

Menu Pricing Town Hall

**Are Your Menu Prices
Keeping Pace with
Rising Food and Labor
Costs?**



Welcome!
Today's webinar will be starting shortly.

1

Your Hosts



Jim Laube



Joe Erickson



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Webinar Format



- Town hall 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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Bloomberg -
Inflation on the Menu as U.S. Restaurants Pass On Soaring Costs

CBS News -
Restaurant Prices are Rising Across the U.S. as Inflation Edges Up

The Guardian -
The US restaurants tackling staff shortages: 'We have to pay more'

Consumer Price Index -
In 2021, food-away-from-home prices are expected to increase between 3.0 and 4.0 percent.

1138,24 -0,2
1358,69 -0,64 ▲
0,07
0,02
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1247,21 0

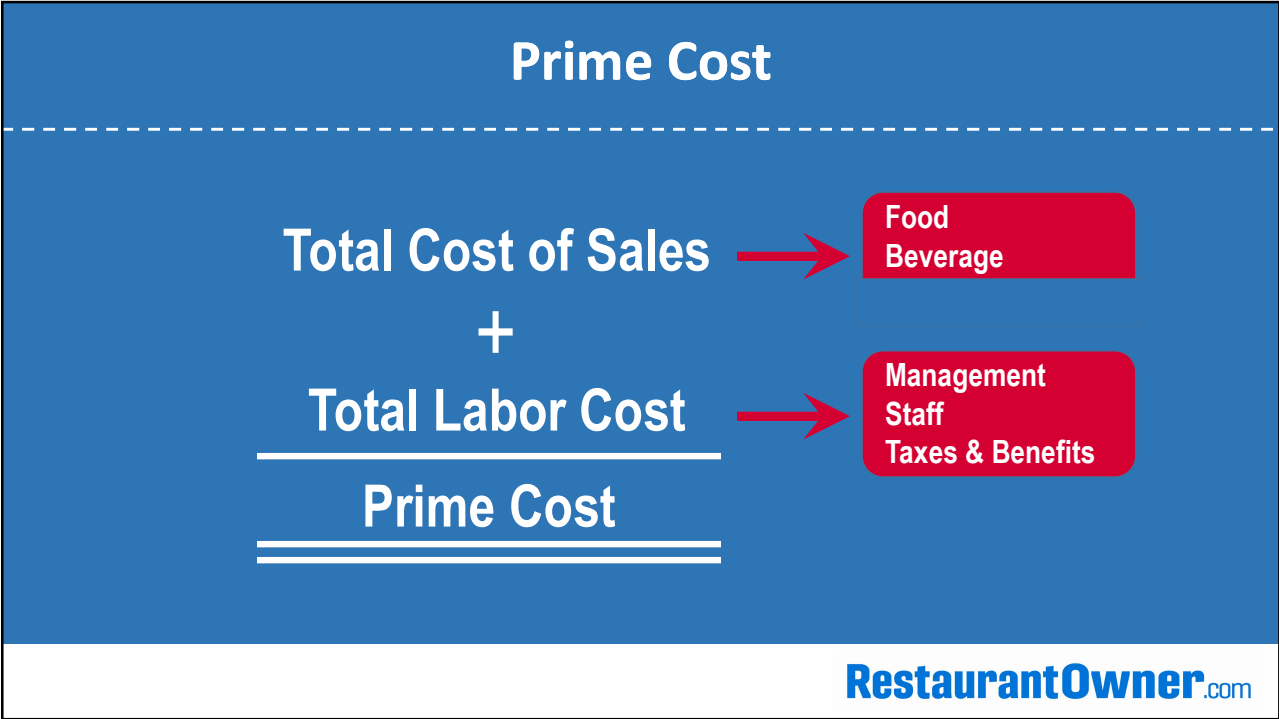
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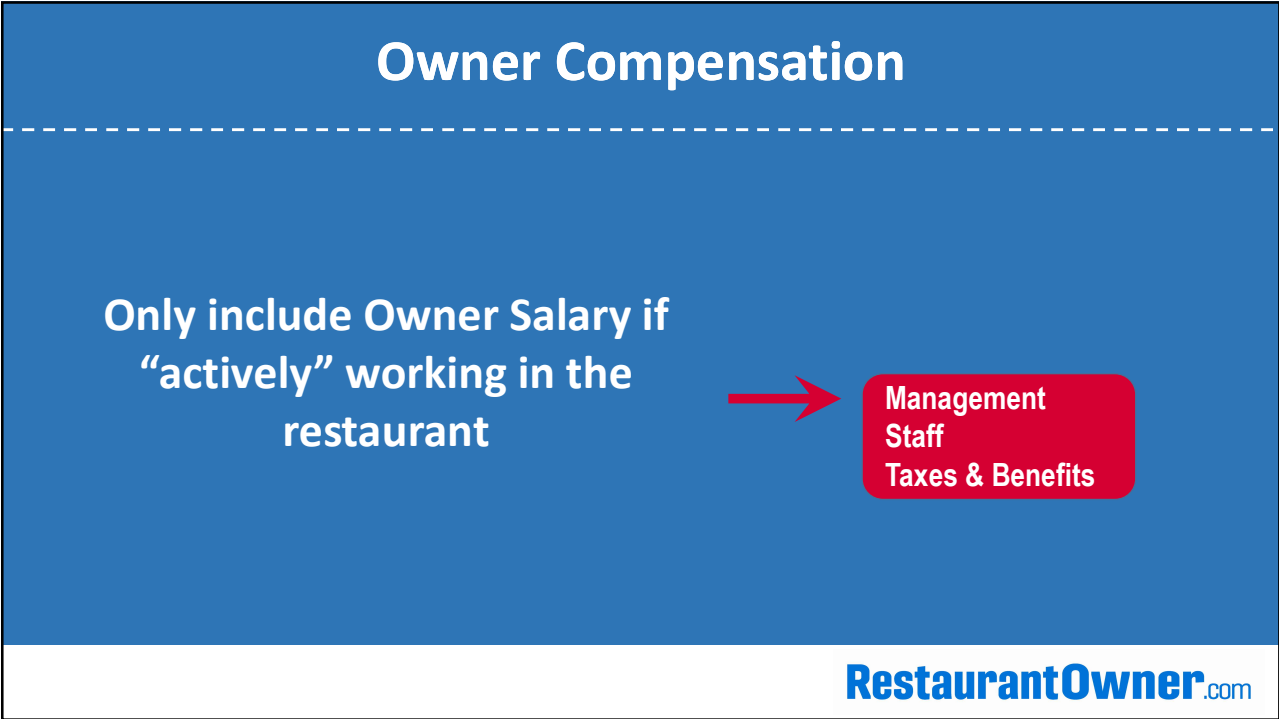
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Are Your Menu Prices Keeping Pace With Rising Food & Labor Costs

