

Food & Beverage - Menu Specials Strategy - By Joe Dunbar

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The economy continues to make consumers jittery. Discretionary income is in decline in many regions of the country. Restaurants featuring quick and cheap meals are holding their own while formal dinner houses see large drops in check averages and covers.

If a restaurant's sales dropped from \$2.5 Million to \$2 Million and average ingredients cost increased 15%, their gross profit will plunge - over 25%. Trying to make up the difference in labor is impossible.

| | Before | Change | After |
|-------------------------------|-----------|---------|-----------------|
| Sales | 2,500,000 | -20.00% | 2,000,000 |
| COGS | 750,000 | 15.00% | 690,000 |
| Gross Profit | 1,750,000 | -25.14% | 1,310,000 |
| Impact on Gross Profit | | | -440,000 |

As customers watch their check totals closely, it may be tough to sell profitable extras. If your menu concept relies heavily on specials, the answer could be a conspicuous value oriented option each meal period. By changing to menu selections which require lower cost ingredients, you would position yourself to eliminate the impact of higher commodity costs.

There are plenty of moves possible in every segment: Kobe tenderloin to Kobe sirloin, Shrimp Scampi to Linguine with Shrimp, Veal Marsala to Chicken Marsala, Omelets, Steak to Chicken Breast, Chilean Sea Bass to Flounder, etc.

You can close the gross profit gap with smaller portion sizes. Customer friendly, lower check averages result from smaller portion sizes and less costly ingredients. Menu selections should be offered a la carte and as a table d'hote option. The table d'hote choice could include profitable appetizer and dessert choices which can be added for a \$5 to \$10 bump in price over the a la carte entree price.

Put your free bread basket under a microscope. Lower check averages increase the cost impact of any fixed meal component. Try to keep the perceived value with less costly alternatives. Wheat prices are sky high. On a recent trip to New York, I paid \$1.20 for a bagel. You could try baking your own flat breads or foccacia. Shop around for lower cost bread options and mix them into the basket. Every little bit helps.

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