Nitty-Gritty Advice

MAKING MONEY AND MAKING GUESTS HAPPY ARE NOT MUTUALLY EXCLUSIVE

by Meg Houston Maker

PHOTO: CHRIS GRANGER

At Commander's Palace in New Orleans, "Wine Guy" Daniel Davis says, "Hospitality and service is the essence of what we do—and we're very, very lucky to get paid to do it."

WINE DIRECTORS MAKE GUESTS HAPPY. Wine directors also make restaurants money. At the intersection of happiness and profitability lies the wine list, and it's not so much document as covenant, the promise of deliciousness for the diner and profits for the partners.

In first of this two-part series on wine list development ("It's All in the Mix," *The Somm Journal*, December-January 2016-17), wine directors shared their strategies for balancing economics with customer value perception. Here we dive deeper into back-office tactics that shore up profitability and guarantee that at the end of the night, everyone goes home happy.

FOCUS ON COSTS.

"There are people who have been running programs who have no idea how their costs are calculated. Which is stunning to me," says David Glancy, MS, founder and CEO of San Francisco Wine School. He offers a class in Wine Program Management that brings directors up to speed in five days flat.

Glancy shares that the national average wine cost for white tablecloth restaurants is 36%, but that figure varies by market. In rural areas you might get away with 40%, but in metro regions you might need to target, say, 29% to offset higher rent, wage and benefit expenses.

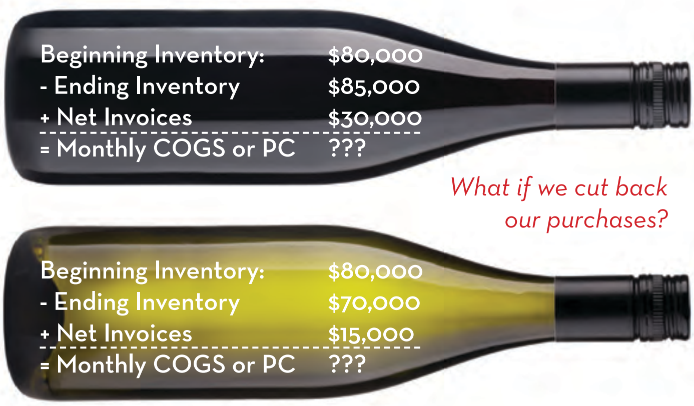
Cost targets vary up and down a list, too. "Our by-the-glass program offers the highest ROI, with a specific cost percentage in mind: 25%," says Juan Gomez, MS, of The Breakers in Palm Beach. That figure helps him offset higher cost percentages for bottles.

To keep overall costs down, Glancy advises taking advantage of end-of-month discounting, vintage closeouts, pallet buys and family plans, especially for popular items. No storage? No problem. Commit to a pallet but take it in three-case deliveries. Hospitality groups can also win better pricing by adding a core set of wines across all lists.

Savings can be passed to the customer, winning loyalty. Shawn Westhoven, Beverage Director at the nine-property Newport Restaurant Group in Rhode Island, likes this approach. "We always try to get people to say, 'Wow, I can't believe I'm seeing this wine at less than at a really casual place. How do they do that?'" he says. "We do it because we buy a hundred cases of it and we get the best price."

BUDGETING > TRACKING

Monthly Cost of Goods Sold Calculated



SCALE THE MARKUP, BUT WATCH TOTAL DOLLARS.

Markups are often five or six times at the low end, one-and-a-half to two times at the high end, an approach keeps pricing friendlier at the middle and upper tiers. As Daniel Davis, so-called "Wine Guy" at Commander's Palace in New Orleans, says, "The average two-top is going to buy one bottle of wine. Do you really need to mark up a $500 bottle of wine three times? No, you don't."

Westhoven uses a weighted formula: cost x 2.2 + $10. That lets him list a $10 wine at $32, but a $100 wine at only $230. It gets customers' attention. "We put Jordan on at $150—and normally it's $180 to $200 on other lists," he says. "People can't look past that, and they order that Jordan like crazy."

But remember the old saw: You can't deposit percentages. Watch dollar margins, too, especially for expensive wines where the markup as a *percentage* might be less but, observes Glancy, "you're going to have more cash going into the bank."

CRUNCH, CRUNCH, CRUNCH THE NUMBERS.

Whether you use spreadsheets plus data from a point-of-sale system, or software like BinWise, regular oversight is critical. And be sure to match your inventory with sales period, advises Glancy, otherwise "your numbers are garbage."

Dan Davis keeps a dual-purpose Excel file, printable for his list but with hidden columns for cost, depletions and historical data. Westhoven creates scatter diagrams to show what's moving, then loads up on high-performance categories.

Pay special attention to shrinkage—losses like breakage, theft and over-pours. Budget for 3%, but try to keep it to 1%, advises Glancy. Another common mistake? Skipping orders at the end of the month, he says. It *seems* to reduce costs, but it also reduces inventory and sales, making the impact on total product cost precisely zero.*

But also—remember your core business. "You can't get so focused on the numbers that you're thinking of your customers as numbers," concludes Davis. "Hospitality and service is the essence of what we do—and we're very, very lucky to get paid to do it." SJ

PHOTO: KRISTIN TEIG

Shawn Westhoven, Beverage Director of Newport Restaurant Group in Rhode Island, passes savings on to the customer, winning loyalty.

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Daniel Davis in the cellar at Commander's Palace: "The average two-top is going to buy one bottle of wine. Do you really need to mark up a $500 bottle of wine three times? No, you don't."