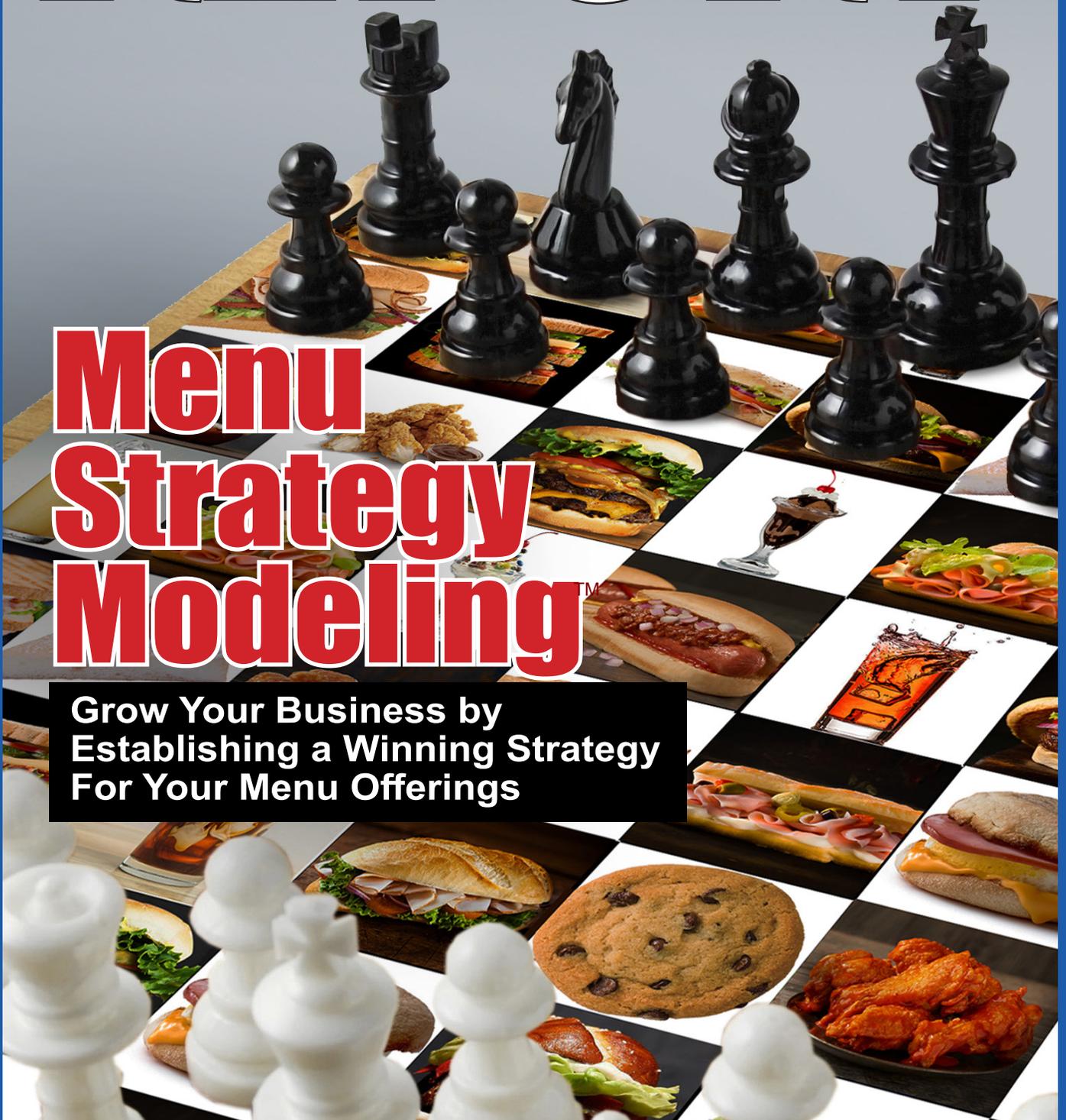


KING-CASEY *Insights & Trends in Foodservice Merchandising & Design*

REPORT

Menu Strategy Modeling™

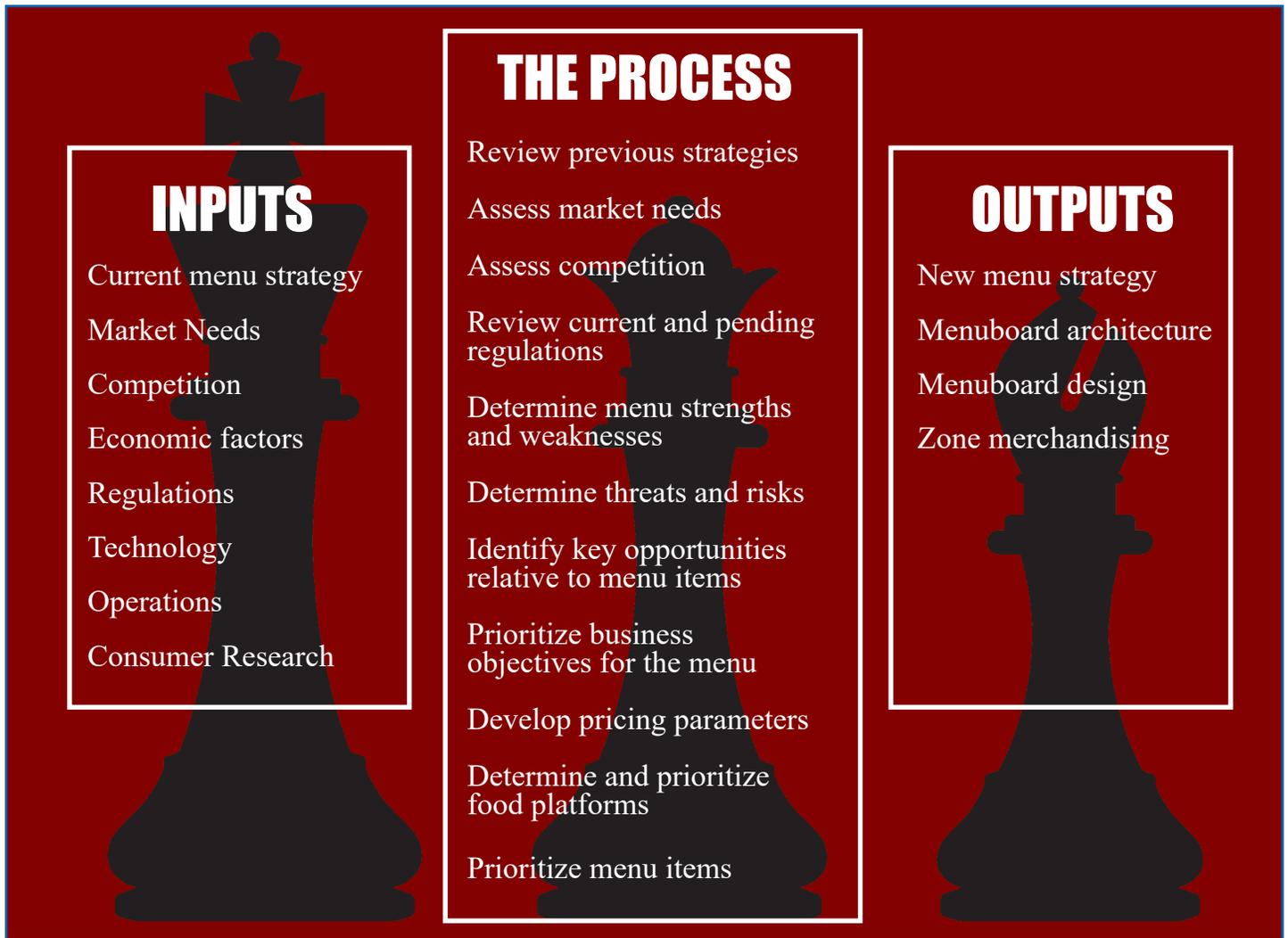
Grow Your Business by
Establishing a Winning Strategy
For Your Menu Offerings



Linking Your Menu Items To High Level Strategic Business Objectives

We all know that in-store food and beverage communications must be well-executed (attractively designed, easy to read, informative). That's a given. And while these basics are important, they don't make the difference between getting good sales results and getting great results.

Working with leading QSR's and fast casual brands over many years, we've learned that merchandising food and beverage items is not just about communications design. It's about establishing a strategy for the food and beverages on the menu. Menu Strategy Modeling is a proven, systematic approach that will benefit any brand ready to optimize their food service platform.



Menu Strategy Modeling™

Grow Your Business by Establishing a Winning Strategy For Your Menu Offerings

by Howland Blackiston, Principal, King-Casey

What's a "Menu Strategy"?

A "menu strategy" is about establishing how each of the menu items you offer will help you grow your business.

