

CONSUMER TRENDS

Missing the 'sweet spot?'

Operators may be charging more than value-conscious diners want to pay **BY FERN GLAZER**

Restaurant consumers are paying more for their meals these days but are less satisfied with the value they are receiving, according to new research from The NPD Group.

Operators who offer and promote meals in consumers' "sweet spots" — the price ranges they perceive as offering the greatest bang for the buck — stand to increase traffic in today's still-weakened economy, NPD officials said.

However, many restaurateurs who for various reasons have been forced to raise their menu prices over the past several years may be pricing themselves out of the value equation, the research firm said.

"I don't think [operators] are delivering on consumers' expectations at their price point," said NPD analyst Bonnie Riggs. "[Consumers] are not happy about it and not visiting as often."

By examining traffic distribution by check average

parts ideally fell in the \$5 to \$6 range. However, in actuality most consumers at lunch found themselves paying \$7 to \$9 per person, while dinner patrons paid more than \$9.

Meanwhile, quick-service customers said they continued to view meals priced under \$3 and those costing \$6 to \$7 per person as a good value for the money.

For the most part though, NPD found that, with the exception of lunches that cost a few bucks, patrons of quick-service operations do not believe that they are getting the same level of value in today's market that they received back in 2007.

"It does not bode well for our industry in terms of building loyalty," Riggs said.

At the midscale level, consumers feel most satisfied paying \$6 to \$8 for lunch, NPD said, but the percentage of consumers with checks in that range has declined by 5 percent over the last five years. In the

more money [and were] a little more willing to pay between \$12 and \$14," Riggs said. "We are not anymore."

While casual-dining customers have long perceived a lunch costing between \$8 and \$10 per person as offering the most value, most aren't paying anything close to that these days. In April nearly one-third of casual-dining lunch traffic fell into the \$14-per-person area. While the price at which consumers perceive the best value at lunch has remained static over the last five years, the sweet spot at dinner has moved to \$12 to \$14, up from \$10 to \$12 in 2007. However, more than one-third of casual dining customers currently pay upward of \$17 per person for dinner.

"Today more than ever, consumers are in the driver's seat, and they are expecting a lot," Riggs said. "[Restaurant operators] need to move that sweet spot."

Increasing consumers' sense of value is all about doing more, according to Linda Duke of Duke Marketing in San Rafael, Calif.

"Providing value or perceived value is imperative in today's

tough economic times," Duke said. "Consumers want more for their money, and wise restaurateurs are looking for ways to add, not subtract, to what is provided to guests."

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Finding the value 'sweet spot'		
Self-reported ideal price range of a lunch or dinner meal in each category		
	LUNCH	DINNER
QSR	\$5 to \$6	\$5 to \$6
Midscale	\$6 to \$8	\$10
Casual	\$8 to \$10	\$12 to \$14

and CREST Value Composite Scores, NPD has identified the price points that drive consumers to restaurants. Value Composite Scores are arrived at by calculating three key consumer measurements of value: "affordable to eat there often," "good value for the money" and "definitely will go there."

For the year ended in April 2012, patrons of quick-service operations said the price point that offered the most value for both the lunch and dinner day-

year ended in April, 18 percent of midscale lunch traffic fell in the \$12-and-up range, nearly double consumers' price-point sweet spot. At dinner, midscale restaurant patrons said they felt best about spending \$10 per person, but traffic at that price point declined 2 percent from 2007. Nearly one-fourth of checks from midscale traffic fell into the \$14 area, 7 percent more than paid that much five years ago.

"Back in 2007 maybe we had

Value points

With gas prices continuing to rise, the drought is likely to cause a jump in commodities costs and industry traffic expected to largely remain flat in the near term, it is unlikely that operators will be able to lower menu prices to address consumers' value needs.

However, several foodservice consultants offered suggestions as to what operators can do to increase consumers' sense of value, even at current price points.

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Offering to buy regulars a round of drinks, delivering small-bite desserts to those who don't order dessert, or offering complimentary lotion in the ladies' room for guests to use and keep are among any number of little additions that Duke said can leave a big impression. Another big way to add value is by offering complimentary refills of items such as soup, coffee, cold beverages, bread and tortilla chips.

"Consumers will continue to shy away from nonessential spending as confidence is battered by rising utility bills, weak housing prices and growing fears of job losses," Duke said. "The bottom line is restaurateurs need to give more, not less, to provide perceived value to today's hyper-price-conscious consumers."

Dennis Lombardi of WD Partners in Dublin, Ohio, also said restaurateurs need to give more to get more, especially when it comes to service.



Offering free refills on menu items like coffee is a good way to increase consumers' perceptions of value at a restaurant, experts say.

"The service equation is the majority of [value] perception," Lombardi said. "A service enhancement can create a value

enhancement."

While it seems that most operators are aware that service is key, Lombardi said it's just not

happening in most restaurants. "Most unit managers are not providing the touches to extraordinary service," Lombardi said. "If they won't do it, the crew won't do it."

For global restaurant consultant Aaron Allen, the key to changing consumers' value perception is menu differentiation.

"The real rubber hits the road on innovation," Allen said.

Rather than try to offer the same items at better prices, Allen suggested creating value by developing items or bringing in products that are exclusive to your restaurant.

"If your competitor [offers a brand-name beer] and you do too, there's not much value to add," Allen said. "Bring in a new item that you have a fresh start with; get away without price comparison."

With consumers' growing interest in healthful and less processed foods, offering a unique better-for-you item might be one way to differentiate a restaurant. Whatever

operators create, Allen said, there must be a significant amount of "wow."

Though these simple changes may have an impact on consumer perceptions, both Lombardi and Allen acknowledged that just adding new menu items, buying a round of drinks or offering endless chips and salsa may not be enough, especially for aging concepts. For some operators, a total re-engineering of the menu may be in order. They need to determine what items are traffic generators and what are losing prospects, and discover how to create a pricing strategy that maintains or increases margins while creating better value perception.

"Look at a strategic instead of a tactical level," Allen said. ■

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