

Menu Pricing Basics

How to Win the Menu Pricing Game
(Without Losing Customers)



Welcome!
Today's event will be starting shortly.

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Your Hosts



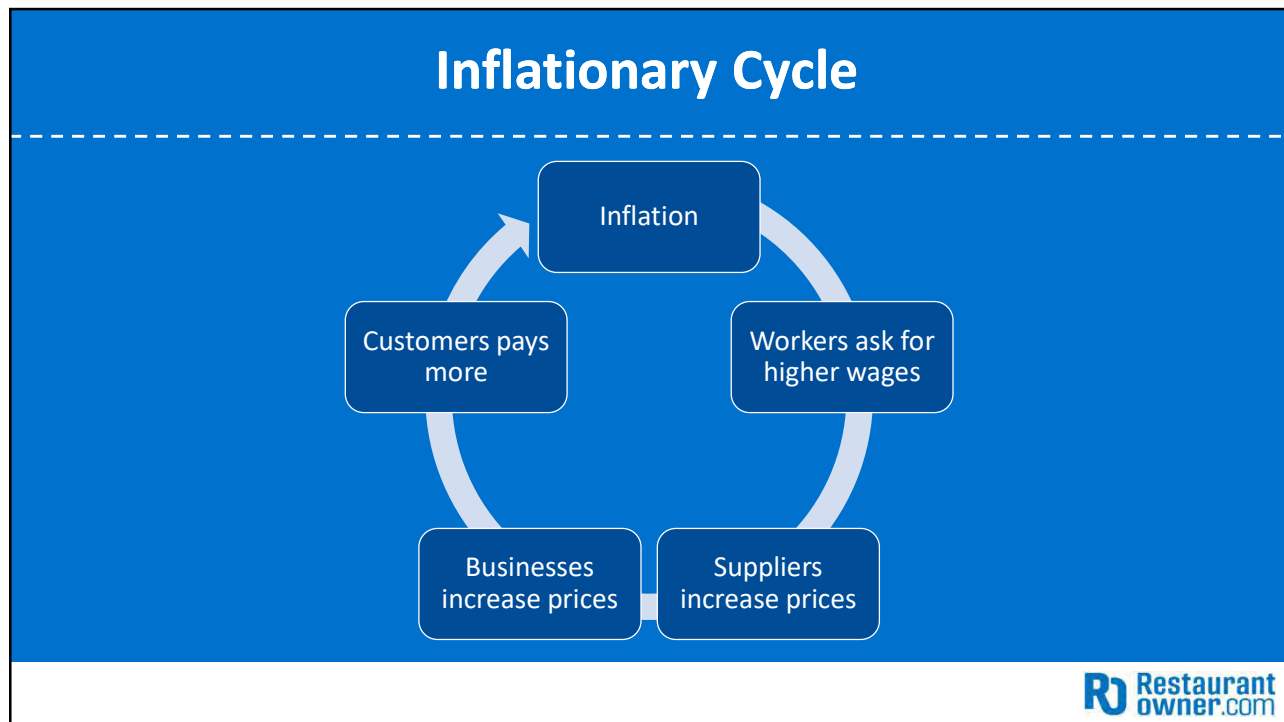
Jim Laube



Joe Erickson



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Inflation Realities for Restaurants

- 92% of operators say the cost of food is a significant challenge in 2023, while 47% of operators expect competition to be more intense than last year. *Source: National Restaurant Association*
- Consumers perceived an average increase in restaurant prices of 23% in the past year — more than three times the 7.4% increase reported by the Bureau of Labor Statistics. *Source: PYMNTS.com*
- Menu prices increased 8.6% during the last 12 months. *Source: Consumer Price Index*
- When consumers do not get meal discounts, other factors, such as the food's taste or the quality of the restaurant's service, take on greater significance. *Source: PYMNTS.com*

RO Restaurant owner.com

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Today's Agenda

- When is it time to raise menu prices?
- How much do menu prices need to increase?
- What is the formula for setting menu prices?
- How to present a price increase to your customers.



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Webinar Format



- Interactive format
- Access to participant comments & questions
- This webinar is being recorded
- Links to resources will be included on the recorded webinar page



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Questions & Comments

The screenshot shows a GoToWebinar window. A red arrow points to the 'Show/Hide Control Panel' button in the top left. Another red arrow points to the 'Questions' tab in the bottom left. A third red arrow points to the 'Handouts' section in the top right, which displays a PDF titled 'Webinar Handout.pdf'. Below the handouts is a text input field for questions and comments, with a red arrow pointing to it labeled 'Type your Questions / Comments'. The bottom of the window shows the GoToWebinar logo and 'RestaurantOwner.com Webinar' information.