Non-restaurant working owners' Salary -

Owner / Executive Compensation 

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	<u>1,600,563</u>	<u>100.0%</u>
Cost of Sales		
Food	417,992	32.1%
Beverage	83,113	27.9%
Total Cost of Sales	<u>501,105</u>	<u>31.3%</u>
Labor		
Management	150,500	9.4%
Staff	270,375	16.9%
Employee Benefits	72,184	4.5%
Total Payroll	<u>493,059</u>	<u>30.8%</u>
PRIME COST	994,165	62.1%
Other Controllable Expenses:		
Direct Operating Expenses	70,941	4.4%
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	<u>228,405</u>	<u>14.3%</u>
CONTROLLABLE INCOME	377,993	23.6%
Non-Controllable Expenses:		
Occupancy Costs	234,146	14.6%
Depreciation & Amortization	29,762	1.9%
Total Non-Controllable Income	<u>263,908</u>	<u>16.5%</u>
Restaurant Operating Income	114,085	7.1%
Interest Expense	43,431	2.7%
Income before Income Taxes	\$ 70,654	4.4%

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What should Prime Cost run?

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Prime Cost

Rules of Thumb

Full Service	65% or less
Quick Service	60% or less

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Prime Cost

Best in Class

Full Service	55% or less
Quick Service	50% or less

Net Income Potential of 15% - 20%+

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**Why combine
cost of sales and labor?**

*(Why not just report on food, beverage
and labor individually?)*

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Prime Cost Example



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Prime Cost Example

Food Cost	48%
Beverage Cost	<u>26%</u>
Cost of Sales	43%
Labor Cost	<u>20%</u>
Prime Cost	63%



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Prime Cost

Key Point

Prime Cost provides valuable insights into your restaurant's . . .

1. Unit economics
2. Potential for profit
3. Management effectiveness

A man in a white shirt is sitting at a desk, looking at a document. He has a thoughtful expression, with his hand near his chin. The background shows a framed picture on the wall.

