Monitor Your Patient: Part 2

By Tom Hennessy, Colorado Boy Brewing

Note: You can subscribe to Tom's blog, The Affordable Brewery, [here](.).

Date_____	Colorado Boy Brewery	Beer Inventory		
Hand Count	**Malt**	**Amount**	**Price**	**Total**
	2 Row	344	0.69	237.36
	40 L	44	0.92	40.48
	60L	87	0.92	80.04
	120 L	93	0.92	85.56
	Carapils	71	0.89	63.19
	Munich 10L	61	0.77	46.97
		0	0.63	0
	Chocolate	21	0.86	18.06
	Ashburn	25	0.77	19.25
	Victory	60	0.94	56.4
	Extra Special	45	0.95	42.75
	White Wheat	47	0.77	36.19
		0	0.83	0
	Black	45	0.83	37.35
	Flaked Barley	0	0.48	0
	Rice Hulls	0	0.58	0
	Viena	38	0.7	26.6
	Roasted Barley	24	0.83	19.92
				$ 810.12
	Hops			
	Liberty	11	11.3	124.3
	US Challenger	44	23	1012
	Warrior	0	11	0
	Arg. Cascade	16	22	352
	US Cascade	45	12.35	555.75
	UK Fuggle	2	11.55	23.1
	Crystal	9	9.3	83.7
	Centennial	49	10.12	495.88
	Summit	26	14.4	374.4
	East Kent Goldings	17	11.25	191.25
	Czech Saaz	7	0	0
				$ 3,212.38
	Finished Product			
	Guest Beers	0	90	0
	Yeast	1	120	120
	Cases	0	0	0
	1/2 BBL's	3.25	22.5	73.125
	1/4 BBL's	0	7.5	0
	5 Gal	0	7.25	0
	Tanks (BBL's)	7.7	45	346.5
				$ 539.63
	Beginning Inventory	4979.37		
	Purchases	458.87		
	Ending Inventory	$ 4,562.13		
	Cost of Goods Sold	$ 876.12		
	Sales	13786.86		
	PC	6.4%		

So we have covered the first part of the scoreboard - sales and sales pace. Everything else is moot if you are not meeting this first thing. But, as long as I've been in this business, I am still amazed at how many people do not track cost of sales on a monthly basis - if ever. Remember you can't manage it unless you can measure it.

I had a friend some years back who complained that the restaurant business sucked! He had good sales but just kept squeaking by, hardly even getting paid. I asked him about inventories and what his food, beer and wine costs were, and I just got back the deer in the headlight stare. So I explained how it worked and that you do it at a minimum of once a week. He said "no way, too much work and I'm already too busy". He is no longer in business.

This is vital. Here me now or believe me later, yes this is work (about 3 hours a month) but the hassle is way out-stripped by the rewards. If you are unfamiliar with how they work I have added the section from my book The Brewery Operations Manual, to explain.

But for purposes of the scoreboard, I write down what we sell. In our case it is Beer, Wine, Food, Beverages (cokes etc.) and Merchandise. Next to each one I write the target cost of goods sold % goal. So for beer my goal is very generous at 12%. Which means for every dollar of revenue I collect .12 covers yeast, hops and malted barley (I don't calculate water in - that's too difficult).

This is important. If I do inventory and the number is 15%, then I know there is a problem somewhere. Could be theft, hop prices going up, or a food invoice got coded to beer. Either way I need to know this so I can address it and make changes.

Once I have all my inventories done, I post this number on the scoreboard. If I hit my goal and the % is where is should be or even better - less, then I write it in black. If my % is higher than my goal I write it in red. If all my numbers are in the black then I do not need to do anything until the next inventory at the end of the month. If there is one that is in red, then I know I need to find the cause, correct it and do another quick inventory to make sure it is right. Here is an explanation of how to do inventories.

Cost of Sales
To calculate cost of sales you use the following formula:
Beginning inventory, plus purchases, minus ending inventory, equals cost of sales.

Next, you take this number and divide it by your sales to come up with a cost of sales as a percent. This is a very important figure in your budget.

 The first thing you do is to establish a beginning inventory. This will be done on the first day of the month. To do this you will need to inventory all the things you sell, such as grain, hops, and finished beer etc., and then multiply each item by what the item costs per unit (your cost). Next, add all the total columns to come up with a total value of the inventory. This will give you your current inventory in dollars.

If you would like a copy of the inventory spreadsheet we use, just contact me. Cheers!

Next up: Monitor Your Patient: Part 3 where we get into Labor, the final section of the scoreboard.

Contributing Author

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Tom Hennessy has opened seven breweries of his own and helped open over 100 more with his Colorado Boy Brewery Immersion Course. His video Frankenbrew, from 1995 has become a cult classic in the brewing world. His three brewing books include The Brewery Operations Manual, Colorado Boy SOP, and The Affordable Brewery. Tom lives, brews and writes in his mountain town of Ridgway, Colorado.