

A Restaurateur Night Mare: Raising Prices!

Ugh! The bane of every restaurateur is the dreaded prospect of raising prices to cover rising costs. There are three strategies for handling.

1. Do nothing and lose your shirt...often called the "ostrich syndrome".
2. Increase your prices incrementally. Rather than raising the price of a core item by \$.50 or \$1.00 at a time you raise it by \$.20-.25 each quarter and allow the customer to adjust to the new pricing. It is extremely important to identify what your core items are (best sellers) and move them up over time. A good rule of thumb is to identify which 10 items you serve drive the greatest percentage of your business and raise them all at once.
3. Raise and Deal Pricing is a third strategy. This method helps you avoid customer backlash. Again you have to know what your core items are that drive your business and raise them all at once. Then you take those items and categorically discount or combo them during non-peak business times. For instance, if you raise your cheese and pepperoni pizza \$1.00 due to crazy cheese costs, then you can do two different things to reach to adverse customer feedback. Make one evening your Pizza night where you sell pies on off-peak times at the original price point. It will help drive business during times when you are traditionally slower and you will reap better revenues. Another option is to combine the core item with some sides that make good margins or are popular and discount the combination as a package the same \$1.00 you raised the pizza. This will increase your average ticket and offset the discount while also allowing you to give customers a better deal.

Whatever you do don't cut the quality of the products you sell. Cut back slightly on portions but never on quality.