

my brg | settings | logout



## Business Reference Guide Online

search for information on 556 industries

BRG search cocktail

[◀ back to search results](#) | [view all industries](#)


### Cocktail Lounges

SIC: 5813

NAICS: 722410

Number of Businesses / Units: 11,000

#### See Also

- ▶ [Bars](#)
- ▶ [Bars -- Adult Only \(Adult Clubs/Nightclubs\)](#)
- ▶ [Bars with Slot Machines](#)
- ▶ [Bars--Nightclubs](#)
- ▶ [Beer Taverns -- Beer & Wine](#)

This industry comprises establishments known as bars, taverns, nightclubs, or drinking places primarily engaged in preparing and serving alcoholic beverages for immediate consumption. These establishments may also provide limited food services.

#### Rules of Thumb

40 percent of annual sales plus inventory

3 to 4 times monthly sales; add license (where applicable) and plus inventory

1.5 to 2 times SDE; add fixtures, equipment and inventory

\$ for \$ of Gross sales if property is included, 40 percent of annual sales for business only plus inventory

#### Benchmarks

"Sales price 2 ½ to 3 times the annual liquor sales. Rent should never exceed 6 percent of the gross sales."

"When buying liquor, only purchase what you can sell. Ignoring this simple rule has put many bars out of business...The only way to maintain a profitable operation is to establish a firm system of liquor control, and usage, that lets you know, to the penny, exactly how much each drink costs, and how much liquor is poured...Each dollar tied up in inventory is a dollar not working for you. And cashflow is the name of the game. So keep your inventory lean.... If you sell one-ounce drinks for \$2 each, a quart bottle can generate 32 drinks, and \$64 in revenues. If the quart bottle costs you \$12, your gross profit will be \$52. Subtract about \$15 to cover labor and overhead, and you should clear \$37.... However, if your bartender 'free pours' liquor, and his shots average 1 1/2 ounces, the number of drinks you get from a quart will be cut from 32 to 21. This will cut your revenue from \$64 to \$42. And your gross profit will fall from \$52 to \$30. And, if your bartender also gives away 4 free drinks out of the same bottle, your gross profit will drop to \$22, minus your \$15 in labor and overhead, which will leave you with just \$7. That's why your liquor should be guarded like cash."

From "Eleven Tips to Owning a Profitable Bar," Specialty Group, Pittsburgh, PA

#### Expenses as a Percentage of Sales

▶ Cost Of Goods	Food -- 30% to 40%; Beverages -- 18% to 22%
▶ Payroll/Labor Costs	25%
▶ Occupancy Costs	8%

▶ Profit (pretax) ..... 10%

**Industry Trend**

"Demand for this type of business seems to be declining."

[Terms of Use](#) | ©2008 Business Brokerage Press, Inc.