

A customer's biggest fear - maybe yours too

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I was waiting in line at a restaurant somewhere between New York and Boston and the couple before us asked to see a menu. They gave the menu back and started to leave when the manager asked why they didn't want to stay. Here's what they said: "Your prices are too low, your food probably isn't any good."

Low prices and specials are much more costly than people realize. Let's say you are a restaurant owner and you had a special with a discount of twenty five cents. You sold 700 of these specials each week, the total out of pocket cost would exceed nine thousand dollars per year!

Why not turn your "specials" into "features" giving your customer more food at a higher cost? For example you could add a soup or salad, a choice of a few inexpensive deserts and **increase** the price rather than discount it. By reversing the loss rather than losing twenty five cents you could earn an extra fifty cents. You would go from a \$9,000 loss to an increase in profit of more than \$18,000.

The next time you visit a fast food restaurant notice how you order. "Give me a "number one" or "number two" which has the perceived value of a bargain, but is actually costing you more.

I know what you are thinking. "My customers want cheap prices!" Not all of them. Most customers are looking for value more than they are looking for cheap prices. Let me give you an example.

One of the biggest fears we have as customers when we go out to eat is that we won't get enough to eat. As proof, the next time you go to the movies try to order a small popcorn. It can't be done! What is the worst thing that can happen during the movie? You run out of popcorn and have to go stand in line to get more. So we order a large popcorn and a gallon of soft drink to feel "safe" about having enough. Over 50% your customers will order the "feature" over the "special" because of the little known fear.

Here's another way a restaurant owner can increase their sales and profits while giving a higher perceived value.

Instead of raising your prices and hearing complaints from your regular patrons, you might try giving customers a choice between three different portion sizes. Some customers will always order the largest size regardless of the cost. You can look at the pricing as: Price 1 = not enough. Price 2 = just right. Price 3 = too much. By offering these price choices on the same item you will find that most people will buy the "too much" because they want to be sure and not leave hungry. So you increased your gross revenue but you didn't raise your price. It's the same pricing theory they use in the movie theaters; small, medium and large. There biggest seller, by far, is the large.

On another occasion I went into a family restaurant located in a small town on the boarder of Missouri and Arkansas.

The owner had unbelievable prices on her breakfast menu. Much too low for the great meal she delivered. I would have happily paid an additional two or three dollars for the meal. When I asked her why the prices were so low, here's what she told me. "A fast food chain just opened across town and I am afraid I am going to lose all my customers to them." I asked her if she had eaten there yet and she said no.

I told her that they were not her competition. You would have to buy at least three of their breakfast specials to equal one of hers! She was competing with the wrong competitor! A big mistake many restaurants make in their marketing strategy.

Bottom line: Instead of offering specials and discounts try adding more value and giving your customers more choices on the same menu item.



Bob Oros is one of the leading speakers in the foodservice industry. For more information about hiring Bob for your next sales meeting visit www.BobOros.com