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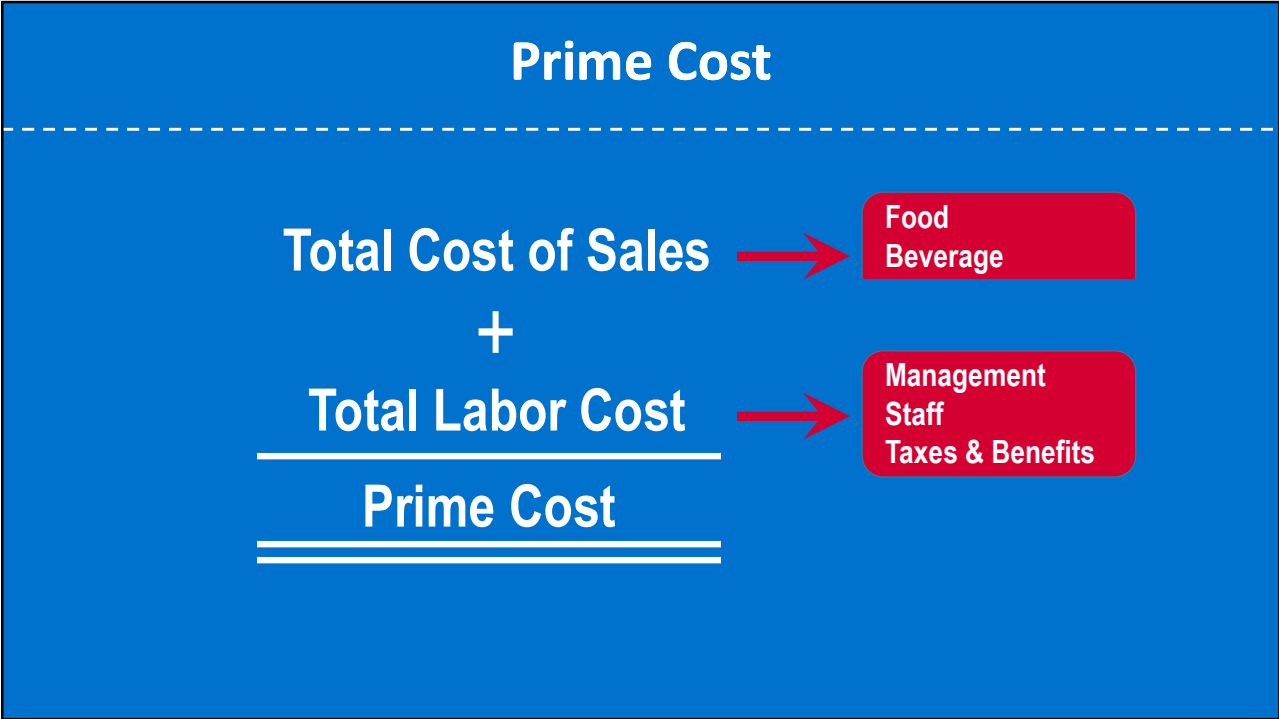
When is it Time to Raise Menu Prices?

Signs that it may be time to increase prices...

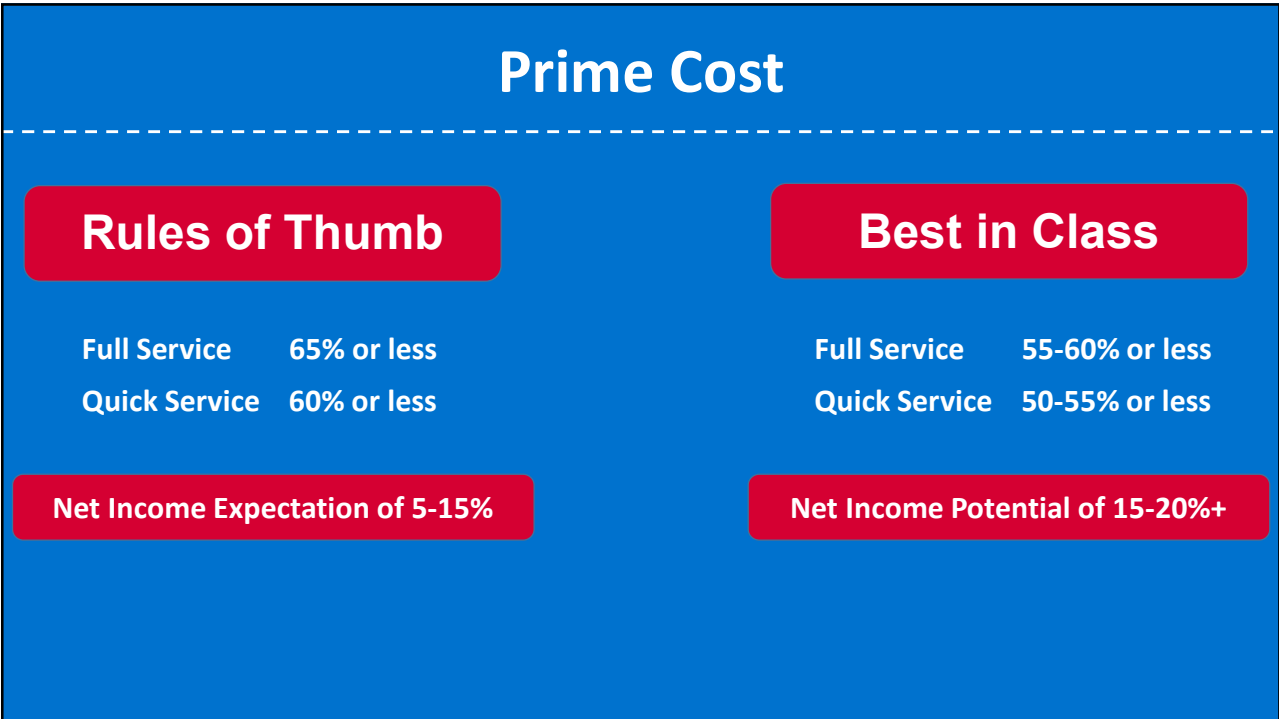
- Prime cost is rising
- Occupancy cost is too high
- Profits are slipping

