

Menu cost increases need to be done right

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Increasing profitability and sustainability often requires change, essential for progress but not always easy, especially where it affects the consumer. Updating a national menu requires an implementation process that takes into account business factors, such as profit performance and pending increases, and consumers' needs.



To ensure ongoing profitability for franchisees so that their business can grow, it is important to not only monitor progress, but also to forecast accurately factors that could affect it. We know that supplier costs and other expenses such as fuel and electricity increases occur at least once a year, and, if the impact of these increases are not accounted for and covered, the company will essentially be paying the customer to buy their products.

However, increases start with customers, who will be impacted most by any increases on a menu or catalogue. They are the ones who have to deal with these increases and this will determine whether sales will increase or decrease. While a significant increase could ensure that you cover all your costs with ease, it can affect whether your customer will continue being loyal to you or not. Customer feedback received throughout the year should be taken into account and it is important to study trends that indicate 'best sellers', as this will predict future demand and will give an indication of how willing customers will be to accept price changes.

It is important to consider the rest of your team. Increases will also affect others in the company, and it is important for everyone to be informed and involved (where needed). Usually the staff members deal more directly with customers than the management team. They are the ones who more easily pick up where changes are needed and how these impact customers once they are made. In franchising especially, the franchisees are involved in the process as much as possible, as even slight changes will affect their own businesses. Franchisees need to give feedback throughout the year on various elements of the business and need to actively take part in discussions on menu changes, sampling new products and discussing profit margins.

Once the decision has been taken that a menu update is viable, one needs to invest time in developing and finalising it; to ensure profit margins and costings are correct and that the correct processes are being followed. This includes sampling, designing the actual menu and proofreading it - repeatedly. Once this has been done, the menu can then go to the printer, where after it is proofread again and only then distributed to stores for the update to take effect. If done right, it is a lengthy process and one that our group completed in six months.

While everyone knows and understands that adjustments are needed, it is important to go about the process in a smart way. Remaining profitable is important, but not at the expense of your customers and other team members. Complete the needed research, follow the right processes, rollout the updates correctly and your business will progress in a sustainable manner.

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