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Prime Cost

Key Point


Prime Cost provides valuable insights into your restaurant's . . .

1. Unit economics
2. Potential for profit
3. Management effectiveness

Impact of higher COS & labor
Raise prices? / How much?

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RestaurantOwner Learning System



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Are Your Menu Prices Keeping Pace With Rising Food & Labor Costs

Weekly Prime Cost Templates

The screenshot shows the RestaurantOwner.com website interface. At the top, there is a navigation bar with links for Home, Resource Library, Events, Forum, Learning System, Join Now, and Login. Below the navigation is a search bar with the text "Start typing to SEARCH over 1000+ resources". On the left side, there is a "Content Type" filter menu with options like Articles, COVID-19 Resources, Downloads (checked), Labor Crisis, Online Courses, Success Stories, Surveys, Systems, Training Videos, and Webinar/Podcasts. Below this is a "Topic - Financial" filter. The main content area displays several download cards for prime cost templates, each with a thumbnail image and a brief description:

- Weekly Budget Worksheet (Blue Fish Grill):** Includes a table with columns for "Total" and "Percent". The table shows:

	Total	Percent
SALES Forecast	100,000	100.0%
Food	80,000	80.0%
Beverage	20,000	20.0%
Gross Sales	100,000	100.0%
- Weekly Prime Cost vs. Budget Template:** Comparing weekly prime cost to your weekly budget is one of the most profitable.
- Weekly Prime Cost Worksheet - with Discounts and Comps Tracking (Food & Alcohol):** Calculation prime cost every.
- Weekly Prime Cost Worksheet - Food (uncategorized) and Soft Beverage (no alcohol):** Calculation prime cost every.
- Weekly Prime Cost Worksheet - Full Service Version (Food and Alcohol):** Calculating prime cost every.
- Prime Cost Projection Worksheet:** The Prime Cost Projection Worksheet is a tool that helps to estimate the prime.
- Weekly Prime Cost Worksheet - Limited-Service Version (No Alcohol):** Independents who calculate.

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The advertisement features a photograph of two men, one in a white t-shirt and black apron, and the other in a red and white plaid shirt, sitting at a table and looking at a tablet. Overlaid on the image is the text "Weekly PRIME COST Template" in large, colorful, stylized letters. The background of the image is a green brick wall.

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Questions

Do you calculate your Prime Cost every week?

If so, what's your recent Prime Cost %?

Is this higher than in the past?

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Evaluating Menu Price Increases

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Evaluating Menu Price Increases

Prime Cost Comparison

Current 67%	Target 59%
-----------------------	----------------------

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Menu Price Increase Calculator



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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	\$ -	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

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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Question

Have you raised menu prices this year?

If so, what overall %?

Customer resistance, if any?

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Menu Pricing Strategies

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Competitive Pricing

Two key factors:

- **Market value**
- **Your cost**



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Competitive Pricing

Value Perception Factors

- Service style
- Ambiance
- Location
- Type of food
- Your staff
- Quantity
- Quality



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Competitive Pricing



Cost Factors

- Availability
- Seasonal fluctuation
- Shelf life
- Prep labor
- Profit margin

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Competitive Pricing

Pricing Strategy

- Avoid setting by desired food cost %
- Target market value
- Compute the profit contribution
- Adjust or omit

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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 margins; rather, it is their price/value perception that will determine if they are to dine or drink at your restaurant or bar.

One way to gauge customer price perception is to survey your competitors to see what they are charging for similar bar or food menu items. Use the Competitor Pricing Survey spreadsheet to gain a sense of the market value of your restaurant's or bar's menu. Once you know the value, then tweak the pricing to reflect a balance that meets market perception as well as profitability.

Summary of Features & Benefits:

- The pricing spectrum for your proposed menu items
- Competitors
- Menu comparisons
- Sheet for reference
- Menu pricing

[Preview](#)

Available in the following formats. You must have a program installed on your computer to use them.

