

MENU ENGINEERING & MENU BOARDS IN A DIGITAL WORLD: CREATING A RECIPE FOR SUCCESS

by Karolyn Hart



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Factors have converged in the Fast Casual and Quick Serve Restaurant (QSR) industry that has many multi-location restaurant owners investigating digital menu boards for the first time. These factors include:

- Recent state and municipal calorie counting rules that require posting nutritional information on menu boards or making it available prior to ordering.
- Restaurant owners' need to realize a healthy return on their investment from cost-savings measures in marketing, inventory, and employee training costs along with sales-lift promotions, day-parting, and menu refreshes.
- The desire to create an enjoyable environment and decrease perceived wait time, along with the need to directly communicate with customers in a way not previously available.

These compelling factors have digital menu boards appearing in restaurants of all sizes. Larger brands and brands with multi-state footprints are early adopters embracing digital communications in an attempt to manage varied state legislation and to get ahead of potential national legislation. In mid 2009, the LA Times reported that Yum Brands Inc., the parent of KFC, Taco Bell and Pizza Hut, plans to add product calorie information to menu boards in its company-owned restaurants nationwide and to encourage franchise owners to do the same. The company said the calorie information would be phased onto menu boards starting this year and be completed by Jan. 1, 2011.

These large brands have internal teams and agencies to ensure their digital menu boards are enticing and produce their desired results. For restaurants in the small to mid-size range achieving this level of success is desired but not easily achieved. This white paper's objective is to assist you through the process of what makes for a successful menu and how to translate that menu into a digital solution that provides you with significant positive results. To do so we spoke with renowned food service consultant Chris

Tripoli of A'la Carte Consulting to enlighten us on key menu engineering basics.

MENU ENGINEERING BACK TO BASICS

If you work in the restaurant industry then you understand the importance of having a menu that appeals to your customer. Menu design is usually the first task that any new restaurant completes. Large chains invest significant dollars into refreshing their menus, understanding their best-selling items, and adjusting them accordingly. A properly engineered menu can be the primary difference between a successfully packed restaurant and one with few customers.

Simply put, menu-engineering is a process that includes everything from creation (that fit with the concept), item cost, item pricing, and functional menu layout.

Top Five Mistakes Restaurants Make With Their Menu

Chris Tripoli, President, A'la Carte Foodservice Consulting Group, has over 30 years of experience in the restaurant industry as an owner/operator and works as an advisor to hundreds of restaurants throughout the United States. According to Chris, restaurant owners make five common mistakes when it comes to their menu. Typically they don't do the following:

1. Target

Restaurants will menu without carefully identifying their target first. For example, some restaurant owners will menu for themselves. They will place items on the menu because they enjoy them, not because their customers will. A menu should not be created until the target customer is determined.



Just discovered your menu needs to be redone? Digital menu boards allow you to easily transform the content and items without the additional costs typically associated with print, distribution, and installation. From one central location you can update the contents of all your screens and update them instantly.

2. Listen

Staying current with the customer is imperative. This means understanding consumer trends. Many restaurants make menu decisions without carefully studying what the customers are telling them. The best way to know what your customers are saying is to look at your daily sales reports. If you make menu decisions without looking at this




you will lose money. **Remember:** the closer you stay to your customer the smarter you are. You must review customer data or you will be distant. Additionally, you must ask. Whether it is through focus-groups, annual surveys, comment cards, or email surveys. **Tip:** Be sure to ask customers where they are eating when they are not in your restaurant.

 *Digital menu and promotional boards can help collect strategic data. Consider placing a promotional board in your lobby that encourages customers to fill out a survey while they wait in exchange for the opportunity to win a free entrée. Completing the survey will decrease their perceived wait time and provide you with the valuable feedback you are seeking.*

3. Focus

Many restaurants make the mistake of having a menu that offers far too many items. They try to provide something for everyone and it only leaves customers confused and frustrated.