Bob's Italian Café		
PROFIT & LOSS STATEMENT		
For The Year Ended December 31, 20XX		
Sales:		
Food	\$ 1,302,156	81.4%
Beverage	298,407	18.6%
Total Sales	1,600,563	100.0%
Cost of Sales		
Food	417,992	32.1%
Beverage	83,113	27.9%
Total Cost of Sales	501,105	31.3%
Labor		
Management	150,500	9.4%
Staff	270,375	16.9%
Employee Benefits	72,184	4.5%
Total Payroll	493,059	30.8%
PRIME COST	994,165	62.1%
Other Controllable Expenses:		
Direct Operating Expenses	72,540	4.5%
Music & Entertainment	14,375	0.9%
Marketing	35,057	2.2%
Utilities	41,256	2.6%
General & Administrative Expenses	57,943	3.6%
Repairs & Maintenance	8,833	0.6%
Total Other Controllable Expenses:	230,004	14.4%
CONTROLLABLE INCOME	376,394	23.5%
Non-Controllable Expenses:		
Occupancy Costs	165,300	10.3%
Total Non-Controllable Income:	195,062	12.2%
Restaurant Operating Income	181,332	11.3%
Interest Expense	43,431	2.7%
Income before Income Taxes	\$ 137,901	8.6%

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It becomes increasingly difficult to make a decent profit when prime cost + occupancy exceeds 70%

→

→

Bob's Italian Café		
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CONTROLLABLE INCOME	376,394	23.5%
Non-Controllable Expenses:		
Occupancy Costs	165,300	10.3%
Depreciation & Amortization	29,702	1.9%
Total Non-Controllable Income	<u>195,062</u>	<u>12.2%</u>
Restaurant Operating Income	181,332	11.3%
Interest Expense	43,431	2.7%
Income before Income Taxes	\$ 137,901	8.6%

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RestaurantOwner Learning System

PRIME COST
How to Manage the Most Important Number on Your Restaurant's P&L

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Weekly Prime Cost Templates

The screenshot shows the Restaurant Owner.com website with a search bar and navigation menu. The main content area displays several downloadable templates:

- Weekly Budget Worksheet** (Blue Fish Grill): A table with columns for 'Actual' and 'Budget' and rows for 'Sales Forecast', 'Food', 'Beverage', and 'Gross Sales'.
- Weekly Prime Cost vs. Budget Template**: A table comparing weekly prime cost to the weekly budget.
- Weekly Prime Cost Worksheet - with Discounts and Comps Tracking (Food & Alcohol)**: A table for tracking prime cost with discounts and comps.
- Weekly Prime Cost Worksheet - Food (uncategorized) and Soft Beverage (no alcohol)**: A table for tracking prime cost for food and soft beverages.
- Weekly Prime Cost Worksheet - Full Service Version (Food and Alcohol)**: A table for tracking prime cost for full service.
- Prime Cost Projection Worksheet**: A table for projecting prime cost.
- Weekly Prime Cost Worksheet - Limited-Service Version (No Alcohol)**: A table for tracking prime cost for limited service.

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Question

Which of these reasons best describe your hesitation to raise menu prices?

