

Casual Chain Shifts Menu Pricing Strategy

Case Study



*Project conducted with Technomic.

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The Situation

Upscale-Casual Chain Shifts Menu Pricing Strategy



A 145-unit, casual-dining chain faces diving frequency due to change in consumer wealth. Senior management decides to lower menu prices rather than discount.

- ▶ Average checks vary from region-to-region.
- ▶ Harsh economic conditions vary from region-to-region.
- ▶ Large portions and large item variety drive waste.
- ▶ Lunch menu prices lower than dinner menu prices.

The Actions

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CA conducted consumer price sensitivity surveys in 4 regions to determine the relationship between menu prices and guest frequency – based on personal economic factors.

- ▶ Benchmarked menu prices against top competitors.
- ▶ Analyzed menu category price-profit strategies.
- ▶ Analyzed menu item price-profit strategies.
- ▶ Tiered items by COGS to identify margin problems.

The Results

Upscale-Casual Chain Shifts Menu Pricing Strategy



CA consultants determined opportunities to increase frequency by broadening the pricing strategy: how to lower prices without losing significant margin.

- ▶ Shifted from a national to a regional pricing strategy.
- ▶ The use of contribution margin strategy increased to sharpen competitive pricing of ultra-premium items.
- ▶ New menu item prices pinpointed with consumer price sensitivity data.
- ▶ Guest frequency stabilized without significant drop in margin or average check.

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