



# Practical Guide to Restaurant Sales Building

[www.therestaurantwizard.com](http://www.therestaurantwizard.com)

The restaurant industry is one of the most difficult industries in which to succeed because prime costs for food and labor can amount to as much as 65% of sales for full-service restaurants, necessitating tight controls to maximize day-to-day profits.

Because the prime costs can be so high, there are few resources available for marketing. This means that the restaurant needs to stand out in an almost impossibly competitive marketplace. There are no magic bullets. Word of mouth and customer retention are crucial for success. Even for existing customers, you need to be in the customers' minds when they are making their purchase decisions. If you have a Chinese restaurant, a customer may eat Chinese food one time out of 10 or 15 restaurant occasions—and you need to be the Chinese restaurant of choice. You may be in the customer rotation because of a particular dish on your menu, rather than your cuisine.

## **Sales-Building Factors to Consider**

- 1) There needs to be a single unifying vision of menu offering, food quality, style of service, location, décor and price.
- 2) If all of the above elements are in place, you still need a significant point of difference to stand out among so many restaurants. New Internet dynamics like Yelp and restaurant search websites are changing the nature of restaurant marketing, but they can only work for you if your offering is notable and coherent.

## **Establishing a Point of Difference**

To break through the industry clutter, some combination of the menu offering, food quality, style of service, location, décor and price must be unique. Olive Garden built its reputation on unlimited breadsticks and salad. Many restaurants, like Rainforest Café, built their reputations on their décor, but that can be an expensive and risky path. Others built their reputations on food styling and quality or large portions. You must find your point of difference. You cannot sustain a competitive advantage on price alone.

## **The Importance of Incremental Sales and Profit**

Each additional (incremental) sales dollar has great power. The only added cost if you increased sales \$1,000 next week would be your food cost. Spread over the week, the additional sales would not significantly affect other costs, like labor. So your incremental profit would be \$700 after a 30% food cost. If an advertisement cost \$500, your investment immediately made \$200. In actuality, you might have \$800 more sales the second week (\$560 more profit) and \$500 more the third week (\$350 more profit) and smaller sales and profit increments for several more weeks from the single expenditure. If you offer a discount in the advertisement, the cost of the discount on all of those items sold needs to be subtracted in the incremental profit calculation. This can make the incremental profit picture much less attractive, because you may be discounting items that you would have sold anyway.

A stronger idea is to hide the discount as a special, lower-cost promotional item. The special item is noteworthy on its own, and only that menu item is discounted. Even if the promotional food cost was 60% instead of 30% (an extreme case), the additional 30% cost of just the items sold would be subtracted from the incremental profit.

## **Evaluating Marketing Efforts**

Unless you have some code that the customer gives back to you when they come in, it is almost impossible to know for sure whether individual promotional or advertising efforts work. If you advertised a particular item, you can judge whether sales of that item went up, but your name awareness alone in the advertisement may bring in additional customers who order something else, and people in a party with the coupon may order items other than the advertised special. Unfortunately from an understanding point of view, the \$1,000 in additional sales next week may be a random occurrence because customer flow is so erratic in normal circumstances. You would have to repeat the identical advertisement several times to see whether you get the same pattern of sales increase.

There is a great deal of research supporting the idea that “half off” and “two-for-one” offers increase restaurant sales, usually above and beyond the cost. But discounting is a risky strategy. It sends the wrong message to your existing customers about the prices and values in your restaurant. If done frequently, some customers will start to wait for the discount since they may only normally cycle through your restaurant once every couple of months anyway.

First-time customers who come in just for the discount will rarely come back and become regular full-priced customers. The exception to this rule would be if your cuisine is so unusual that a free sample might be necessary to inspire a first-time trial.

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