Please type you answers into the question box


- Customer resistance
- Don't know what my menu cost is
- I don't know how much I need to increase
- The cost to reprint menus
- Too soon for another price increase
- It takes time that I don't have

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How Much do Menu Prices Need to Increase?

Prime Cost Comparison

Current	Target
67%	59%



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Menu Price Increase Calculator



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Menu Price Increase Calculator

Menu Price Increase Calculator Restaurant owner.com

Prime Cost Target

Weekly Sales	\$ 40,000	100%
Food & Bev cost	\$ 11,600	29%
Labor Cost	\$ 12,000	30%
Prime cost target	\$ 23,600	59%

Prime Cost Current

Weekly Sales	\$ -	100%
Food & Bev cost	\$ -	
Labor cost	\$ -	
Prime cost	\$ -	0%

Prime Cost after Price Increase

Weekly Sales	\$ -	100%
Food & Bev cost	\$ -	0%
Labor cost	\$ -	0%
Prime cost	\$ -	0%

Price increase needed to hit prime cost target 0% \$ -

* Labor cost includes management, hourly and employee benefits

Target Prime Cost

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Menu Price Increase Calculator

Menu Price Increase Calculator Restaurant owner.com

Prime Cost Target

Weekly Sales	\$ 40,000	100%
Food & Bev cost	\$ 11,600	29%
Labor Cost	\$ 12,000	30%
Prime cost target	\$ 23,600	59%

Prime Cost Current

Weekly Sales	\$ 37,000	100%
Food & Bev cost	\$ 12,210	33%
Labor cost	\$ 12,580	34%
Prime cost	\$ 24,790	67%

Prime Cost after Price Increase

Weekly Sales	\$ -	100%
Food & Bev cost	\$ -	0%
Labor cost	\$ -	0%
Prime cost	\$ -	0%

Price increase needed to hit prime cost target 0% \$ -

* Labor cost includes management, hourly and employee benefits

Actual Prime Cost

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Menu Price Increase Calculator

Menu Price Increase Calculator

Prime Cost Target		
Weekly Sales	\$ 40,000	100%
Food & Bev cost	\$ 11,600	29%
Labor Cost	\$ 12,000	30%
Prime cost target	\$ 23,600	59%

Prime Cost Current		
Weekly Sales	\$ 37,000	100%
Food & Bev cost	\$ 12,210	33%
Labor cost	\$ 12,580	34%
Prime cost	\$ 24,790	67%

Prime Cost after Price Increase		
Weekly Sales	\$ 42,017	100%
Food & Bev cost	\$ 12,210	29%
Labor cost	\$ 12,580	30%
Prime cost	\$ 24,790	59%

Price increase needed to hit prime cost target
14% \$ 5,017

* Labor cost includes management, hourly and employee benefits

← Estimated price increase

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What is the Formula for Setting Menu Prices?

3 Key Factors to Consider

- Customer value perception
- Your cost
- Presentation

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Menu Pricing Formula

X

Food cost target method

$\$ \text{ Food cost} \div \text{target FC\%} = \text{selling price}$

$\$4.78 \div 33\% = \14.48

- Overpriced?
- Underpriced?

Menu Item: Crab Cake Appetizer				
Item Description: 2 3-inch crab cakes with tartar sauce				
Recipe Unit	Quantity	Ingredient	Unit Cost	Extension
EA	2	Crab Cake Patties	2.02	4.05
OZ-fl	2	Tartar Sauce	0.07	0.13
EA	0.5	Lemons - fresh (medium)	0.48	0.24
OZ-fl	0.5	Butter	0.10	0.05
OZ-fl	0.167	Chopped Parsley	0.05	0.01
			0.00	0.00
			0.00	0.00
EA	1	Plate cost (Q-cost)	0.30	0.30
			Total Cost	4.78
			Menu Price	14.50
			Gross Profit	9.72
			Food Cost %	32.98%

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Menu Pricing Formula

Value perception method

$\$ \text{ Food cost} \div \text{perceived value} = \text{FC\%}$

$\$4.78 \div \$17 = 28\%$

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Item Description: 2 3-inch crab cakes with tartar sauce				
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			0.00	0.00
			0.00	0.00
EA	1	Plate cost (Q-cost)	0.30	0.30
			Total Cost	4.78
			Menu Price	17.00
			Gross Profit	12.22
			Food Cost %	28.13%

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Customer Value Perception

Influenced by...

- Concept, service style
- Competitor pricing
- Guest experience



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Competitor Pricing Survey

DOWNLOAD

Competitor Pricing Survey

When it comes to pricing, many restaurant and bar owners make the mistake of using preconceived pricing formulas designed to achieve targeted profit margins. But potential customers are not interested in your profit line or drink at your

The median is the midpoint price of all prices recorded for this item.

