

Food & Beverage - How to Avoid a Price War with Your Competitors - By Ken Burgin

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A customer phones, and their first question is one you hate: 'How much are the main courses at your place?' or 'What are your cheapest party menus?'

Don't hang up: this is Sales 101 - whoever asks the questions controls the sale. Find out how many people, day and date, have they been before and the type of occasion. Now that you've built rapport, guide them to a choice that offers great value and gives you a fair profit.

Recession thinking has everyone bargain hunting, and irrational competitors with their suicide discounts make it easy to panic.

Starbuck's new \$1 coffee in the US has raised eyebrows, from a company that trained us to think \$4.95 for a cup is normal. Big chains are always playing price games (3 pizzas for \$19.50, McD's new Mini Wraps), but your pockets aren't usually deep enough to play with 'loss leaders'.

Remember how lucky you are with all the non-standard elements included in the hospitality mix - atmosphere, music, location, convenience, flavour and service. If you sell hardware, groceries or books, the product is identical, so price shopping rules.

Most customers don't think of price first. Step One is deciding on an area/type of food/theme etc, then for Step Two they start checking the details. Eg first they decide on Italian food, then they check websites, consult friends or remember a previous visit.

So when they look for your type of business, are you easy to find? Is the street signage clear and the frontage inviting? Do you pop up on Google when they search for 'Italian food in Gladstone' or 'Kids Menu in Paddington?' In fact many cheap operators are hard to find, so their cut-price deals are unknown to most people!

Value is the Key, and it's made up of four elements: Quality, Quantity, Convenience and Price. Clever combination of these will make your customers contented (or not). Here are some examples of right and wrong:

Wine by the Glass: the brand may be grand and the price reasonable, but if it's a small puddle in a large glass, you will have customers grumbling. Take care with the quantity.

The Gold Function Package includes a long list of 'extras'* at no additional cost, with less-expensive beverages and high-quality seafood. Wrap it all together and the high price will be seen as very good value.

Your 'Steak Meal Deal' uses a cheaper cut to keep the price down, adding fries, salad and complimentary dessert. But in this example the quality choice spoils the deal, with unhappy customers grizzling about tough meat and feeling ripped-off.

The new Gluten-Free Menu has a range of meals designed for people with special diets - you charge a little more to cover the promotion. It's a resounding success, with a host of new customers you've never seen before - they're not bargain shoppers, just hungry!

The Seafood Deluxe Platter is offered during the tourist season, with a combination of first-quality seafood to match the views and the wine list. It's too dear for most locals, but is an opportunity to reap extra sales for several months of the year.

The Mango Dacquiri Mousse is made from a quality pre-mix for a few cents. Keep the size small so it's a sin-free temptation, and sell for less than the usual dessert prices. It's also packaged in clear plastic cups for grab-and-go convenience - watch the sales double.

It's time to create even more Value, using your imagination and skills to ensure everything you sell is more than just a Price. You'll also notice something interesting: if there's a time when you raise some prices, most of your competitors will follow your lead!

*Create plenty of 'soft dollar' items to include with menus or packages eg red carpet, plasma screens, candelabras, beverage vouchers for the next visit etc. A 'soft dollar' item is one that costs little (you may own it already) but has a high perceived value by the customer.

Profitable Hospitality offers management and cost-control systems (Manuals & CD-ROMs) for restaurants, cafes, hotels, bars and clubs. The systems are based on the extensive consulting and operating experience of CEO Ken Burgin, and enable busy owners and managers to set up complete operating and cost-control systems in minutes, not months. Profitable Hospitality also runs regular management training workshops in the areas of kitchen profit & efficiency, restaurant marketing and functions management. A free monthly e-newsletter keeps you up to date on the latest industry management issues. www.profitablehospitality.com.

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