

BUSINESS OF THE BUSINESS

The Art of Raising Menu Prices

It's a fact that operators' costs are going up – 38.8% of respondents to NRN's Outlook 2011 said their biggest challenge in 2011 will be higher commodity costs, which the USDA estimates will increase 2-3% this year. Almost 60% of respondents also said they plan to increase menu prices. "If there were ever a time when restaurateurs had consumer sympathy to raise prices," Dave Pavesic, Ph.D., professor, Cecil B. Day School of Hospitality, Georgia State University, says, "it's now, because increased commodity prices are all over the news." Some advice:

CREATE NEW MENU ITEMS AND DON'T DRAW ATTENTION TO PRICE INCREASES

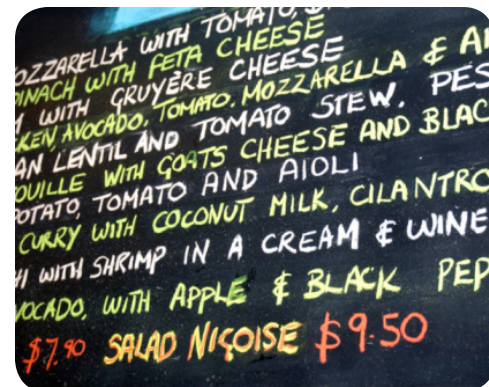
Dave cautions operators never to raise prices across the board. He advises creating one or two new menu items that customers have no pricing reference to, that are developed specifically to achieve a certain price point and generate a profit (e.g., McDonald's new Angus Chipotle BBQ). Another option is to add a small increase to one or more of the most popular items that have an existing demand. "Customers are already fans of these items, and increasing the price a little won't deter them," Dave says. He also recommends using odd-cent pricing increments (ending in 5 or 9) because when a price is raised from \$7.75 to \$7.99, for example, it is less likely to be noticed. "Restaurants that price items using dollars only will need to increase prices by a full dollar, which is more visible," he explains. If you feel the need to raise prices on every menu item, Dave suggests raising them incrementally – on a quarter of the menu every 90 days, so that by the end of year, all prices will have been raised without drawing too much attention to them. "Also, when raising the price of an item, consider increasing the portion size or adding an accompaniment – creating a new, larger, or improved version of the old item. That way, you provide added value and not just a price increase."

OFFER VALUE-PRICED ALTERNATIVES

"Value propositions continue to drive a lot of business, so if you have to increase prices, I recommend also offering a value alternative of some kind in addition to your basic menu – a prix-fixe menu, a bundled meal, smaller portion options, etc.," says Tom Kelley, managing partner, Concept Branding Group. "These special values give those people who might be inflexible on price a reason to continue coming in and show them that you're still catering to them and value their business." One example, he says, is the extended happy hours at Fleming's Steakhouse and The Palm – limited bar menus with sliders, shrimp cocktails, crab cakes, etc. priced from \$4.50 to \$6 (usually from 5 to 7pm, and in some locations The Palm also offers bar bites from 9pm until closing). "They've been getting some new business as a result, plus some customers stay for dinner," Tom says.

DEVELOP A COMPREHENSIVE PRICING STRATEGY

Rafi Mohammed, Ph.D., author of "The 1% Windfall: How Successful Companies Use Price to Profit and Grow," says that the beauty of a comprehensive pricing strategy is that many concepts are straightforward to implement and can start yielding profits almost immediately. "Restaurants often do not have a pricing strategy," says Rafi. "They estimate costs and mark them up 25-30%, as if all customers and their needs are the same, and, as a result, the price is not a reflection of what the customer is willing to pay." He recommends creating three price plans, what he refers to as "good, better, and best." For the "good" (lower-priced option), Rafi says it doesn't have to be an "all-you-can-eat" scenario which feels like it devalues your product, but the concept could be used for a specific item, e.g., an "all-you-can-eat shrimp night." "Better" could be the regular menu, and the "best" option could be a customized experience like a chef's table. Offering three price plans attracts not only customers driven exclusively by price who might not have come in, but also those who are less price sensitive and interested in the "best" option. He says it's surprising how many customers choose the "best" option. "I'm a fan of more options – I believe it increases customer satisfaction. Even if I'm paying full price, I like knowing that if I come in before 6pm on Tuesdays, I could take advantage of the Tuesday night prix-fixe." Rafi says even small changes in pricing can have a big impact on your bottom line, and it's worth spending time – a half day – developing a pricing strategy.



Going Strong

"For over 55 years, we've followed a simple formula – offering great steaks at a good price point with a high level of service. Our building and its history are also huge selling points, and before going on to the floor, employees need to pass a test with 100 questions, not only on menu and bar, but also our history, which they study with me. Guests love these stories, and they make for an especially memorable experience."