Competitor	Nikk's Bar 2 bks	Chill's 75 mile	Sports Page 2 miles	Brewhouse 6 bks	Hideaway 1 bk	Elan 1.5 miles	Price Points						
Distance (blocks or miles)	2 bks	75 mile	2 miles	6 bks	1 bk	1.5 miles	Average	Lower Quartile	Median	Upper Quartile	Max Price		
Pour size (ounces)	Price	Price	Price	Price	Price	Price							
Bottled beer													
Domestic	\$2.25	\$2.75	\$2.50	\$2.25	\$3.00	\$3.50	\$2.71	\$2.31	\$2.63	\$2.94	\$3.50		
Premium dome	\$3.00	\$3.25	\$3.50	\$3.25	\$3.75	\$4.50	\$3.54	\$3.25	\$3.38	\$3.69	\$4.50		
Import	\$3.80	\$3.50	\$3.50	\$3.50	\$3.75	\$4.50	\$3.63	\$3.50	\$3.50	\$3.69	\$4.50		
Premium import	\$3.50	\$3.75	\$4.00	\$4.25	\$5.00	\$5.00	\$4.10	\$3.75	\$4.00	\$4.25	\$5.00		
Wine-Glass													
House Chard	\$4.50	\$5.00	\$3.95	\$4.50	\$6.00	\$6.00	\$4.79	\$4.50	\$4.50	\$5.00	\$6.00		
House Cabernet	\$4.50	\$5.00	\$3.95	\$4.50	\$6.00	\$6.00	\$4.79	\$4.50	\$4.50	\$5.00	\$6.00		
House white				\$4.00			\$4.00	\$4.00	\$4.00	\$4.00	\$4.00		
House red				\$4.00			\$4.00	\$4.00	\$4.00	\$4.00	\$4.00		
KJ Chardonnay		\$8.00	\$8.50	\$8.00		\$8.75	\$8.31	\$8.00	\$8.25	\$8.58	\$8.75		
Simi Cabernet		\$8.50	\$8.50	\$8.00		\$10.00	\$8.75	\$8.38	\$8.50	\$8.88	\$10.00		

What they are charging for gain a sense of the market pricing to reflect a balance

es menu (Item)

Preview

must have a compatible program installed on your computer to use this.

Click to Download Microsoft Excel Form.

<https://www.restaurantowner.com/public/Competitor-Pricing-Survey.cfm>

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Focus on the Guest Experience

"The price of a meal is not just the cost of the food.
It's also the cost of the experience."
- Anthony Bourdain




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Guest Experience Resources




DOWNLOAD
Service Steps Chart for Tableservice Restaurants
Great service begins by knowing the basic steps of service that guests expect. This customizable chart can be used in training your staff the basic service steps expected for all tableservice restaurant ...

[Download this resource](#)



DOWNLOAD
Guest Experience Worksheet
Every restaurant's success is enhanced by having a great guest experience that generates repeat business. Use this worksheet to design, document and deliver your restaurant's ultimate guest experience...

[Download this resource](#)



DOWNLOAD
Menu Item Quality Review Template
The Menu Item Quality Review Template is an excellent tool for documenting random evaluations of your everyday menu offerings. This scaled grading system enables owners, managers, or anyone familiar with ...


[Download this resource](#)

Customizable Templates

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Service Steps Chart

Great service begins by knowing the steps expected for all tables.




Guest Experience

Every restaurant's success generates repeat business your restaurant's ultimate goal.




Menu Item Quality

The Menu Item Quality Review system enables owners to ensure the highest quality of their menu items.



