



# COSTING 101

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## Step One: Let's Make a Drink

“Le Grand Intello” (ahem, “The Big Nerd”)

2oz Grand Marnier Cordon Rouge

1oz lemon juice

0.75oz simple syrup

3 dashes orange bitters

Shake with ice, double strain, serve up in a coupe. Garnish with a lemon peel.



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# Pause!

We need some background information before we start to cost things out:

- > What size bottle (of spirits and bitters) are we using?
- How do we make our syrup?
- What is the median juice yield of a lemon?
- What price do we pay for each of these items:
  - Sugar
  - Lemons
  - A bottle of the spirit and a bottle of the bitters

**Pencil, calculators, paper at the ready!**



**Much like math in school, it's easiest if you get things into the smallest measurement that you will use.**

For juice, syrup, and spirits, that will be ounces.

For bitters, that will be dashes.

## Let's get things into ounces!

A lemon = 1.5-2oz juice | A case of lemons = 165 lemons

\$39.45 / 288.75 ounces in a case = **\$0.14 per ounce**

## Let's get things into ounces!

A quart (32 ounces) of simple syrup is made with 500g of sugar.

Sugar comes in a 50lb / 22679.6g bag for \$33.56.

$\$33.56 / 22679.6 = \$0.00148$  per gram

$\$0.00148 \times 500 \text{ g} = \$0.74/\text{qt} = \mathbf{\$0.023/\text{ounce}}$

## Let's get things into ounces!

750ml bottle = 25.36052 ounces

\$36.23 (price per bottle of Grand Marnier) / 25.36052 = **\$1.43/oz**

1L bottle = 33.814 ounces

\$36.23 / 33.814 = \$1.07/oz



## Let's get things into ounces!

One dash = 0.021 oz

5oz bottle / 0.021 oz in a dash = 238 dashes in a bottle

\$5.50 (price per bottle of orange bitters) / 238 dashes = **\$0.023/dash**

## Okay, so a recap

We need some background information before we start to cost things out:

Cost per ounce of Grand Marnier: **\$1.43**

Cost per dash of orange bitters: **\$0.023**

Cost per ounce of lemon juice: **\$0.14**

Cost per ounce of simple syrup: **\$0.023**

## So let's cost Le Grand Intello out.

2oz Grand Marnier Cordon Rouge x \$1.43 = \$2.86

1oz lemon juice x \$0.14 = \$0.14

0.75oz simple syrup x \$0.023 = \$0.017

3 dashes orange bitters x \$0.023 = \$0.07

Lemon peel garnish (cue a note about peels/FIFO)

$\$2.86 + \$0.14 + \$0.017 + \$0.07 = \$3.087 // \$3.09$

Take a moment to exhale, and then we'll review.



## Okay, so remember:

Costing requires math, patience, a little bit of forethought. Here are some tips to make the whole thing easier:

- Calculate the ounce cost of your **entire** inventory. (including beer and wine...we'll get to that)
- Have your house-made recipes costed out! From a complicated shrub to your simple syrup, all of it.
- Keep an eye on the price of produce (check probably once a month, at least once a quarter)

## Okay, so remember:

### Juice:

$$\text{Oz Cost} = [\text{Case Cost} / (\text{Avg Oz Yield of Each Fruit} \times \text{Case Quantity})]$$

### Syrup:

$$\frac{[(\text{Sugar Pkg Cost} / \text{Total Quantity by weight}) \times \text{Weight of Sugar in Recipe}]}{\text{Total Oz in Recipe Yield}}$$

### Spirits:

$$\text{Oz Cost} = (\text{Bottle Cost} / \text{Total Oz of Bottle})$$

### Bitters:

$$\text{Dash Cost} = [\text{Bottle Cost} / (\text{Bottle Size} / 1 \text{ dash in ounces})]$$

# Let's talk about ancillary costs!

Ancillary Costs are the costs of equipment, items, and power necessary to make drinks happen. Here are just some to consider:

- > For every drink, a glass must be washed. How much does each cycle in the dishwasher cost? And how many glasses can fit at once?
- Ice machines require electricity, water, and often, a monthly lease in order to prepare ice for your drinks!
- How labor-intensive is your drink? The syrup that goes in the drink?
- How often does your bar have to purchase or break out new glassware?
- Does the drink require a straw? Do you use beverage napkins or coasters?

# Let's talk about ancillary costs!

Ancillary Costs are the costs of equipment, items, and power necessary to make drinks happen. Here are just some to consider:

- Calculating all of this is tedious, and to be quite honest, more labor than can be justified (don't minimize your hourly wage!)
- However, maybe ask your owner if they have a comfortable "surcharge" to help cover those ancillary costs that you can add to the cost of a drink when calculating the price.
- It may just be cents, but when 100-300 drinks go out in a night, that amount adds up quickly!



# Beer and Wine: Costing Basics

## Beer:

Cans and Bottles = Cost of Case / Case Quantity

Kegs = (Cost of Keg / Total Ounces rounded down to nearest 100) x Pour Size

½ Keg - 15.5 gallons (1984oz) // Pony Keg - 7.75 gallons (992oz) // Sixtel - 5.16 gallons (661oz)

## Wine:

Glass Cost = (Bottle Cost/Total Oz Capacity) x House Pour Size

(Wine in kegs often come in the 20L size, which is 676oz)

# Before setting prices, do market research.

As the manager held accountable for the profit-cost ratio, you will need to consider the desired cost percentage from your owners, while also considering what others charge.

- Similar concepts (style of dining, level of commitment to craft, same price point on food, same amenities)
- All alcohol-serving establishments in your zip code and your town

No one wants to undersell themselves, and it's also part of being a good neighbor: you don't want to undercut those businesses near you that make up your community.

# Once you have the happy balance...

- Multiply up your beverages and see where they fall.
  - 15% cost = multiply the cost by 6.67
  - 20% cost = multiply the cost by 5
  - 25% cost = multiply the cost by 4
  - 30% cost = multiply the cost by 3.33

**\*\*Extra things to consider:**

Are you including tax in your advertised price, or will it be added onto the check?  
Wines by the glass are priced differently than wine by the bottle, a growler may not be directly proportional to a pint, etc.

There is also virtue in *balancing* your menu: making more profit on something in your rail in order to make less profit on something expensive on the backbar. (also seen in by-the-bottle wine lists, draft lists that focus on craft beer, etc)

## Obviously, this was just scratching the surface.

If you'd like to learn more:

- The Drinkable Genius Patreon - for the cost of a beer or cocktail each month, I am making templates, tools, and things I've built for various programs available, and teaching more classes like this.
- [www.drinkablegenius.com](http://www.drinkablegenius.com) - my company's website
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