Michael Monti, owner, La Casa Vieja
Tempe, AZ

"Since we opened 30 years ago, I've been on top of everything. I'm at the door to welcome guests and to thank them as they leave, and I'm always walking the dining room. I try to remember the name of every guest – people love being called by name. I'm also a big believer in getting value for money, and, as a result, our portions are very large."

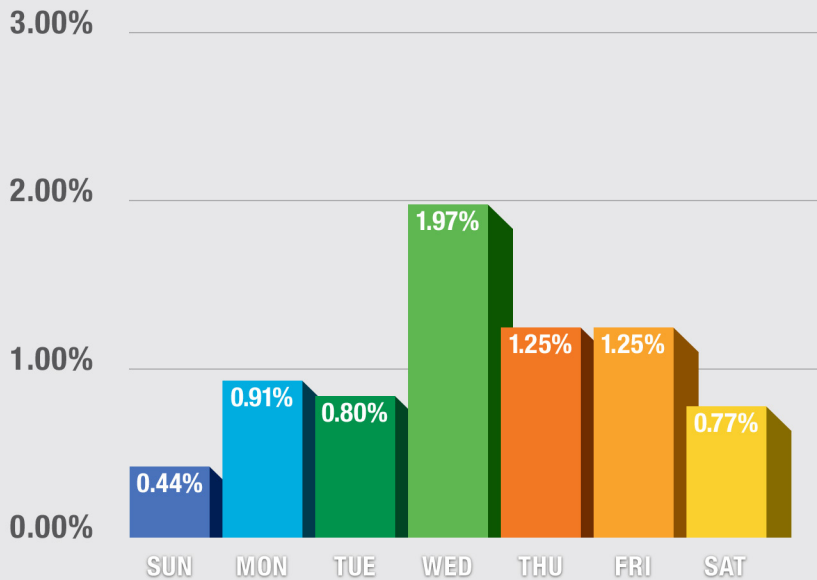
John Ivanac, owner, Villa Berulia
New York, NY

"We hire the kind of people who love to serve others, and they are responsible for our longevity (51 years). We have very low turnover (14%) and over the years have empowered our employees, which has given them a real feeling of ownership. We have a '20 foot rule' – every employee within 20 feet of a problem should contribute to the solution, and it works every time."

Van Eure, owner, Angus Barn
Raleigh, NC

Anatomy of a QSR Facebook Post

MOST EFFECTIVE QSR FACEBOOK POSTS BY DAY OF WEEK



Source: The Anatomy of a Facebook Post, A Vitruve White Paper, September 2010.
 Note: The study analyzed posts made from May 1 to August 11, 2010, for more than 100 randomly selected streams or pages, representing 42.6 million Facebook fans and 32,000 posts.

Social media management company Vitruve recently published The Anatomy of a Facebook Post, offering insights into effective Facebook marketing – the type of posts, the time of day, and day of the week that resonate most with the growing numbers of Facebook users. Vitruve isolated a couple of industries, including quickservice restaurants. Consistent with overall results, a QSR multimedia post – with an image or video – receives more engagement (comments, likes, shares, and views) than a text post, and an image is more compelling than video. “An image can grab people’s attention without the time required for loading, watching, and sharing a video,” says Vitruve ceo Reggie Bradford. Also, the images being posted by QSRs are often coupons or promotional offers, which have become stronger-than-ever engagement devices in the current economy.

Vitruve also found that QSR was the only industry where engagement with Facebook posts is higher in the afternoon. QSR posts made after noon received 12% more engagement than those in the morning, which Vitruve hypothesizes may be linked to fans interested in Facebook coupon opportunities for dinner. “If a QSR restaurant can capitalize on a 12% improvement on a coupon to drive in-store purchases, that would be meaningful,” says Reggie. Vitruve found that Wednesday is the most effective day, followed by Thursday and Friday, perhaps reflecting consumers’ propensity to pick Wednesday to dine out as a midweek break and Thursday and Fridays as prime time for checking out restaurant offers and choices for the weekend. “While this analysis points to some rules of thumb as to how to cut through the clutter and reach Facebook fans, ultimately each brand must understand its own customers and how they respond to posts,” advises Reggie.