Basic Service Steps



Service Steps	When to Begin	Delivery Time	Key Points
Greeting	Within 1 minute of being seated		Guest should be acknowledged and told you will be right with them.
Beverage Order	Within 2 minutes of being seated	2-4 minutes	Water service and drink orders need to be prompt.
Appetizer Order	Upon beverage service	5-7 minutes	Appetizer order can also be taken with beverage order. This is also a good time to announce specials and present the wine list.
Entrée Order/Wine Order	Within 0-5 minutes of taking appetizer order	Wine service - 2-4 min.* Soup/Salad - 2-4 min. Entrée service - 12-16 min.	*Wine orders are best taken with entrée orders but may also be presented during beverage orders.
Salad/Soup/Wine Service	Within 2-4 minutes after entrée order		Wine service is dependent upon guest preference and sometimes is preferred just before entrée service. Soups and salads may be served when appetizers are almost finished.
Entrée Service	After salad/soups have been cleared		Allow salads to be completed before serving entrees so you don't rush the guest. Clear salad and any leftover appetizer plates before serving entrees. Fill beverages, rolls, etc. before leaving table. Also check for additional service ware needs (forks, knives, etc.)
Table Check Back	Within 2 minutes of entrée delivery		Promptly check for doneness, correct order, quality and temperature within 1-2 minutes.
Clear Plates	Upon completion of entrée		Finished plates, glassware, service ware, etc should be cleared constantly during the entire service process. However, it is particularly important to clear and crumb the table before asking for dessert orders.
Dessert/After Dinner Drink Order	After plates have been cleared	2-3 minutes	Desserts and after dinner drinks should be prepared promptly. Additional napkin or linens may be required.
Check Presentation	Near or after completion of dessert		Always check for more orders or refills before presenting the guest check. Ensure that all finished service ware has been cleared.
Check Payment	Within 1 minute of cash or credit card presentation		Never rush the guest to pay but be ready to process payment as soon as the guest has presented cash or credit card so that change may be given and charge slips may be signed.
Table Turn	Within 1 minute of guest leaving		Once a guest has left the staff should immediately clean and reset the table so other guests don't have to view it and another guest may be seated promptly.

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Guest Experience Resources

Delivering Your Ultimate Guest Experience

ONLINE COURSE

Restaurants that provide a superior guest experience have more repeat business, more positive word of mouth and get better reviews on websites like Yelp and Trip Advisor. A superior guest experience is ...

[Learn More](#)

How to Handle Mistakes and Complaints

ONLINE COURSE

Nobody likes to get a complaint, but in the restaurant business, mistakes and complaints are going to happen. That's just a fact. So, if you know they're coming shouldn't you and your entire team be prepared ...

[Learn More](#)

WORDS MATTER

ONLINE COURSE

10 Things Your Guests Should NEVER Hear

Your staff may be using words and phrases that make them appear distant, cold and even uncaring to your guests. Learn language that will produce more positive connections with your guests. 10 Things Your ...

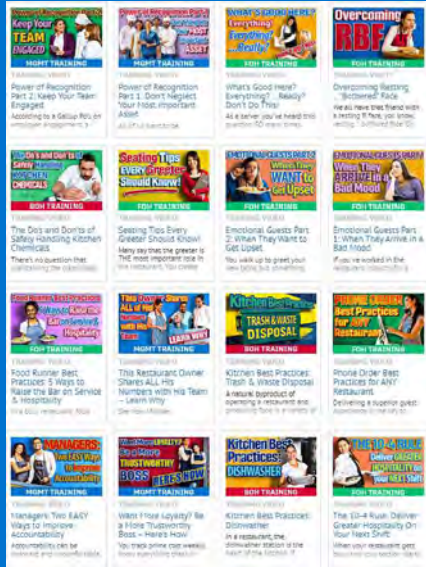
[Learn More](#)

Online Courses

(for staff and management)

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Guest Experience Resources



TRAINING VIDEO

The 10-4 Rule: Deliver Greater Hospitality On Your Next Shift

When your restaurant gets busy, and your section starts filling up, it's easy to get tunnel vision. After all, you have a lot going on, and your guests are depending on you. However, if you get too focused ...

Guest Experience



TRAINING VIDEO

The Importance of Line Checks and Being Station-Ready

Restaurant kitchens can get chaotic and stressful. That's why it's crucial to be prepared and organized on the front end of every shift. A line check is an essential tool for every station in the back-of-the-house ...

Prep - Production

Training Videos

than a 100 3–5-minute micro-learning videos)

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Key Cost Considerations

- Food cost \$ vs. %
- Profit contribution
- Prep labor

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EA	1	Plate cost (Q-cost)	0.30	0.30
			Total Cost	4.78
			Menu Price	15.00
			Gross Profit	10.22
			Food Cost %	31.89%




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Menu and Recipe Costing

Solution Options

- Spreadsheets
- Desktop Software
- Software as a Service (SaaS)

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Selecting the Right Menu Costing App

Sources:

- Spreadsheet template (RO)
- Foodservice distributors
- Restaurant management systems
- POS vendors

Download the Menu & Recipe Costing - 500 items Preview



This form is available in the following formats. You must have a compatible program installed on your computer to use them.