 *Through day-parting, digital menus can help you streamline your menu. Separate breakfast, lunch, and dinner items can now be offered in a way that is enticing and easy to understand.*

4. Cost

When you develop the menu, avoid pricing only according to item cost. It is not about just understanding how much the chicken will weigh, how much the sauce will cost, and how much bread is on the table so you can get your “cost of the plate.” Instead, price for the sales mix and marketability.

a) Sales Mix


Price menu items that help you sell what you want to sell. If you are a QSR and want to sell your “triple decker burger,” price other items that drive people to that burger so it doesn’t look so expensive and you will find that people are more willing to make the purchase. For example, in a steak-house you will notice the chicken is always higher-priced because if you priced the chicken just on cost you would have a twelve dollar chicken next to a steak that is twenty-six dollars – but at eighteen dollars it seems more reasonable.

b) Marketability.

Adjust prices for what works in that market. Ask yourself these questions:

Where do customers eat when they are not here? What

is the price range when they are elsewhere? What are the people in my area used to spending? If they are used to spending two dollars for fries why am I charging so much less? What will the market bear? Am I leaving money on the table? For example, if you want a twenty-six dollar steak but everyone is at eighteen dollars then decide to price at twenty-three dollars because it sends the message that your steak is the nicest and the best but not unreasonable.

 Digital menu boards allow you to control items and offerings in different markets. Will the market bear a twenty-six dollar steak in your New York restaurant but not in Ohio? Digital menu boards let you control different prices from one central location.

5. Layout

Your menu design and layout will determine which items will be purchased. Just as newspapers put the most important articles at the top, so too your menu must have your most important dishes where the customer is most likely to look. Design elements such as placing a line around the item or adding a photo will influence the customer’s decision making.

 Through day-parting digital menus can help you streamline your breakfast, lunch, and dinner items in a way that ensures they are given the utmost attention by your customers.

THE BENEFITS OF DIGITAL MENU BOARDS

Research by Brian Wansink, director of the Food and Brand Lab at Cornell University and the author of “Mindless Eating: Why We Eat More Than We Think,” suggests that the average person makes more than 200 decisions about food every day, many of them unconsciously, including the choices made from reading menus.¹

This research supports the need to ensure you have properly engineered your menu. Once you have determined your menu offerings and for how much, the next step is to market your menu. This is where digital menu boards can make a substantial difference and provide you with benefits including:

Helpful Hint: Movement Madness

Having an item disappear off the screen while a customer is trying to make a decision creates frustration. Certain items must stay in the same position while others have the flexibility to change.

Increase Your Sales

The Strategy Institute, an independent, research based organization which monitors and communicates changes and trends in business, states that digital signage receives ten times the eye contact of static signage, boosts sales of new products

¹ http://www.nytimes.com/2009/12/23/dining/23menus.html?_r=1&pagewanted=2

advertised on in-store digital signage by 30-300%, increases revenue by more than 30% for profiled products, and reduces customers' perceived wait times by 15% or more. While these numbers are compelling they will not be achieved by a poorly implemented or designed digital menu system.

The following are some top considerations when designing your menu board that can make the difference between success and failure.

- **What do you want to promote?**

The rotation and emphasis on more profitable items over less profitable ones. For example, day-parting allows you to remove snack packs and lower dollar items during the evening dinner hour while adding simple visual cues such as subtle steam rising off an entrée to create appeal and desire with your customers.

- **How can you target your customer's needs?**

Integrating with local weather RSS feeds to automatically offer items that are seasonal. For example, if it's cold outside the system can automatically promote a hot drink and if it's warm offer cool treats. Digital menu boards also enable you to respond to changing market conditions. For example, during the down economy, families actively sought more economical meals. Digital menu boards allow you to quickly create and promote family dining bundles that speak to a specific target.

- **How can you educate and serve your customer?**

Providing information of value to your customer alongside menu items is important. Chris Tripoli offers the following: "Restaurants that market through their menu seem to hold their customers longer and are able to increase per person spending. If you properly market your menu you will increase sales. You will also keep your existing customer longer and have them coming in more frequently. Getting the same customer to join the wine club, for example, will increase their visits. Additionally, reminding them they can order into the office when they cannot make it to you is convenient for them and provides you another sale. After all, it is more sales that you need not necessarily more people." Digital menu boards allow a level of communication that is easy and pleasing to your customers. Additionally, digital signage offers six common applications for quick serve and fast-casual restaurants that can help further your message. This includes interactive ordering systems, promotional boards, signage toppers, drive thru signs at the point of sale and infotainment strategically placed throughout your location.

