

Despite Tough Economy, Technomic Finds Some Diners Willing to Spend More for "Premium" Ingredients

2008-10-14 23:30:01 -

www.technomic.com - Though consumers are spending less on dining out, foodservice consultants Technomic found that many are willing to spend more on "higher quality" menu items if they include premium ingredients. In a new study The Consumer Pricing Strategy Report, more than six out of ten consumers (61 percent) said they would spend more for a higher quality sandwich if it contained premium meat; 41 percent if it were made with premium cheese; and 34 percent if it contained premium bread.

The report focuses on consumer and operator responses as the U.S. restaurant industry has been hit by a "perfect storm" of price pressures. It looks across income segments, meal dayparts and restaurant segments at consumers' attitudes toward and perceptions of menu price increases, and at how consumers expect their foodservice spending to change in the future. It provides menu insights into where price changes have already occurred, and where opportunities exist for customers to spend more money on a product or service. The report also examines operator pricing strategies for combating rising costs and falling customer traffic, and provides guidance as to how the information can be used in the context of a formalized internal pricing system.

Some of the more interesting consumer findings include:

- Only 25 percent of consumers say that restaurants are increasing prices because they want to make more money; instead, three out of four (75 percent) attribute rising menu prices to increases in the cost of gasoline and ingredients.
- The vast majority of consumers (91 percent) who are cutting back on restaurant spending say they are dining out less frequently. However, one-third (32 percent) are purchasing less expensive food when eating out, and one-fifth (19 percent) are ordering smaller amounts and portions.
- Overall, consumers are cutting back more at full-service than at limited-service restaurants. Lower income consumers are decreasing purchases at both types of venues.
- Consumers realize that menu price increases are inevitable. However, the majority (56 percent) of consumers would prefer that restaurants increase prices slowly over time to meet a specific price, rather than raising prices all at once, or by substantially increasing pricing on certain items.

"Consumers are spending less on dining out and feel they have to allocate restaurant spending more wisely," says Darren Tristano, Executive Vice President of Technomic. "Restaurant operators must offer a strong value equation to compete successfully for those dollars. Knowing when, how and how much to raise prices requires research into consumer intentions and behaviors as well as a close examination of industry practices." The new report was designed to help operators evaluate factors in terms of their own unique needs, menu price structure and customer base, so that the changes they make will preserve profitability.

The Consumer Pricing Strategy Report is based on a recent quantitative survey of over 2,000 consumers. The study also integrates data from Technomic's Top 500 Chain Restaurant Report and analysis of restaurant menus from its MenuMonitor database. Technomic also offers an ongoing Consumer Price Sensitivity Survey for LSR and FSR operators that want proprietary recommendations on menu pricing strategies.