$100 of cooked chicken but your point-of-sale system says you only sold \$90 worth of cooked chicken, your **variance will be** -\$10. That means \$10 of cooked chicken is unaccounted for.

The **calculation in this situation** would be \$10 (the variance amount)/ \$100 (the usage amount cost) - 10%.





## Chapter 8

# Key things to look for in an inventory management system

When looking for an inventory management system, you'll want to choose a technology that works for you. With so many options on the market, however, how can you possibly know?

While free apps may work for some businesses, others will need more extensive inventory management systems that can be customized for their business. To help you find the right system, we've listed a few key things to look out for, although it's important to note that only you can truly know which ones are important for your business.

### User-Friendly Interface

1 The best inventory software should have an intuitive and user-friendly interface. Your staff - including your chefs and managers - should be able to navigate the system easily without extensive training. Look for software that simplifies complex inventory processes and provides a seamless experience for your entire team.

### Integration Capabilities

2 Seamless integration with your other technologies is essential. This ensures that data flows effortlessly between different functions, providing a holistic view of your restaurant and bar operations. Integration capabilities contribute to a more cohesive and efficient business environment. We'll touch on this in more detail in the next section of our guide.

### Automated Reporting

3 Comprehensive and customizable reporting features are essential for informed decision-making for your business. Look for software that provides automated reports on key performance indicators (KPIs), inventory turnover, and stock levels. Customizable reports enable restaurant and bar managers to tailor insights according to their specific needs.

### Work With a Reliable and Trusted Company

4 Applications come and go in this space all the time, meaning it's important to choose a provider who will stick with you for the long run. When considering an inventory system make sure to evaluate the company's reputation, stability, and commitment to long-term support. Choose a well-established provider with a proven track record of staying in business and providing ongoing updates and maintenance. This ensures your data remains secure and accessible over time, even if the software landscape changes.

## Customization

A customizable inventory management system allows you to tailor the software to your specific business needs. Look for features that enable you to customize the user interface, reporting and analytics, integration options, scalability, and mobile access. Customization ensures the system is a perfect fit for your operations and provides maximum value.

## Forecasting and Analytics

The ability to forecast demand and analyze trends is a game-changer for your restaurant or bar. Advanced software should incorporate predictive analytics to help managers anticipate fluctuations in demand, optimize stock levels, and minimize waste.

## Third-Party Expertise

One of the most overlooked aspects of inventory systems in many restaurants and bars is the support that is offered along with the technology. To help maximize your ROI of inventory software it's critical that you work with a provider who can offer expert advice and consultation. For many systems, particularly the less expensive app options, there's absolutely no support provided and you'll need extensive experience with both technology and inventory to maximize your profits. We'll cover this topic in more detail in a later section of this guide.

## Scalability

Have aspirations of growth? Consider choosing inventory software that can grow with your business. Scalability is crucial for adapting to changes in the size and scope of your company. Whether opening new locations or expanding your menu, your inventory software should be able to accommodate the evolving needs of the business.



## Chapter 9

# The importance of integrating your inventory system into your existing tech stack

When it comes to investing in the right inventory management system, seamless integration with your other restaurant management systems, such as point-of-sale systems and accounting software, is essential.

This ensures that data flows effortlessly between different functions, providing a holistic view of restaurant operations. Integration capabilities contribute to a more cohesive and efficient business environment and gives you complete visibility and control over your business.

**Here are a few of the key ways in which integration will help your business:**

### Streamlined Data Flow

By connecting your inventory system to other tools like your POS system, accounting software, and CRM, you can ensure that data is shared seamlessly across platforms. This eliminates manual data entry, reduces human error, and provides a more accurate and up-to-date picture of your business.

### Improved Decision Making

When your inventory data is integrated with other systems, you can gain deeper insights into your business performance. For example, you can analyze sales data alongside inventory costs to identify profitable and unprofitable menu items.

### Scale Up With Ease

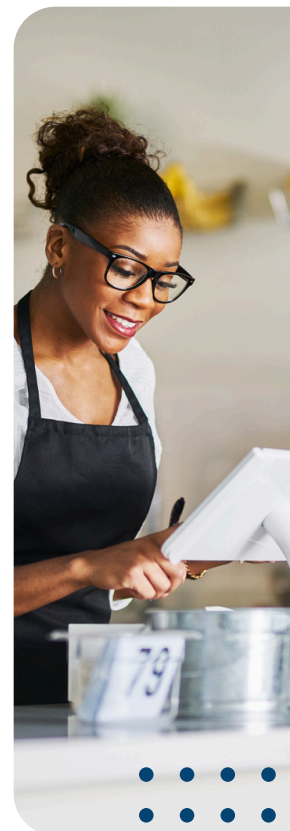
As your business grows, an integrated system can help you scale your operations more easily by providing the flexibility and scalability needed to support increased demand from your patrons or even support you in the opening of a new site.

### Improved Cost Control

Integration across your tech stack can help your business identify areas where costs can be reduced, helping you not only save money but to improve your bottom line. This could include things such as optimizing your purchasing practices or minimizing waste.

### Increased Efficiency

By automating tasks and reducing manual processes, integration can help you save time and improve overall efficiency. For example, your inventory system can automatically reorder products based on predetermined levels, eliminating the need for manual purchasing.





