

THE ART OF RESTAURANT REVENUE OPTIMISATION

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For F&B venues to thrive, commercial flair is just as important as culinary panache, says Judith Cartwright, Founder and Managing Director, Black Coral Consulting, who reveals her recipe for success

The global restaurant landscape is growing, evolving and diversifying at pace. From 2021 to 2022, the industry, spanning restaurants and mobile food services, grew from \$2,672.94 billion to \$2,938.56 billion in 2022, representing a compound annual growth rate (CAGR) of 9.9%, according to The Business Research Company. The market will continue to expand, and despite current geopolitical challenges impacting the food supply chain, it is still expected to be worth \$3,892.77 billion in 2026 at a CAGR of 7.3%.

Within hotels, the importance of F&B as a key revenue driver is growing too, particularly in markets like the Middle East where many properties are created as gastronomic destinations, appealing to local residents seeking high-quality world-class licensed restaurants. In 2019, F&B accounted for around 35% of total hotel revenue in the region, according to STR but in some individual markets and properties, the contribution is on par with rooms, at almost 50%.

Given this fiercely competitive backdrop, the need to offer an outstanding culinary experience, from the quality of food to the design concept, is a given, but it takes much more than cuisine and ambiance to guarantee a hotel restaurant's success.

It's the behind-the-scenes work – the part the customer doesn't see – where people come together to concoct successful commercial strategies, that is the real recipe for success.

Optimising revenues is crucial and there are three tactics that must be considered and mastered: menu engineering, menu design, and systems optimisation/the removal of bottlenecks.

These three components go hand in hand and if managed successfully, will dramatically improve restaurant performance.

But before F&B teams get grips with each, instilling a revenue optimisation culture is key, across all relevant hotel departments.

Today, revenue optimisation is the gatekeeper of commercial strategies and successful hotel leadership teams need to take a holistic approach, ensuring every department understands the fundamental importance of revenue management.

The revenue management team must become an extension of the F&B and operations teams, with everyone working side by side to identify paths to profitability. This is the secret sauce.

Once this foundation is cemented, it's time to consider those three vital ingredients:

1. **Menu engineering**

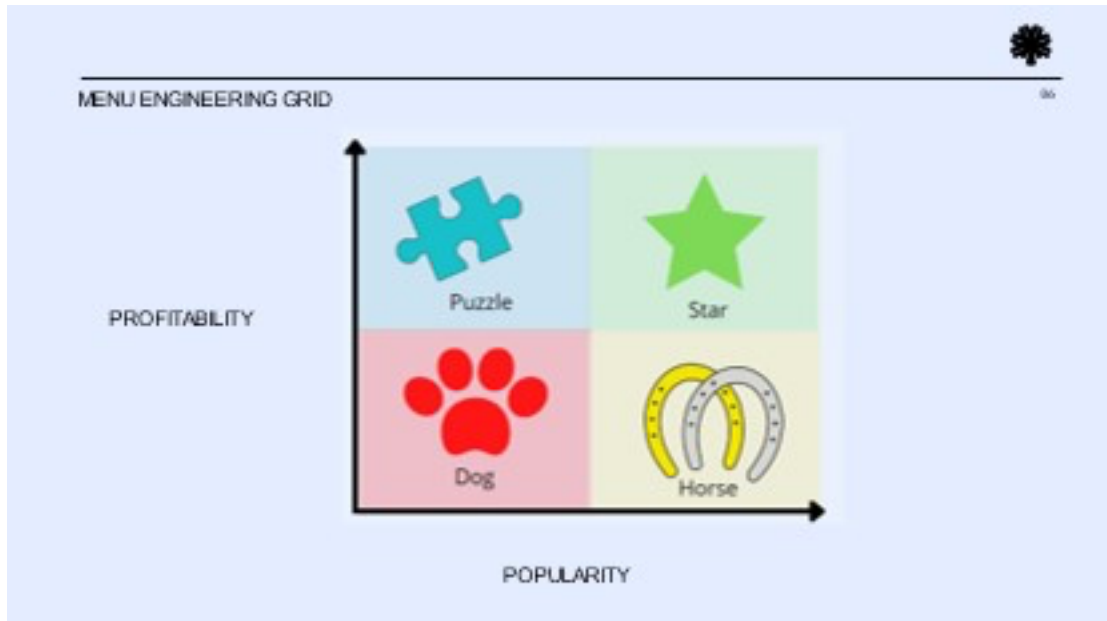
Collecting and analysing clean data is key and there are many great business intelligence tools available designed to disseminate restaurant performance. It helps determine which items on the menu are profitable, cost-heavy or not selling at all, enabling you to adjust and 'engineer'. You can use this menu engineering grid (pictured), cross-referencing profitability and popularity, to help you identify:

Puzzles: Menu items that are not popular, but have high profitability and therefore, untapped potential. Consider changing the dish's name and description and ask servers to promote these to guests to increase sales.

Star: Popular and profitable: definitely keep those on the menu.

Dog: Removing these from the menu may or may not be the right solution. These could be turned into stars by analysing pricing, costs and menu placement.

Horse: These are well-loved menu items that are not profitable, at least not yet. Consider a review of ingredients, portion sizes, and/or prices to maximise profitability.



Once you understand how your menu items perform, move on to the pricing and benchmarking exercise; what is the right price for the right customer at the right time?

Seasonality is crucial too: a high season customer has much greater spending power than a low-season customer. This does not mean you discount or compromise your product, but you might be able to offer a bundle like a set menu, business lunch, or early bird special during your shoulder periods.

1. Menu design

It's all in the name: Customers spend 15% more on menu items with an attractive name, research has revealed, so get creative. What sounds more appealing to you – authentic Sicilian lasagne or lasagne, organic lemonade or lemonade? If you are able to source your items locally, highlight this on the menu; 62% diners are more likely to dine at restaurants serving local produce. Good menu copywriting enables you to command a higher price point.

An eye for placement: A Cornell University study found people given a menu without the dollar sign spent significantly more than those given a menu with the currency denoted. Other tips include removing decimal points and rounding up, as well as embedding the price next to the name so customers focus on the dish description, not the price. To understand where the customer's eye focuses when reading the menu, apply the Google heat map principle: high-margin dishes should be positioned at the top and star dishes should be framed to capture attention. Apply decoy pricing to force the customer's eye to the product you want to sell, and do not overwhelm the customer with too much choice.

2. Remove the bottle necks

Audit your system set-up: Segment the business so the data translates into storytelling that everyone can understand.

Standardise the naming convention: This is particularly relevant to hotels operating multiple restaurants. You need to know how much of an item you are selling at the touch of a button, so list it under one name rather than three, for example, hamburger, burger, beefburger.

Demand and supply: Does your table-and-chair mix correspond to demand and is this flexible to adjust to take into consideration popular mealtimes? Are you able to offer alternative time slots or alternative restaurants if the requested time has been booked?

Get a system in place: A business intelligence tool is a must to measure, because what gets measured can be improved.

Set clear KPIs for the teams: Work proactively with sales, marketing, PR and revenue management to leverage business ahead of time. Be proactive not reactive – it's not just what you serve, how you serve it and what it tastes like, but how you promote it too.

Design for success: If you have the luxury of developing a new F&B concept from scratch, work with a revenue optimisation expert during the design process. They will liaise with the architect, owner and operator to ensure floor space is optimised – it's all about best ROI per square metre, because dead space is well and truly out of fashion. Fully utilised spaces are the future.

For more top tips on revenue optimisation in hotels, from rooms to F&B to spas, get in touch with Judith Cartwright at Black Coral Consulting.