[Download Microsoft Excel format](#)

Competitor	Nikki's Bar	Chi's	Sports Page	Brewhouse	Hideaway	Elan	Average	Lower Quartile	Median	Upper Quartile	Max Price
	2 bks	1.75 mile	2 miles	6 bks	1 blk	1.5 miles					
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 domestic	\$3.00	\$3.25	\$3.50	\$3.25	\$3.75	\$4.50	\$3.54	\$3.25	\$3.38	\$3.69	\$4.50
Import	\$3.50	\$3.50	\$3.50	\$3.50	\$3.75	\$4.50	\$3.63	\$3.50	\$3.50	\$3.69	\$4.50
Premium import	\$3.50	\$3.50	\$3.75	\$4.00	\$4.25	\$5.00	\$4.10	\$3.75	\$4.00	\$4.25	\$5.00
Wine-Glass											
House Chardonnay	\$4.50	\$5.00	\$3.95		\$4.50	\$5.00	\$4.79	\$4.50	\$4.50	\$5.00	\$6.00
House Cabernet	\$4.50	\$5.00	\$3.95		\$4.50	\$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	\$4.00
House red				\$4.00		\$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	\$8.56	\$8.75
Sim Cabernet		\$8.50	\$8.50	\$8.00		\$10.00	\$8.75	\$8.38	\$8.50	\$8.88	\$10.00

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Menu Costing System

Menu Costing

Bookmark This

Print Preview

Share

System Implementation

- Step 1 Download the designated form templates from the Download Library - links are listed below.
- Step 2 Modify each form template to include items for your specific restaurant circumstances.
- Step 3 Read the recommended learning resources to better understand how this system is used.
- Step 4 Schedule training sessions and set expectations for all persons using the forms or accountable for using this system.
- Step 5 Follow up daily for at least 6 weeks to ensure system is being used properly. Make adjustments as needed.

Download Forms

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](#)

Download the Menu Cost Allocation Tool [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](#)

Get your Menu Costing questions answered in the members discussion forum.

Systems

You can have the greatest concept, recipes and talent but if your restaurant can't deliver a quality guest experience consistently, people won't come back. Better systems not only ensure a more predictable guest experience, but also make the restaurant less dependent on the owner's constant involvement in daily operations.

[Learn More About Systems Skills](#)

Related Resources

DOWNLOAD
Menu & Recipe Cost Spreadsheet ...
Knowing what each of your menu items costs to prepare is one of the most basic yet overlooked aspects of running a profitable restaurant. This

WEBINAR
Mastering the Menu and Recipe ...
Knowing what each of your menu items costs you is one of the most basic yet overlooked aspects of running a profitable restaurant. Costing

ARTICLE
RecipeMapping
A good recipe for home cooking doesn't always work out when you attempt to replicate it in the restaurant. Startup restaurateurs find

More Resources

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Menu Engineering Templates

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.

Download the Menu Engineering Worksheet

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

Download the Menu Engineering Template with Scatter Charts

Preview



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



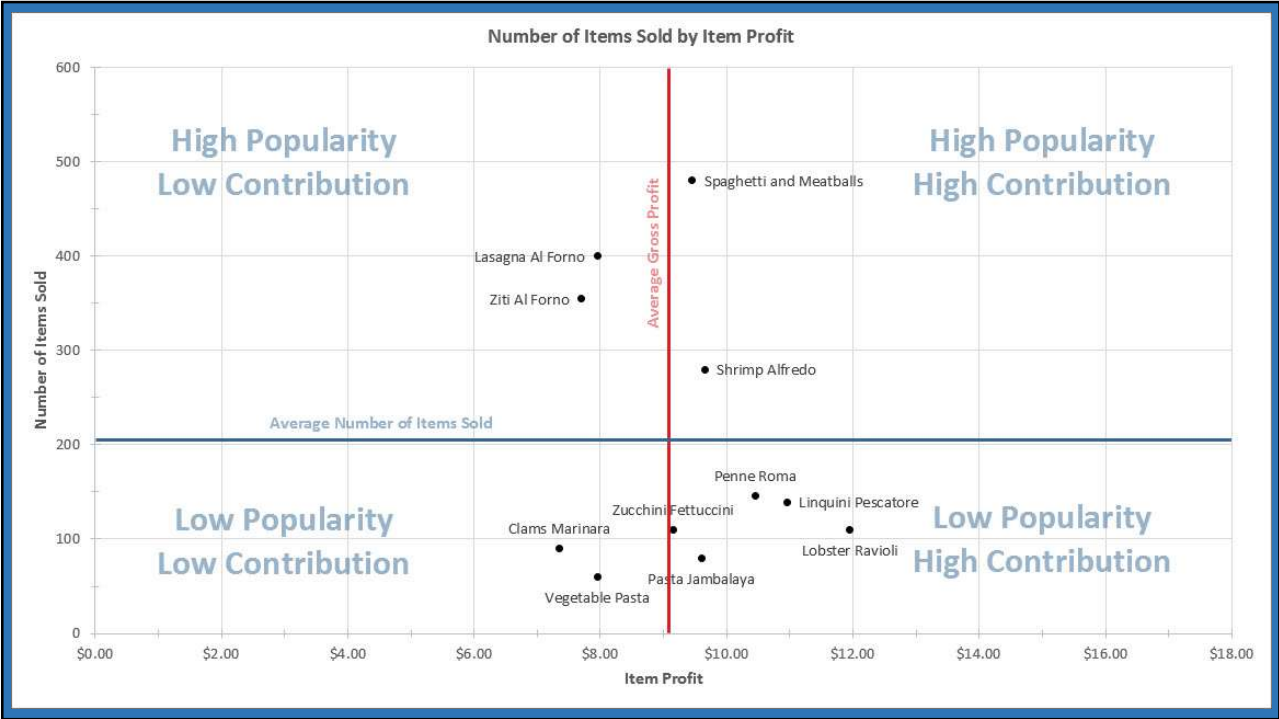
Click to Download Microsoft Excel format

