

## Restaurant Operators cut back on Losses to Demand-based Pricing: *A Movement for Change with Strategic Menu Management*

Millions of dollars are lost to volatile food costs each year. Operators are now empowered to offer the fresh ingredients their customers want while mitigating the effects of unpredictable costs on their operations.

Restaurant operators are not blind to the fact that consumers are willing to pay more for locally-sourced, organic foods. In the *2018 What's Hot Culinary Forecast*, Senior Vice President of Research from the National Restaurant Association, Hudson Riehle, says, "Local, vegetable-forward, and ethnic-inspired menu items will reign supreme on menus... Guests are implementing these trends in their own lifestyles and want to see them reflected in the food they eat at restaurants."

The cost of these fresher ingredients rises and falls with no notice leaving restaurant operators to absorb cost hikes. Just as consumers are weighing out options, restaurant operators are weighing theirs as well.

### DEMAND-BASED MENUS & DEMAND-BASED PRICING: UNDERSTANDING CUSTOMER EXPECTATIONS AND PERCEPTIONS

Let's compare customer expectations with their perceptions about fair pricing operations. Consumer research conducted by National Restaurant News says consumers expect seasonal menu items *and* the menu pricing that comes along with this.

According to Cornell University's study on *Perceived Fairness of Demand-Based Pricing for Restaurants*, slight pricing fluctuation is considered fair and acceptable by consumers.

“Consumers are accustomed to demand-based pricing,” say Mike Sisco, President of Embed Digital. “We accept reasonable fluctuations in pricing. Gas prices are a clear example. We understand that the cost of this resource is unstable, and we have come to anticipate slight changes in price at the pump. At the restaurant counter, our orders have shown restauranteurs that we want fresher, better ingredients and we naturally anticipate ebbs and flows in costs as a result.”

If a burrito was \$7.35, but because of rising farm-fresh rice and lettuce costs, goes to \$7.79, consumers tend to consider this fair and continue through the line to please their appetite.

Some of the most prominent fast casual brands built their concepts around locally-sourced, healthier ingredients. Quick service brands have followed suit. The farm-to-table movement has affected pricing operations, but operators are not left to eat the cost.

## OVERCOMING VOLATILE MARKET PRICING WITH MENU MANAGEMENT

Restauteurs and managers are set on meeting the expectations of their customers. They can also set the pricing in accordance with market costs without alienating their customers.

In the days of print menus, operators of the smaller brands who could not lock in procurement contract costs were advised to give themselves a cushion for the more volatile items. It was also recommended that menus were printed in-house, so they could be easily reprinted if ingredient costs started to soar.

Digital menus have allowed operators to take control of pricing. Beautiful graphics are used to showcase the fresh ingredients that consumers want. The latest generation of digital menus gives restaurant operators more control. They can easily and instantly update menu prices based on the natural fluctuations of the natural and locally-sourced ingredients.

Without affecting the digital design that is meant to appeal to the appetite of their customers, restaurant managers are able to modify menu attributes; costs being one of those. As tomato prices rise, a pizza franchise operator can instantly update the cost of each pizza pie. Not only are they able to continue cutting pizza pies that are made with better and fresher ingredients, they are able to effectively cut the cost of doing business.

The Dynamic Menu Controller’s intuitive interface was designed to empower the entire restaurant staff, only requiring permissions from the operator and manual entry from a tablet device. From one device, restaurant staff members are able to update pricing and other attributes, like nutrition facts and menu item positioning, for multiple locations all from a single, tablet-based control.



Digital Menu Board

Menu Controller

Food cost variance has cost operators millions this year. Operators can't afford to give up profits or to move away from the fresh ingredients their customers want. Meeting customer expectations and understanding their perceptions, is the first step to taking control. Next, comes the next generation of digital menu operations and control.

*Embed digital offers beautifully designed menu content that is managed remotely. With the easy-to-use **Dynamic Menu Manager software**, restaurant operators are empowered to adjust menu attributes to manage their operations in real-time. [Chat with us about the Dynamic Menu Manager!](#) We love digital, but we still have phones. Call us at (844) 432-9696, if you prefer!*

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