

Engineer your menu for optimal profit

At a time when food inflation for meals purchased away from home has surpassed inflation for meals prepared at home, consumers are behaving differently toward restaurants. A recent CNBC report said that according to research from AlixPartners, consumers are not simply trading down to less expensive restaurant options in an effort to save money right now. Rather, they are cutting out restaurant meals altogether. So every meal you sell must help you generate the greatest profit you can. Does your menu help you accomplish that, while also meeting your guests' expectations? Engineering your menu every time you update it can help, potentially increasing restaurant profits by 10-15 percent when done on an ongoing basis.

Tap into human psychology to help lead guests to the items you want to sell. It helps to limit guests' choice of menu items, ideally to around seven items or less per category, and make it easy for them to skim your options with the help of readable menu fonts and clear category headings and dish titles. Webstaurant Store advises operators use appetite-triggering colors like red, orange and yellow to draw attention to certain parts of the menu, as well as language that invokes comfort or connection — think “Grandma’s apple pie” or “Chef Paul’s favorite fettuccine.” Keep your dessert menu separate so guests don’t see it early and cut back on appetizers earlier in the meal. Use photos only sparingly on the menu. Save them for promoting your menu on your website and social media.

Toast further recommends restaurant operators sort menu items into “stars” (high profit and popularity), “puzzles” (high profit and low popularity), “plowhorses” (low profit and high popularity) and “dogs” (low profit and popularity). Make sure your stars are prepared consistently, then promote them frequently and make them visible on

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Figuring out how to manage those extra fees

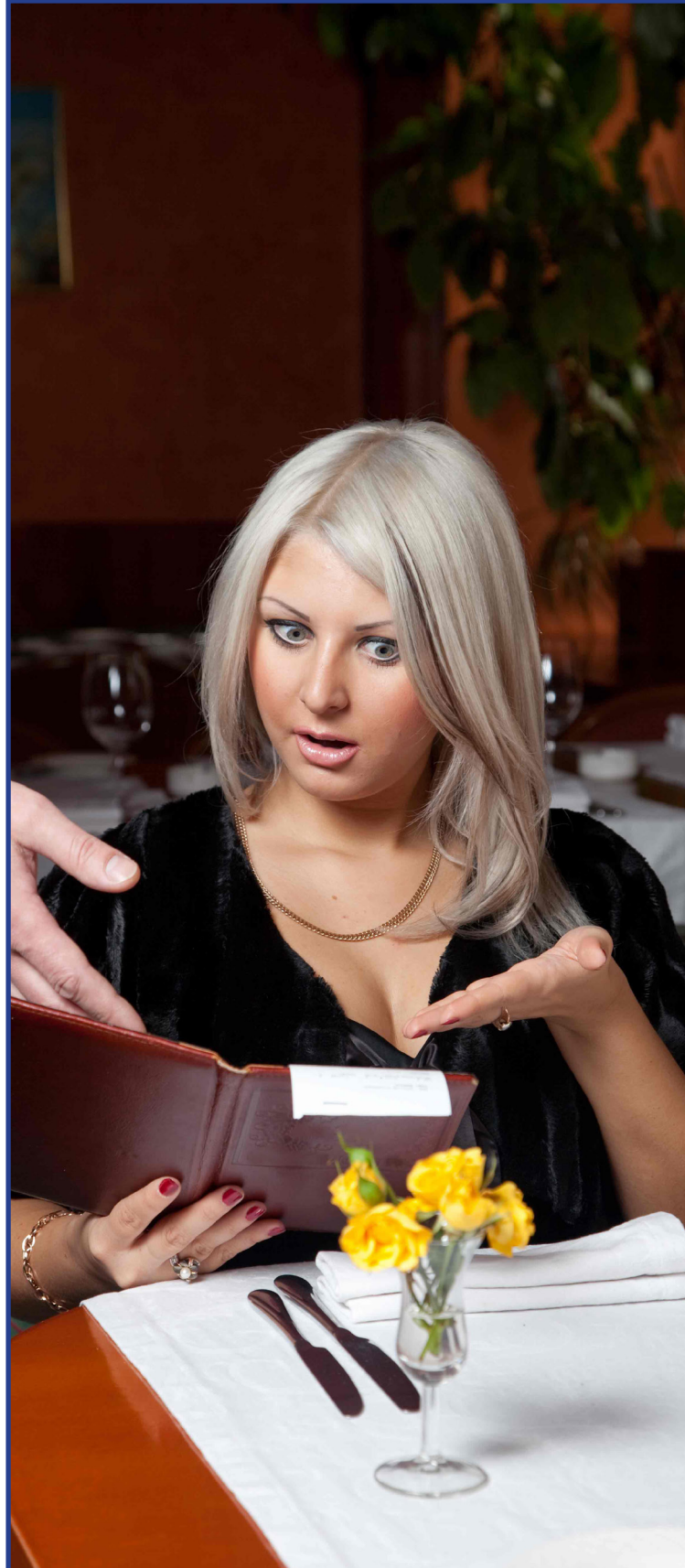
For years, consumers have had to pay less for restaurant meals than true restaurant costs justify. But the confluence of high inflation, supply chain snags, a difficult labor market, and a host of other post-pandemic operating changes has finally made that approach untenable — and restaurant operators are having to pass more costs on to consumers to stay afloat.

