



MAKING SENSE AT THE MARGINS

Hospitality businesses have been having a torrid time of late. Forced to close due to the pandemic and then pivot to keep an income stream coming in, operators are now facing a hike in costs of both food and labor. The next obstacle is convincing the public that the price of a meal is worth paying.

The pandemic has forced changes in nearly every facet of restaurant operations. Modulating those changes is proving to be tricky balance of art and science.

Slowly and Discreetly

Restaurants have “slowly and discreetly” raised prices over the last few years to compensate for the lower margins created by third-party delivery fees, according to **Arlene Spiegel FCSI** president of Arlene Spiegel & Associates in New York City. “Now, with a much higher percentage of their business going to delivery fees than before the pandemic, they raised their prices dramatically without fear of customer pushback.”



Operators know it is time for a raise when the cost of goods and labor grow markedly higher. “The one saving grace is that landlords have become more reasonable, and are charging fairer rents since the pandemic,” Spiegel adds. “They’d rather have an occupied space paying less than an empty space paying nothing.”

Restaurants regularly spend time researching their competitors and the economic conditions of the markets they serve. “They usually get it right,” says Spiegel.

“However, there is always room to add value-oriented’ menu items to appeal to the price-sensitive guest.” Whether or not price increases have

been too long in coming cannot be answered with a singular yes or no.

Shifting Offerings

Post-pandemic shifts in menu offerings have taken many forms, including launching quick-serve concepts based on a ghost-kitchen model to optimize output and revenue. Another way operators have altered their menus is by offering more smaller plates and sharing plate options. Guests today, Spiegel says, are not limited to the traditional breakfast, lunch, dinner timeframes since many are now working from home. “By offering a variety of options throughout the day, they can customize the meal experience that works for them. ■