When it Comes to Your Menu, Think Strategically

The leading QSR and fast casual brands develop a well-documented Menu Strategy linked to high-level business objectives. This is a document that sets forth how the

menu products are prioritized and how they help the brand realize its business objectives. The Menu Strategy is used to guide all in-store food service merchandising (posters, banners, window clings, and of course the menuboard itself). The Menu Strategy can also help identify what new menu items should be developed, and which current items should be eliminated. The Menu Strategy establishes product and category priorities and helps the brand decide how com-

munications should be developed to get the desired business results. Creating and agreeing on a Menu Strategy is a critical first step in how world-class foodservice communications are developed.

How to Go About Creating A Menu Strategy

The process for Menu Strategy Modeling is similar to strategic business planning, which is something already well understood by managers...setting goals; prioritiz-

ing goals; and translating the plan into specific actions. But in this case, we set business goals relative to menu items; we prioritize these goals (not all are of equal importance); and we execute the plan via specific actions.

When creating a Menu Strategy, a high level team approach is helpful -- you get valuable input across the organization, and you get consensus and buy-in. A Menu Strategy team typically includes key brand personnel: CEO, CFO, CMO, Operations, foodservice and R&D. Be sure to agree on those members of the team who will be responsible for publishing and implementing the new Menu Strategy.

Do Your Homework Before Creating a Menu Strategy

There's some up-front work to do before the team works out the details of a new Menu Strategy. The inputs are varied, and they are all business-centric. They fall into two groups, *brand inputs* and *market inputs*, as follows:

Brand Inputs

Review Your Current Menu Strategy. Identify the objectives and strategies you have now relative to your food and beverage offerings. These may be documented or you may need to document them. What you have now is your starting point.

Conduct Consumer Research. Consumer research is critical in the development of your Menu Strategy. Attitudinal and behavioral research should be used to help determine the thought process behind your customers' menu decisions.

Take a Deep Dive Into the Data. Basic sales and profit contribution analysis is routine for foodservice brands. But there's a treasure trove of data that's often overlooked. It requires a deep dive into the numbers. By utilizing sophisticated analytical skills and algorithms you can develop and test many different product and pricing strategies to determine which are best for improving business performance. Brands can realize increased margins across menu items, without negatively impacting customer traffic. You can create programs tailored specifically to the needs of the chain, geographic segment, outlet, transaction type, and cus-

tomers. Which menu items should stay, and which can be eliminated without any negative impact on the organization? These are powerful analytical tools for developing your menu strategy. Here are a few of these.

Menu Pricing Analysis. This allows for the creation of sophisticated pricing strategies which are modified over time as internal and external environments change. Utilizing a technique that is more predictive than traditional consumer research, consumer purchasing behavior is analyzed and the impact of price changes are studied



A high-level team approach is an excellent way to get valuable input across the organization. A team approach also helps ensure agreement and consensus regarding the new menu strategy. Having a good facilitator is helpful during this process.



at the item level, category level and across categories. Promotional activity is analyzed to calculate impact on sales, profit and traffic. The end-result is a brand-specific pricing strategy for your optimized menuboards that's transparent to the customer, and allows for higher profit without the traditional customer push-back.

Revenue Situation Analysis.

This is a thorough review of restaurant sales drivers and their relationships to one another from the outlet to the enterprise level. Using detailed transactional and customer data

provides a foundation for the strategic understanding necessary to develop sound marketing strategy. Confronted with the challenge of growing system and same store sales, marketers need to identify opportunities across multiple revenue-driving levers, such as individual customer frequency, additional menu item attach rate, and promotional and pricing mix.

Menu Performance Analysis.

This follows the revenue situation analysis and involves a comprehensive review of revenue performance of menu items, their related transactions, and

Do You Have A Menu Strategy?

Be careful how you answer this. Many brands will say "Sure we have a Menu Strategy". But they don't. When digging deeper, we find that what they think is a strategy really isn't. There's no Menu Strategy if you can't score 100% on this simple test:

- *Each menu item has been prioritized based on its importance to the brand*
- *There is a specific action plan for how each key menu item and/or category will contribute to the brand's business performance*
- *The detail needed to actually execute the plan is clearly in place*
- *There are specific goals and measures in place to evaluate results*
- *The Menu Strategy has been shared throughout the organization*
- *The strategy is understood throughout the company*

relationship with other menu items. This leads to an understanding of the specific food and beverage menu items that have the highest attachment potential. Building sales and merchandising programs featuring those items can provide the highest likelihood of successfully growing sales.

