

# UNIT-1 PRICING

## MENU PRICING STYLES/STRATEGIES

**Menu pricing** refers to how food and beverages served by a restaurant are priced for sale to the public. There are three basic styles/strategies widely used in the restaurant industry for pricing menu items.

1. **Traditional pricing:** Traditional pricing, presented through a variety of strategies, depends on varied and sometimes unreliable criteria for setting prices. Some of those strategies include:

- Intuition: Setting prices based on feelings
- Competition: Setting prices based on what your competitors are doing
- Follow the Leader: Setting prices based on what the implied leader in the marketplace is doing
- Psychological: Setting prices based on a customer's perceived value

2. **Cost plus markup pricing:** This form of pricing structure involves adding an additional amount, or markup, on top of product costs. For example, if a menu item costs Rs 5 to make, and the desired markup is 50 percent, the new price for that menu item is Rs 7.50.

Cost plus markup pricing is a popular option for restaurants because of its simple formula that can be applied to each menu item and is based on mathematical data such as the actual costs that go into preparing a menu item.

3. **Product cost percentage pricing:** Product cost percentage pricing uses the targeted ideal cost percentage and potential cost of an item to arrive at a menu price. The targeted ideal cost percentage is how much an establishment hopes to spend on a menu item. For example, if the targeted ideal cost percentage is set at 25 percent and the potential cost of the menu item is Rs 5, the equation would look something like this:  $5 / .25 = 20$ , with 20 being the price (Rs 20).

## TYPES OF MENU

### **MENU DEFINITION**

The traditional menu definition is a list of food or drink items available for purchase, or a list of food or drink items that will be served.

## **TYPES OF MENU**

### **1. A La Carte**

In French, à la carte literally means “by the menu”. In the restaurant industry, à la carte is an upscale term used in reference to menus that list items priced and ordered separately. If you want to give your guests plenty of flexibility, list your options individually on an à la carte menu. They will pay for each individual side they select, and entrées such as steak or baked eggplant will stand alone.

### **2. Du Jour Menu**

Du jour means “of the day, and the term isn’t limited to soups or cocktails. Du jour menus offer flexibility for small and busy restaurants because they can be customized every day or even throughout the day. These menus, which are commonly written on chalkboards or displayed on digital displays, may include anything from a single special item to a List of that day’s entrée choices. They are usually presented in conjunction with a standard, static menu.

### **3. Prix Fixe Menu**

French for “fixed price”, prix fixe describes a menu that quite literally has a fixed price. There may be multiple options for each course, but ultimately, every guest will receive the same number of courses usually an appetizer, salad or soup, entrée, and dessert and pay the same standard price no matter which individual selections they choose. Prix Fixe menus could also be referred to as Special Occasion menus, as they are commonly used only for special occasions such as Thanksgiving, Christmas, or Easter.

### **4. Table d’hôte**

Another French culinary term, table d’hôte means “the host’s table” and describes a menu similar to a prix fixe menu, but with a more upscale turn of phrase. The term first referred to meals shared among house guests and their hosts, who gathered at a single table to enjoy the same courses. However, unlike the prix fixe menu, the prices of individual entree items may vary. A table d’hôte menu is also excellent choice for holiday meals and cuisine that encourages sharing, such as Easter brunch or Spanish tapas.

## 5. Cyclic Menu

A cycle menu is a menu or part of a menu that has repeated options over a specific period of time. A sandwich shop that offers a certain sandwich on Monday. Then another sandwich on Tuesday. And so on for the rest of the week. If they stick to those sandwiches on those days and repeat that week after week, it's a cycle menu.

Cyclic menus are often used for two reasons. One is that the cooking operation is relatively small and doesn't have the resources to cook-to-order items off a larger menu. The second is for daily specials, like a happy hour menu. A bar or restaurant may have a static menu that anchors their offerings, but a cycle menu on top of it. That cycle menu showcases the same collection of special offers on the same days throughout the week.

## 6. Static Menu

A static menu is a larger menu, typically divided into categories, that doesn't change very often. It's the most widely used menu today, and it's what you likely think of when you think of menus. That's because the majority of restaurants and bars out there utilize a static menu. They typically provide the best customer experience because of the amount of options they provide, their consistency, and their easy navigation.

## 7. Beverage Menu

If you offer multiple beer, wine, cocktail, or even juice and soda options, you may want to separate them on to a distinct beverage menu. Guests who start with water may order drinks later if they have a beverage menu to peruse as they eat. Some beverage menus feature pictures of specialty cocktails, extensive lists of craft beer selections, or information about the ingredients and traditions that inspired each beverage.

## 8. Dessert Menu

Many standard menus have dessert sections but because servers collect menus after the entrées are ordered, guests can't refer to these sections later. That's why some restaurants offer separate dessert menus, which may be displayed right on the tables or handed out after all guests are finished eating. Upscale restaurants may even roll out a dessert cart that features each item on the menu, which makes it harder to resist sweet treats even if everyone's full.

## **MENU PRICING METHODS**

The following are the menu pricing methods

### **1. Pricing by Portion Cost**

A standard portion cost is the cost of serving one item or drink as per standard recipe. In this method, you determine the portion cost by dividing the purchase cost by the portion.

For example, you buy 50 kgs of chicken at Rs 200 per kilo. So, your purchase cost is Rs 10,000. If you serve 250 gms Rs 10,000. If you serve 250 gms of chicken per portion, you will arrive for Rs 50 per portion.

### **2. Pricing By Raw Food Cost Of Item**

In this method, you consider the raw food cost of the item and divide it by the in cost of the item and divide it by the desired food cost percentage to get the final price. For the same, you should know the value of every ingredient in your recipe from the meat to the vegetables, oil/butter, and condiments. You even account for the ketchup, mustard, or any other sauce served. An account must be maintained for every item that goes on the plate.

For example, for a Chicken Curry, you need to know the cost of all the ingredients in the recipe, including the Chicken, masala, stock, oil, salt, coriander leaves. It will be something like this:-

Raw Food Cost of Item + Desired Food Cost Percentage = Price Cost Percentage = Price

Also, you need to factor in indirect costs, fluctuations in food prices, and competition. So, if you want a food cost percentage of 35%, and you allow a difference of 5% for various factors, you would want to keep a mark up of 30% on your food item

### **3. Pricing By Competition**

In this method, you take the prices determined by your competition as your reference price. However, you can choose to price your items the same as your competitor, slightly lower to attract customers who are looking for a bargain or marginally higher to attract customers who are looking for premium quality. However, as your restaurant needs to function within a specific price limit.

#### **4. Pricing by Demand Analysis**

This concept works on the rule of demand and supply. Restaurants in airports or food courts at malls charge more for their food as they are the only available source of food. As the demand is more than the supply, they are willing to get away with it. If your restaurant serves exclusive or specialty menu items or offers a different ambiance (for instance, the revolving restaurant in Ahmedabad-Patang provides a 360° view of the city in its upscale restaurant), you can charge more for the food and the experience. However, make a study of your market and customer base before you price your menu items.