AROUND THE USA

Staffing Up

As they add staff, restaurateurs around the USA are using multiple ways – online and off – to find qualified candidates:

Michael Shemtov, partner, Mellow Mushroom, **Charleston, SC**, uses a combination of approaches – classified print ads, open houses (for new locations), Facebook, and in-store signage. He’s also begun using PeopleMatter, an online HR tool for hiring and managing employees. “It’s going to save a lot of time because applications are electronic. They are automatically tracked throughout the process, plus I can send one email to a select group of applicants (requesting they call to set up an appointment, etc.)” He says their classified print ads are written to appeal to both prospective employees and to remind diners that Mellow Mushroom is a place they’d like to eat. For example: “Are you an overachiever with a passion for hospitality? Do you want to work in an environment where you are valued and are serving happy people?”. . . “Our biggest source of applicants is Craigslist – it’s easy and inexpensive, especially if you have a good screening process,” says Jeffrey Zurofsky, partner, ‘wichcraft, headquartered in **New**

“I prefer to cast a wide net for new hires – using Craigslist – on the theory that if my search is too narrow, I’ll always wonder whom I might have missed.”

Dan Sachs, owner, Bin 36, Chicago, IL

York, NY. He says those who do not follow instructions and submit a cover letter with an application are immediately eliminated. Applicants also come through the ‘wichcraft Facebook page, which is linked to the “careers” tab on the restaurant’s website, where detailed information about benefits, career opportunities, and the application reside. Employee referrals are another source: after the new hire has been trained, a \$25 cash bonus is paid, and after the six-month anniversary, \$50. . . Michael Klauber, co-proprietor, Michael’s on East, **Sarasota, FL**, says while Craigslist and the restaurant’s website account for most applicants, they also get a good response from posting on their Facebook page. “We like the fact that many of our fans refer job postings to their friends”. . . Szmmania’s, **Seattle, WA**, uses employee referrals and Craigslist. Owner Julie Szmmania says, “We go on Facebook to check profiles of applicants prior to setting up interviews. Too many weird photos

or suspect behavior automatically rules them out”. . . “Our single best source for new hires is referrals from staff – they tend to run in a circle of knowledgeable, qualified people,” reports Mitchell Sjveren, owner, bouchon and Wine Cask, **Santa Barbara, CA**. While there’s no referral bonus per se, when staff members want to move on, Mitchell says he tells them (jokingly) that they can’t leave until they find a replacement, which they often do. “If the new person stays for 30 days, I usually gift the departing employee with some of their favorite wines.” He also finds people through the 150 wineries in the Santa Barbara area with whom he does business. “One of the most important things I do is cultivate relationships with people who apply but don’t have the requisite experience or knowledge of Santa Barbara wines – essential in our restaurants. I encourage them to get the necessary experience and come back, which several have done.”

The Business of Families

NPD Group reports that 36% of all restaurant visits are made by parties with kids, accounting for \$70 billion in annual sales, and that these numbers have been increasing modestly since the third quarter of 2010. And, while fast food and fast casual/casual restaurants are very popular with families, more upscale restaurants are also appealing to this important market. For years, restaurants like Emeril's, Legal Sea Foods, and Roy's Hawaiian Fusion Cuisine have embraced kids. David McCelvey, vp culinary, Emeril's, says, "We meet guests all the time who say 'I ate my first filet mignon here when I was ten' – and now they're at the bar having a martini." He adds, "There's no reason not to do everything possible to make children happy. The child's experience is just as important to the parents as their own." Some things to consider:

“Parents read how you're accommodating them and their kids – you're building business by taking care of the family.”

Rich Wood, owner, Wood Tavern, Oakland, CA

MENUS Rich Wood, owner, Wood Tavern, Oakland, CA, doesn't have a special kids' menu. "We offer smaller portions of anything on the menu and are willing to accommodate special requests," he says. "We're seeing more kids, partially because we're in the neighborhood with lots of families, but also because a lot of parents are foodies and their kids are becoming foodies, too – they're used to going out to restaurants." He says one seven-year-old comes in, hugs the sauté chef, sits at the counter in front of him, and devours pappardelle Bolognese; another loves bone marrow; and another checks the menu in the window to see if pork belly is being served. Roy's, Emeril's, and Legal Sea Foods all have kids' menus with what they consider obligatory favorites – chicken tenders, etc. – but they're made from quality ingredients, plus they also offer smaller portions of entrees on the adult menus that reflect the theme of the restaurant. Roger Berkowitz, pres./ceo, Legal Sea Foods, says, "Some children are adventurous and want what their parents are having. At most of our locations, wood-grilled fish is more popular with kids than any of the standard kids' entrees." There's also a half lobster for \$10.95 on the kids' menu that is a good way to experience lobster without breaking the bank. Adrian Hoffman, vp/culinary director, Lark Creek Restaurant Group, says, "It's especially important today that parents feel great about the food their kids are being served." He reports that kids most often choose the grilled salmon with steamed broccoli. At Aura in the Seaport Hotel, Boston, MA, after her son was born, chef Rachel Klein took more of an interest in kids in the dining room and began sending out complimentary "banana plates" with sliced bread, bananas, and applesauce for babies. "Parents are so impressed and grateful, and it's so easy to do." She also instituted "Fine Dining Family Style" on Friday nights from 5:30 to approximately 7:30pm with a three-course prix fixe menu for parents (\$30/person) and for kids (\$14). A back room is set up with puzzles, toys, and supervised projects for kids. "Being in a hotel, there are occasional Fridays when it's not so busy, and many families come back again and again."