Market Inputs

Determine Market Needs.

What's trending within the industry? Include competitive foodservice concepts (such as QSR's, fast casual, C-stores and supermarkets).

Identify Economic Factors. What is the current economic climate? What is the outlook for the next 2-3 years? Look at broad economic indicators and consumer trends.

Understand Regulations. What legislations will impact your brand? For example, the new menu-labeling legislation has implications for Menu Strategy (i.e. do we need to develop lower calorie menu options?)

Consider Operations. Operations are a critical factor in determining your brand's Menu Strategy. How about drive-thru? Delivery? Staffing levels? Be sure your menu items can be executed easily and consistently for speed of service and quality. These and other key operational factors must be considered prior to developing a new Menu Strategy.

Understand the Competition. Develop an understanding of the food/beverage landscape and the offerings of your key competitors. See where your brand stands relative to the competition from a menu offering standpoint. It will help determine if your brand has distinct advantages which can be capitalized. Or if there are disadvantages which represent threats that must be addressed. When studying competitive concepts, the focus should be on your brand's key competitive set, i.e., burgers, Mexican, sandwiches, chicken, etc.

Review Technology. What is the latest equipment and technology? What technology is required to positively impact your Menu Strategy from the standpoint of quality, cost, speed and customer convenience?

The Six Key Steps Of Menu Strategy Modeling

With the above inputs in place, it's time to develop the Menu Strategy itself. These are the key steps and objectives of the process.

1. Establish Business Objectives. What are the business objectives you ultimately want to accomplish from your menu? Examples might include: increase beverage incidence to grow profitability; increase sales between the lunch and dinner day part; grow average check. There might be a dozen or more on your wish list. These business objectives should be prioritized in order of importance (which will have the greatest positive impact on your business). You should establish specific targets and metrics for each objective.

2. Identify and Prioritize Your Food Platforms. List your food platforms and/or categories and put them in the order of strategic importance. Are beverage sales more important to your business than sandwiches? Are sides more important than desserts? This step will require a good understanding of where your sales and profits are coming from now and where key opportunities lie.

3. Identify and Prioritize "Key Opportunities". These are those tactical things you can do to reach your menu's business objectives. For each of these "opportunities", provide a specific, tactical example of how you will accomplish a stated business objective. Examples might include: establish a new cup set to increase beverage sales, develop a snack menu to increase afternoon day part sales, develop a "large-combo" offering to grow average check. The resulting list of

opportunities should be prioritized in their order of importance to your business.

4. Understand Critical Success Factors. These are the menu strengths, characteristics and signature products that your brand is known for and does well. This is what differentiates your brand from the competition. These should be leveraged to your advantage as you develop an enhanced Menu Strategy.

5. Understand Critical Weaknesses. These are those things that you do not do well from a menu offering standpoint. Identifying these in your Menu Strategy helps you circumvent or correct these weaknesses. You may, for example, decide to drop a menu item that is sub-quality to other offerings.

6. Identify Threats and Risks. These are typically outside forces that could prevent you from reaching your business objectives. An example might be include competitors with similar or better products and menu offerings. You need to get these on the table as they may ultimately impact your Menu Strategy.

Menu Strategy Output: Optimized Menubords

Once there is agreement regarding your new or enhanced menu strategy, it's time to bring in the specialists in communication design and develop effective menubords and in-store merchandising that will allow you to realize the criteria and objectives established in your menu strategy.

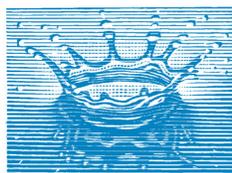


Ready To Establish How Your Menu Will Grow Your Business?

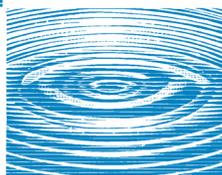
Achieving an effective menu strategy is the driver behind world-class menuboard communications and merchandising. It requires a structured and systematic approach as outlined in this King-Casey Report. Working closely with your senior management and menu strategy team, King-Casey can lead you through a series of activities that culminate in the creation of your new Menu Strategy and implementation plan.

Since 1953 King-Casey has been helping leading brands improve their business performance by developing data-driven, customer centric solutions. Nearly all of the top 100 restaurant chains rely on King-Casey's know-how and expertise in these areas.

If you'd like to discuss how King-Casey could help your team create or enhance your menu strategy, please feel free to call Tom Cook, or email Tom at: tcook@king-casey.com



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