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MENU ENGINEERING WORKSHEET																						
Enter Your Restaurant Name Here																						
A	B	C	D	E	F	G	H	I	J	K	L											
Menu Item Name	Number Sold	Popularity %	Item Food Cost	Item Sell Price	Item Profit (E-D)	Total Cost (D*B)	Total Revenue (E*B)	Total Profit (H-G)	Profit Category	Popularity Category	Menu Item Class											
Item # 1	100	10.8%	\$1.25	\$4.50	\$3.25	\$125.00	\$450.00	\$325.00	Low	High	Workhorse											
Item # 2	50	5.4%	\$1.50	\$5.00	\$3.50	\$75.00	\$250.00	\$175.00	Low	Low	Dog											
Item # 3	60	6.5%	\$1.60	\$6.00	\$4.40	\$96.00	\$360.00	\$264.00	High	Low	Challenge											
Item # 4	110	11.9%	\$0.95	\$5.00	\$4.05	\$104.50	\$550.00	\$445.50	Low	High	Workhorse											
Item # 5	25	2.7%	\$2.00	\$4.50	\$2.50	\$50.00	\$112.50	\$62.50	Low	Low	Dog											
Item # 6	35	3.8%	\$1.60	\$5.00	\$3.40	\$56.00	\$175.00	\$119.00	Low	Low	Dog											
Item # 7	75	8.1%	\$1.10	\$4.00	\$2.90	\$82.50	\$300.00	\$217.50	Low	High	Workhorse											
Item # 8	90	9.7%	\$2.25	\$7.00	\$4.75	\$202.50	\$630.00	\$427.50	High	High	Star											
Item # 9	140	15.1%	\$1.95	\$6.50	\$4.55	\$273.00	\$910.00	\$637.00	High	High	Star											
Item # 10	25	2.7%	\$1.95	\$6.75	\$4.80	\$48.75	\$168.75	\$120.00	High	Low	Challenge											
Item # 11	120	13.0%	\$2.30	\$7.50	\$5.20	\$276.00	\$900.00	\$624.00	High	High	Star											
Item # 12	95	10.3%	\$2.00	\$6.50	\$4.50	\$190.00	\$617.50	\$427.50	High	High	Star											
Total											N	925	100.0%	Must equal 100%		I	\$1,579.25	J	\$5,423.75	M	\$3,844.50	
Average Food Cost % of the items used in the analysis.											K = I / J		29.1%		Food Cost %		O = M / N		\$4.16		Ave Item Profit	
Average gross profit contribution of the items used in the assessment. This number is used as the break point to determine whether a menu item is ranked low or high in profit.											Q = (100% / Items) * (80%)		6.7%		Menu Popularity Factor		Used to determine the popularity ranking category above. The threshold for assigning "low" popularity is not the average but 80% of the average. This is a way of indicating the relative importance of the profit category over an items popularity.					

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Are Your Menu Prices Keeping Pace With Rising Food & Labor Costs



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Broadline Distributors

- Menu printing
- Menu costing
- Market insights
- Menu engineering
- Alternative products
- Commodity pricing
- Prime vendor agreement



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Question

Have you been working with your primary distributor(s) on any of these issues?

