

[< back](#)

# Offset Inflation with These 4 Operational Strategies

According to the consumer price index, the cost of goods and services has [risen fairly consistently](#) since mid-2020—which has impacted both consumers and the foodservice industry.



Numerous restaurants have been grappling with higher ingredient costs. Inflation has also curbed consumers' purchasing power; 80% say they're [concerned about rising costs](#) and nearly half (49%) say they [plan to reduce their restaurant meal-related spending](#) if inflation persists.

"People are under a lot of economic pressure," says Mark Brandau, associate director of content at Datassential. "Wherever they go right now—whether it is the gas station, the grocery store or a restaurant—they can't avoid the inflated prices. People were already cutting back on their spending at restaurants and, where they could, in the grocery store; that's going to intensify and accelerate."

To maintain business and profitability, from meal lineup adjustments to boosting efficiency, operators are addressing inflation's effect with the four following strategies.

## 1) Smart Menu Pricing

Many operators are counteracting the cost of inflation by increasing menu prices, which [grew 6.8%](#) between February 2021 and February 2022—the largest 12-month increase in more than 40 years.

"When inflation kicks in as fast as it has and as severely as it has over the past 12 to 18 months, it's a lot harder to rationalize and reformulate your menu to account for all of your increases in costs and downward pressure on traffic," Brandau says. "Often, the way you weather things in the immediate term is to raise many prices to cover the significant increase in costs."

Consumers have noticed the change. More than half [feel fast food, fast-casual and sit-down restaurant prices are higher](#); 49% say fine dining restaurant prices went up.

Although some anticipate restaurants will make [other cost-cutting moves](#), such as reducing portion sizes (74%), transparency is another possible route. More than half of consumers (56%) say they'd be willing to pay a bit more if restaurants clearly explain why menu prices are higher.

## 2) Ingredient and Menu Optimization

Repurposing ingredients to reduce waste is one cost reduction technique. Restaurants can also draw insights from consumer surveys and sales to identify what types of cuisine customers are most interested in and should be offered.

Currently, operators say proteins, particularly beef and chicken, are showing the biggest ingredient price increases.

While eliminating those staples from the menu would likely be tricky, offering plant-based substitutes—something consumers have shown a notable interest in—could help mitigate some of operators' protein problems.

Approximately 65% of American consumers [have tried a new plant protein](#) over the past 12 months. Plant-based meat alternatives are the most popular type.

"It's something to look at, especially with some of the inflation around some of these proteins," Brandau says. "That's a place where consumers are still willing to explore paying a little more."

Small upgrades, such as adding ingredients consumers love, [Mars Wrigley branded inclusions](#), may also help bring in more sales.

"A lot of restaurants have some premium add-ons they could develop and market that can also carry a bit of an upcharge," Brandau says.

In fact, 78% of consumers are willing to pay a little more for a dessert with branded inclusions.

## 3) Tapping into Seasonality and Trends

Although menus have generally shrunk in the past year, in today's competitive market, innovation remains an important part of driving sales.

Consumers, according to Brandau, have shown interest in items such as malt beverages and hard seltzers; in summer, grilled foods that incorporate fresh fruit and vegetables may also resonate with customers.

"It's always good to be on trend with seasonal flavors," he says. Fall flavors, from apples and pumpkin to cinnamon and nutmeg, can be incorporated into beverages and treats, providing a handcrafted feel to your offerings. "You could probably price that nicely at a premium and get a little bit of margin that way."

While cost-conscious consumers may not gravitate toward hugely high-end menu items at the moment, introducing a [seasonal LTO](#) can be a low-key method to mix up the menu.

"That's a way to innovate off of a core menu item," Brandau says. "You can probably get a little bit of a price premium for that, and it might also encourage folks to come in who haven't in a while."

## 4) Enhanced Operational Performance

With numerous restaurants struggling with [the labor shortage](#), efficiency is crucial.

Some operators, Brandau says, may turn to partially prepared items to ensure orders are fulfilled in a timely manner.

"If you can get a frozen or [heat-and-serve product](#) that maybe you made from scratch before, where it still tastes up to your standards and saves you a little bit of labor [and] time, we'll probably see more of that," he says.

For additional tips on increasing operational efficiency and strengthening sales, [sign up today for Mars Foodservices' bimonthly e-newsletter](#).