[Click to Download Microsoft Excel format](#)

www.RestaurantOwner.com/menucost



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Prep Labor Cost Calculator

Blue Fish Grill

Prep Item: Honey Mustard Dressing

Batch recipe cost	\$ 53.00	Average prep labor cost	\$ 14.28
Serving or recipe unit	fl. oz.	Total batch cost (w/labor)	\$ 67.28
# of fl. oz.s yielded per batch	576	Cost per fl. oz. (w/labor)	\$ 0.12
Cost per fl. oz. (no labor)	\$ 0.09		

Prep Tracking Labor Hours					
Date	Person	Hourly rate	# Hours	Batch Labor Cost	Over/under -HRS
10/1/2014	Olivia	\$ 9.50	1.40	\$ 13.30	3%
10/2/2014	Tommy	\$ 10.50	1.50	\$ 15.75	13%
10/3/2014	Tommy	\$ 10.50	1.40	\$ 14.70	3%
10/4/2014	Olivia	\$ 9.50	1.30	\$ 12.35	-7%
10/5/2014	Laura	\$ 12.00	1.10	\$ 13.20	-27%
10/6/2014	Tommy	\$ 10.50	1.40	\$ 14.70	3%
10/7/2014	Tommy	\$ 10.50	1.80	\$ 18.90	43%
10/8/2014	Olivia	\$ 9.50	1.30	\$ 12.35	-7%
10/9/2014	Hector	\$ 11.00	1.20	\$ 13.20	-17%
10/10/2014	Hector	\$ 11.00	1.30	\$ 14.30	-7%
		\$ -		\$ -	0%

Avg. prep time: 1.37 hours (82 minutes)
Avg. prep cost: \$ 14.28

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Menu Engineering

Sources:

- Spreadsheet template (RO)
- Foodservice distributors
- Restaurant management systems
- POS vendors

DOWNLOAD

Menu Engineering Worksheets

Use this powerful and fully automated tool to assess the profitability of your menu items. Review each category of your menu items based on their food cost, selling price and popularity.

Includes five worksheets to assess all your menu categories from appetizers to desserts. A simple set of instructions tells you where to input your information, and even helps you to take action based on the results!

Menu engineering is one of the most profitable exercises any operator can engage in. This series of worksheets will help you gain new and valuable insights on your menu items that will enable you to make better menu decisions.

This form is available in the following formats. You must have a compatible program installed on your computer to use them.

[Click to Download Microsoft Excel format.](#)

[Preview](#)

This form is available in the following formats. You must have a compatible program installed on your computer to use them.

[Click to Download Microsoft Excel format.](#)

[Preview](#)

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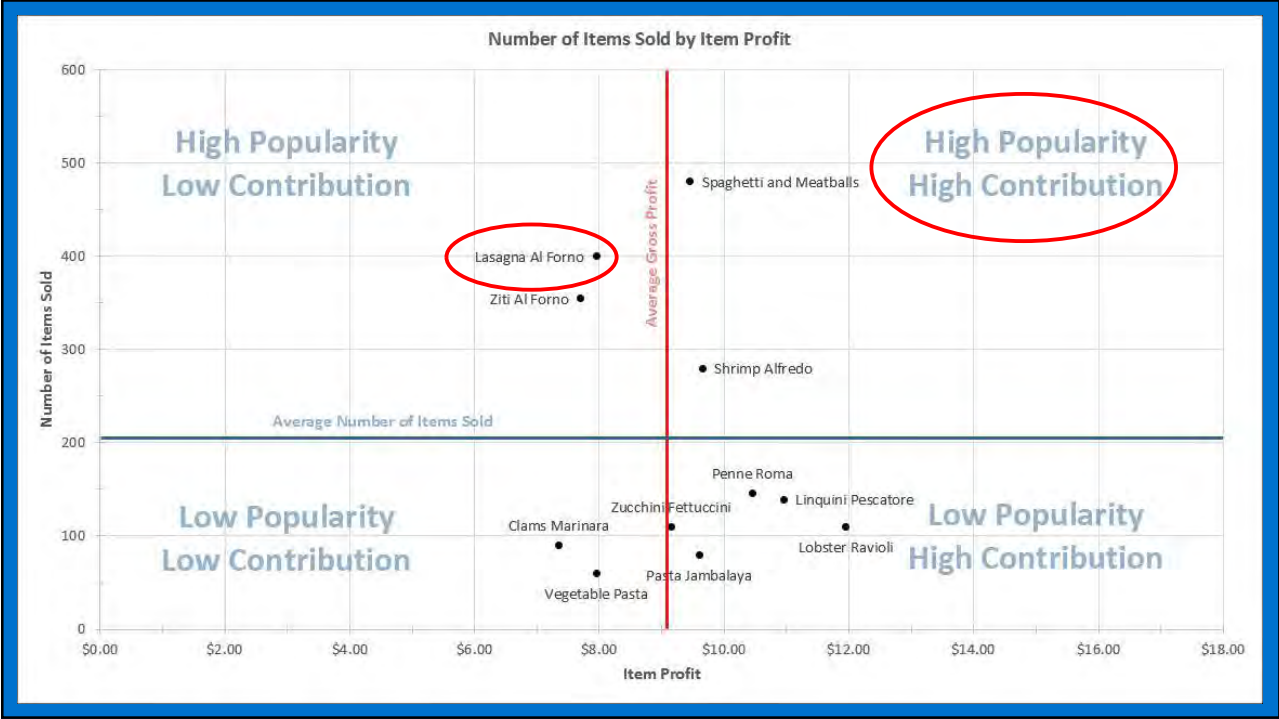
Menu Engineering System