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Go Lean: Cost-Cutting Ideas That Work

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Eliminate Wasted Labor Hours

Observation:

- Spend time watching
- Look for time-saving changes
- Asking “Why?”
- Benchmarking
- Invest in ROI opportunities



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Eliminate Wasted Labor Hours

Evaluate Activities:

- Setup



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Eliminate Wasted Labor Hours

Evaluate Activities:

- Setup
- Prep



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Eliminate Wasted Labor Hours

Evaluate Activities:

- Setup
- Prep
- Cleanup



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Eliminate Wasted Labor Hours

Evaluate Activities:

- Setup
- Prep
- Cleanup
- Service



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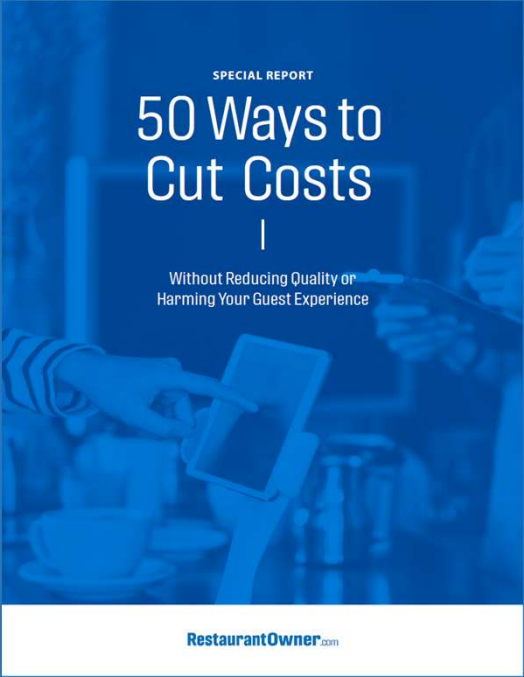
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**How To Know What Your
IDEAL
FOOD COST
Should Be**

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Free e-book



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Question

What cost-cutting measures have you taken to improve profitability?

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Key Takeaways

1. Menu prices will increase
2. Establish your prime cost target
3. Know how much to increase
4. Menu pricing strategies
5. Go lean first

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Are Your Menu Prices Keeping Pace With Rising Food & Labor Costs

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New Labor Crisis Resources

RestaurantOWNER.com
Home Resource Library ▾ Events Forum Learning System Join Now Login

LABOR CRISIS

Restaurant Owner Resources for Tackling the Labor Crisis

You aren't alone in this. Utilize our resources to improve your culture and scale your business.

At this point, you are a pro at adapting to the ever-changing Covid-19 environment, but there's one thing none of us were prepared for: the immediate labor crisis. It has always been a challenge to find, hire and keep staff, but now Restaurant Owners are having to resort to unheard-of measures to keep their businesses open.

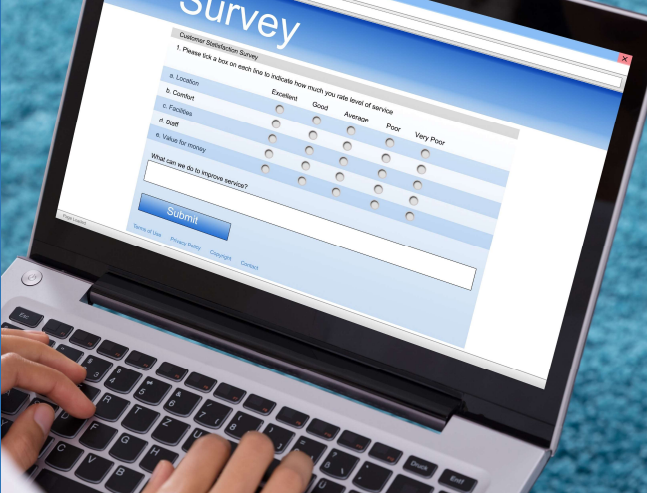
We don't want you to have to do this on your own. RestaurantOwner.com has many valuable resources including articles, training videos, and webinars that can help you solve labor challenges while helping you improve your overall culture.





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Please Give Us Your Feedback



Just 4 very short questions!

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Menu Pricing Town Hall

Q&A



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Menu Pricing Town Hall

**Are Your Menu Prices
Keeping Pace with
Rising Food and Labor
Costs?**



Thanks for attending!

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