SERVICE The cardinal rule is to take care of kids as soon as possible. "At Emeril's we teach servers to read the table, assess the family's needs quickly, and pace the meal accordingly – a three-year-old has different needs than a 12-year-old," explains David. At The Tavern at Lark Creek, Larkspur, CA, gm T.J. Jacobberger says kids are immediately given carrots and celery sticks with house-made ranch dressing, along with crayons and a coloring menu. At Aura, kids' entire meals arrive in a bento box. Not only is this fun for kids, but it makes service faster because everything is delivered at once – courses don't work for kids, Rachel says. "In my experience, kids like their food separated and they like to dip, plus they have short attention spans." Serving kids also means dealing with allergies. Rachel says servers are particularly aware of allergies and that either she or a sous-chef comes to the table to discuss them with the parents. "Sometimes it's a case of dislike rather than allergy, but you can't be too careful," she says.

LITTLE EXTRAS At Emeril's and Roy's, if a child is getting restless, servers sometimes take the child into the kitchen to make an ice cream sundae. Roy's has a DVD player for kids to use, as well as a toy box for kids to borrow from while they're dining, and Jeannie Lee, pr manager, says, "Nothing works like bubbles for crying babies." At The Tavern at Lark Creek there's a self-serve popcorn machine that T.J. says kids find magical. Legal Sea Foods kids' menu doubles as an educational activity book with word games, a maze, cryptogram, and a story ("A Big Fish Tale") to complete.

Empower to the People!

TREND

There's an increase in the number of Today's Consumers who feel the need to "come out on top" of every situation, from the least to the most important. In 2007, 55% said they feel this way; in 2010, the number rose to 67%. This is not about winning every argument; it's about consumers looking after their own best interests, making sure they are not being taken advantage of. Related to this is a need for self-reliance – in 2010, 70% said they want to be as self-reliant as possible. In the wake of the economic downturn – when so many felt victimized and betrayed – being resourceful and independent decreases feelings of vulnerability and contributes to a sense of being in control.

OPPORTUNITY

Consumers are prepared to work hard at not being taken; they are more engaged, discerning, and vigilant about obtaining value. They are willing to be active participants in crafting an experience on their terms, so give them some options to work with – a prix-fixe menu, alternative portion sizes, different wine formats, and seating options (at the bar, communal, in a quiet area, etc.). Easy ingredient substitutions and a willingness to accommodate special requests are important, too. An aspect of consumers coming out on top is the knowledge that they made smart decisions – that they are better for the experience. This speaks to making healthy choices, which should be clearly available on the menu or easy to accommodate on the spot. The more flexibility you can reasonably offer and the more transparency you can provide (such as prices on online menus) the better.

CAUTION

While consumers don't have an inherently combative mindset, they will fight for what they perceive as reasonable treatment. Restaurateurs should place renewed emphasis on monitoring customers' experiences and on handling issues with guests during and after dining.

Data Source: The Futures Company

Wine Lists: There's an App for That

A growing number of restaurateurs are trading in their often cumbersome and static printed wine lists for sleek iPads. While the “cool” factor can't be denied, neither can the advantages of wine lists presented in this format.

“One reason the iPad works as a wine list is because guests love it – it's a better experience for them,” says Patrick Martucci, chairman/ceo, Incentient, LLC, developers of the SmartCellar wine list program for the iPad. “With an iPad loaded with searchable, interactive information about a restaurant's wines, including tasting notes, ratings, food pairings, producers, regions, etc., guests will wander and explore because the interface makes it so easy.” With this and other iPad wine list systems, guests can touch the screen to search for wines by name, price, region, color, flavor profile, ratings – even view an up-close image of a label.