The National Restaurant Association's restaurant business conditions survey found that 15 percent of restaurant operators added surcharges of some kind this year. The fees range from around 3-5 percent and may cover costs as varied as health insurance, inflation, credit card fees or tap water.

Consumers, as you might expect, aren't happy about the added costs. Nowadays it's easy to find viral content on social media that takes issue with them. While consumers might support the need to pay for what these fees cover, they dislike being surprised with multiple line-item fee additions at the end of a meal — then be prompted by a tip screen on top of it.

We're at an important pivot point with regard to transforming the employee culture in restaurants and having a cost structure that supports that instead of leaving it to consumers. But until that shakes out, restaurant operators will likely face some push and pull with regard to managing costs and determining how to make them palatable to guests. Where it's possible, spread these costs out across your menu so you can avoid surprise surcharges tacked on at the end of the meal.

Where there is a positive story to tell about what you're charging — such as the efforts you're making to improve restaurant employee benefits like healthcare, for example — share it with guests. A line of text written at the bottom of your menu, website and social media platforms can help you leave guests with the final impression that they are helping you do something good. It may even help bring them back to support you again in the future.



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What's the best financing option for my restaurant?

High interest rates, inflation and labor challenges can make any restaurant feel financially stretched right now. If you're looking for some relief in the form of a loan or line of credit to help you manage expenses or invest in critical infrastructure, there are a number of financing options you may be exploring. To ensure you're maximizing the upside potential of a cash infusion and minimizing the possible downsides, consider some guidance from Jacques Famy Jr., cofounder of the small business loan agency Advancepoint Capital. In a recent Forbes report, Famy recommended a hierarchy of financing options available to restaurants.

Consider your current bank first. You're most likely to find the best rates there on business lines of credit or SBA loans. From there, look to online business lenders. They often offer a faster, easier financing application process than your bank would, but it comes at a price: shorter terms in which to pay back a loan (often six to 18 months for restaurants, and at a higher interest rate than you might find from your bank).

Next, you might look into a merchant cash advance. It's become a tool that more operators are considering as they need to find creative ways to preserve profits in the challenging economic conditions of the past several years. These advances are agreements in which a business receives a lump sum of cash up front in exchange for a portion of future revenue. They can be a preferable option for businesses that struggle to present themselves as creditworthy because the providers base the advance on current and historic sales volumes as opposed to credit scores. These options are more readily available than traditional financing but also come with higher fees and overall costs.

Consulting a business loan broker could help you make sense of the broader lending landscape if you're unsure which financing option you want. You can shop around for the best product and lender with help from the broker — and the options may be more plentiful than what you'd find at your bank. Just know that the broker may be representing only certain products.

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In general, as you prepare to make your case to potential lenders, gather a range of information to help you make a case that you're a good risk. Beyond submitting a complete application, gather all bank statements needed, as well as tax returns, profit and loss statements, debt obligations and other financial documentation that demonstrates your restaurant's financial history and health. Know the credit score of the business and the owner's personal credit score. Also be prepared to submit other documentation proving ownership of the business, supporting licenses and other documents that would help with your background check. Presenting yourself as organized and thorough could help you lay the groundwork for a stronger partnership with your lender — and help you secure additional financing options at beneficial terms down the line.



Menu *from page 1*

the menu. Try to understand why your puzzles aren't selling and make adjustments — could they be described better or located in more prominent places on the menu? Make plowhorses more profitable by adjusting the recipe to include more cost-effective ingredients or pairing these items with more profitable side dishes and beverages. Dogs are taking up space on your menu — try reinventing them with new ingredients and promotion, or replacing them with items that are more popular with guests and generate more profit for your business.