MENU ENGINEERING WORKSHEET
Blue Fish Grill

Menu Item Name	Number Sold	Popularity %	Item Food Cost	Item Cost %	Item Sell Price	Item Profit	Profit Category	Popularity Category	Menu Item Class
PASTAS									
Shrimp Alfredo	280	12.4%	\$5.30	35.5%	\$14.95	\$9.65	High	High	Star
Lobster Ravioli	110	4.9%	\$7.00	36.9%	\$18.95	\$11.95	High	Low	Challenge
Vegetable Pasta	60	2.7%	\$3.00	27.4%	\$10.95	\$7.95	Low	Low	Dog
Spaghetti and Meatballs	480	21.3%	\$3.50	27.0%	\$12.95	\$9.45	High	High	Star
Ziti Al Forno	355	15.8%	\$2.25	22.6%	\$9.95	\$7.70	Low	High	Workhorse
Zucchini Fettuccini	110	4.9%	\$3.80	29.3%	\$12.95	\$9.15	High	Low	Challenge
Pasta Jambalaya	80	3.6%	\$4.90	33.8%	\$14.50	\$9.60	High	Low	Challenge
Clams Marinara	90	4.0%	\$5.60	43.2%	\$12.95	\$7.35	Low	Low	Dog
Linquini Pescatore	139	6.2%	\$5.00	31.3%	\$15.95	\$10.95	High	Low	Challenge
Penne Roma	146	6.5%	\$2.50	19.3%	\$12.95	\$10.45	High	Low	Challenge
Lasagna Al Forno	400	17.8%	\$3.00	27.4%	\$10.95	\$7.95	Low	High	Workhorse

Total 2,250 100.0%
Average # Sold 205 9.1%
Average Gross Profit \$9.08

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Menu Engineering System

MENU ENGINEERING WORKSHEET
Blue Fish Grill

Menu Item Name	Number Sold	Popularity %	Item Food Cost	Item Cost %	Item Sell Price	Item Profit	Profit Category	Popularity Category	Menu Item Class
PASTAS									
Shrimp Alfredo	280	12.4%	\$5.30	35.5%	\$14.95	\$9.65	High	High	Star
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Pasta Jambalaya	80	3.6%	\$4.90	33.8%	\$14.50	\$9.60	High	Low	Challenge
Clams Marinara	90	4.0%	\$5.60	43.2%	\$12.95	\$7.35	Low	Low	Dog
Linquini Pescatore	139	6.2%	\$5.00	31.3%	\$15.95	\$10.95	High	Low	Challenge
Penne Roma	146	6.5%	\$2.50	19.3%	\$12.95	\$10.45	High	Low	Challenge
Lasagna Al Forno	400	17.8%	\$3.00	27.4%	\$10.95	\$7.95	Low	High	Workhorse

Total	2,250	100.0%
Average # Sold	205	9.1%
Average Gross Profit	\$9.08	

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How to Present a Price Increase to Your Customers

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Question

Did you notify your customers of a price increase in advance? And if so, how did you do it?

Please type your answers into the question box



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How to Present a Price Increase to Your Customers

- Makeover vs. price increase (perception)
- Menu redesign
- Tips for masking the increase



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Masking Price Increases

- Change portion sizes



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Masking Price Increases

- Change portion sizes
- A la carte pricing



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Masking Price Increases

- Change portion sizes
- A la carte pricing
- Bundle with sides



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Masking Price Increases

- Change portion sizes
- A la carte pricing
- Bundle with sides
- Combinations



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Masking Price Increases

- Change portion sizes
- A la carte pricing
- Bundle with sides
- Combinations
- Specials



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How to Present a Price Increase to Your Customers

- Makeover vs. price increase (perception)
- Menu redesign
- Masking the increase
- Introducing the change to your customers
 - New menu offerings!
 - Seasonal menu
 - Promotional discounts



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Key Takeaways

- Know your prime cost target
- Customer value perception
- Accurate menu costing
- Menu engineering
- Presentation

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Q&A



Questions

Additional questions to
info@restaurantowner.com

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Please Give Us Your Feedback



Just 4 very short questions!

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Menu Pricing Basics

**How to Win the
Menu Pricing Game**
(Without Losing Customers)



Thank you for attending!

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