## Chapter 10

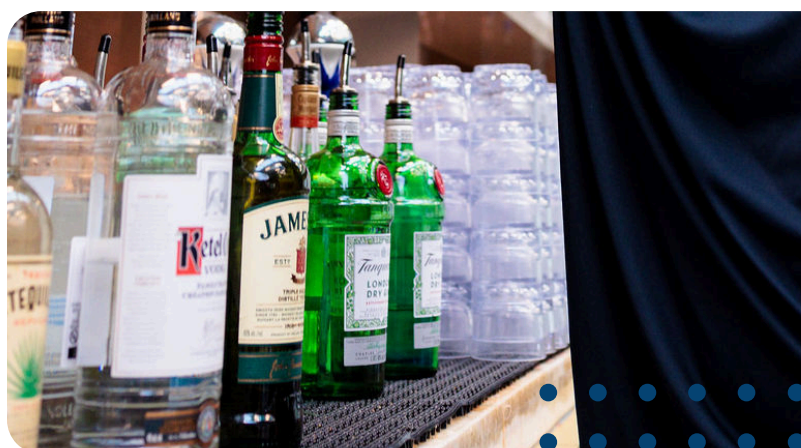
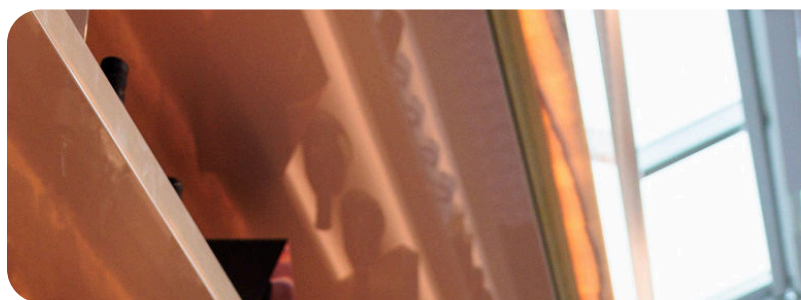
# How much does an inventory management system cost?

One of the most common questions we receive from restaurant and bar owners here at Sculpture Hospitality is 'how much does a bar and restaurant inventory management system cost?

While there are companies out there who will charge you for their software without really taking the time to understand your business, in reality there's **no one-priced solution that fits all when it comes to inventory management.**

Each restaurant and bar has its own requirements, objectives and goals, and that means each business requires a unique inventory management software service.

That's why Sculpture Hospitality provides a full suite of services, from just the software to a complete white glove service in which our local inventory management specialist can organize, manage and analyze your company's entire inventory management process.





## Chapter 11

# Inventory management system implementation best practices

There's not many things more nerve-wracking than introducing new technology to your business. You might need to change your processes, you'll need to train your staff on how to use it and you'll need to embed it seamlessly into your bar or restaurant's workflow.

That might be stressful at first, but there are some things you can do to ease the implementation process and start reaping the rewards of an inventory management system as soon as possible.

1

### Assess Your Needs:

- Identify your goals: Clearly define what you want to achieve with the inventory system, such as improving efficiency, reducing costs, or enhancing customer satisfaction.
- Evaluate your current processes: Analyze your existing inventory management practices to identify areas for improvement and determine the features and functionalities you need in a new system.

2

### Choose the Right System:

- Research options: Explore different inventory management systems and compare their features, pricing, scalability and the level of expert support they provide.
- Consider your budget: Determine your budget for the system and its implementation costs.
- Evaluate compatibility: Ensure that the system is compatible with your existing tech stack, including your POS system, accounting software, and CRM.



## 3

**Plan for Implementation:**

- **Develop a project plan:** Create a detailed project plan outlining the key steps, timelines, and responsibilities involved in the implementation process.
- **Provide training:** Ensure that your staff receives adequate training on how to use the new system effectively.
- **Communicate with stakeholders:** Keep your team and other stakeholders informed about the progress of the implementation and address any concerns or questions.

## 4

**Data Migration:**

- **Cleanse your data:** Ensure that your existing inventory data is accurate and up-to-date before migrating it to the new system.
- **Develop a migration plan:** Create a plan for transferring your data to the new system, including steps to validate and verify the accuracy of the migrated data.

## 5

**Go Live and Optimize:**

- **Launch the system:** Implement the inventory system and begin using it in your daily operations.
- **Monitor and evaluate:** Continuously monitor the system's performance and gather feedback from your staff to identify areas for improvement.
- **Optimize processes:** Make adjustments to your inventory management processes as needed to maximize the benefits of the new system.



## Chapter 12

# Why an inventory management system and expert support go hand-in-hand

**Software is crucial to successful bar and restaurant inventory management**, but it's also beneficial to have an inventory specialist to guide you through the process.

It's a common mistake for many bar and restaurant owners to rely on technology forums and customer support to maximize their use of a recently implemented bar/restaurant inventory management system. To truly optimize the ROI you realize from the use of an inventory management system, technology must be combined with expert advice.

Unfortunately, the vast majority of bar and restaurant inventory management software providers don't provide this service. They simply license the use of the software to restaurant/bar owners and then leave it up to them to find trends and patterns in the analytical data.

That's where Sculpture Hospitality is different. We have local inventory management specialists who understand how the software works and how the data can be used to promote growth for your specific business.

Not only have we developed an innovative bar and restaurant inventory management system, but we also have the experts to help you implement it successfully.

No matter where in the world your bar or restaurant is located, our team of inventory management specialists are always available to offer your business in-person (or video chat) support.

We will ensure that your inventory management system is customized perfectly for the unique requirements of your business, and that you know exactly how to leverage the data to boost profitability.





# About 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: [sculpturehospitality.com](https://sculpturehospitality.com)

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