“This is more than just a simple wine list,” says Umberto Gibin, owner, Barbacco, San Francisco, CA, the first West Coast SmartCellar customers. “When you open a page with wines from Italy, for example, you can find a map of the country, read about the vineyards, varietals, and how a wine is made. I was skeptical in the beginning, but the iPads have been very well received, and wine sales are up.” (At Barbacco, it's also more than a simple wine list in another way – the iPad landing page contains information about the restaurant's special events.) Umberto points out an important aspect of these feature-rich tools – they help sell more wine. According to developers like Incentient, armed with more information and less intimidation, consumers are spending more on wine. “Conservatively, our customers are seeing 19-30% increases in wine sales. With the margins in wines so significant, this can represent a major contribution,” says Patrick.

“We're not eliminating sommeliers, we're turbocharging them.”

Alex Marxer, managing partner, i-Somm, LLC

But are iPad wine lists right for all restaurants? More than one might think. While the early adapters have typically been the most progressive, leading-edge restaurants, Patrick says that now the largest numbers of their new customers are sole proprietors. “They may not have R&D departments telling them what's coming, but now they get to benefit from the experience of those who do.” Alex Marxer, managing partner of another developer, i-Somm, LLC, says, “Our application appeals to restaurants that don't have a sommelier. And for the few restaurants that can afford a good sommelier, that person is going to be really busy. Guests can do a lot of their own research.” The self-guided educational aspect also takes some pressure off a sommelier or wine steward gauging customers' wine interest and knowledge to determine how much information they'll want to hear. Bottom line, says Patrick, “A more informed customer is a better customer – this tool helps a lot.” (It can also help with staff education; some restaurants use the iPads as staff training tools.)

i-Somm was developed by restaurateur Owen Perry whose restaurant, Delicias, San Diego, CA, features an extensive, award-winning list. “As Owen bought inventory for the restaurant, he realized he could end up with a 40-page book and a reserve list that no one would order from. And he wouldn't be able to update it as frequently as he wanted,” says Alex. These digital lists can be edited constantly, reflecting additions, updated prices, specials, and availability. In fact, the iPad's ability to monitor and instantly update an inventory is one of the main attractions. SmartCellar can also provide back-end analytics. “We furnish all kinds of sales reports, and clients can view their cellar by investment, country, region, sales. We can even see how guests are using the iPads, searching for wine. With a paper list, you don't know how they get to a particular bottle,” says Patrick.

Both i-Somm and SmartCellar are surprisingly affordable. Incentient owns, installs, and services all SmartCellar iPad units; a \$1,200 installation fee includes a site survey, customized software design (designed to look like an extension of the restaurant's brand), installing a server and network, and the hardware. Operators effectively lease the programmed iPads for \$75/month each, which includes monitoring and tech support. i-Somm customers provide their own iPads; upfront costs are typically between \$500 and \$1,000 for the wine list customization; one pricing tier for the software is as low as \$50 per location with unlimited numbers of iPads and POS integration charged separately.

MAKE PARTNERSHIP REWARDING™ with American Express

For the 20th year, American Express is proud to be a national sponsor of Share Our Strength's Taste of the Nation®, the nation's premier culinary benefit dedicated to making sure no child grows up hungry. This spring and summer, chefs and mixologists from over 3,000 restaurants nationwide will come together in 34 cities to help end childhood hunger.

“We are pleased to have contributed more than \$30 million over these twenty years towards this important goal,” says Curtis Wilson, vp and gm, restaurant industries. “Our support means that 100% of the ticket price is devoted to this vital cause.” Funds raised at Taste of the Nation events will benefit Share Our Strength's No Kid Hungry® Campaign to end childhood hunger in America by 2015. Through No Kid Hungry, the national nonprofit Share Our Strength ensures children in need are enrolled in federal nutrition programs; invests in hundreds of community organizations fighting hunger; teaches families how to cook healthy, affordable meals; and builds public-private partnerships to end childhood hunger, at the state and city level. Since Taste of the Nation began in 1988, the program has raised more than \$75 million.

“I don't need to go more than a couple of streets from my restaurant to witness child hunger. We all need to bear witness to that — and respond,” says Mindy Segal, Taste of the Nation Culinary Council member and owner, Hot Chocolate, Chicago, IL.

2011 Share Our Strength Taste of the Nation events begin April 4 in Washington, D.C. To join fellow chefs, restaurateurs, and mixologists, visit TasteoftheNation.org.

BRIEFING EDITORIAL OFFICE

505 Court Street, Suite 3H, Brooklyn, NY 11231
Telephone 800.342.2788 Fax 718.237.2882
email: editors@restaurantbriefing.com

Published exclusively for
American Express Travel Related Services Company, Inc.
by Davidson/Freundlich Co., Inc. All suggestions become the
property of American Express
without cost or obligation to American Express.
© 2011 American Express Travel Related
Services Company, Inc.