Decrease Your Costs

When properly implemented, digital menu boards can help realize significant cost-savings. This can include:

- **Menu Board Change Out Cost (Layout Design, Printing, Kitting, Shipping and Installation Costs)**

Many restaurateurs understand the importance of refreshing their menus but have been hesitant to do so because of the costs incurred. It is not simply the printing costs for new items but also the distribution and labor costs associated with implementation, along with the challenge of compliance in ensuring those items are changed in a timely manner. Digital menu boards allow changes from one central location and ensure 100% compliance. While there is an initial cost of entry to transition to digital menu boards, cost savings produce positive return on investment over the long-term.

- **Inventory Costs**

Successful owners already effectively manage their inventory and food costs. However, digital menu boards further increase efficiencies by automatically pushing those items that directly impact your inventory. In more sophisticated systems, digital menu boards can integrate with your inventory management system. This is especially important as many restaurant owners simply do not have the staff to update screen content no matter how simple the system is to use. An automated approach integrates with inventory and automatically offers specials or promotional messages on those items that are not selling, further reducing spoilage and inventory costs.

- **Training Costs**

An additional (but often unseen) benefit of digital menu boards lies in their ability to train staff. During off-hours, screens can be utilized for training with videos or live conferences between stores. Complimentary solutions to digital menu boards include interactive open and close screens in the back of house that prompt your employees through store procedures. It also tracks the time in which tasks are completed ensuring an efficiently run operation.

TOP THREE DIGITAL MENU BOARDS MYTHS

Myth #1: Digital menu boards are an expensive capital cost.

As far back as 2005, Frost & Sullivan reported decreased hardware costs as being a key market driver for the growth of digital signage. Five years later, this remains true² but payment options have emerged. Purchasing consumer grade screens is far more affordable today but purchase is no longer the only option. Leasing programs are available and allow digital signage solutions to become an operating cost. It is a much more palatable solution that provides a peace of mind for digital signage newcomers and most are pleasantly surprised by just how low the monthly costs can be.

² http://www.nytimes.com/2009/12/23/dining/23menus.html?_r=1&pagewanted=2

Myth #2: Digital menu boards will never be as reliable as static signage.

Menu boards are a mission-critical item in any restaurant. If one of your digital menu boards is black, your sales could be at a stand-still. WRT's technology has built in redundancies that eliminate downtime. Proprietary RoninCast® software enables media players to detect if there is a problem with a sign and to automatically rotate content on one of the remaining screens until a replacement screen is brought in. Should a media player fail, the system assigned detects this and intervenes so there is minimal if any disruption of the content offered to your customers. Of course, all this cannot take into account an act of God that may result in damage to your store or a loss of power. However, if the system has a Network Operations Center monitoring your screens 24/7/365 (as it should) you can be assured your menu boards are ready for service when you re-open your doors for business.

Myth #3: You have to be “technically savvy” to update digital menu boards.

Today's digital signage systems have been developed with the customer in mind. Signing in to the web-based system management tool to schedule your content is intuitive and straightforward to users adept with basic internet functionality. As you consider your digital menu system, ask to see the user interface. See a demonstration on how a promotional item would be updated. If the company balks at the request or suggests this is something reviewed “during training” then it is a safe assumption the system may not be user-friendly.

DEVELOPING DIGITAL MENU BOARDS ROI/ROO

A company experienced in the nuances of the restaurant industry will help you understand the return-on-investment or return-on-objective your digital menu boards will provide in a meaningful and tangible way.

Wireless Ronin helps customers calculate ROI and walks you through the steps and framework needed to determine the value of your solution.

Step 1 – Identify All Possible Partnerships

Many restaurants have developed co-operative relationships with businesses having a vested interest in promoting their product at the dining level. Whether it is a soft-drink company, a local cinema, theater, sports arena, or car dealership, these relationships are extremely important and valuable.

Many of these businesses would be willing to pay an incremental fee for a promotional spot to your customers. When presented with this concept many restaurants jump at the opportunity and hope to offset the costs of their entire system. Inexperienced companies selling digital

menu boards may describe this as a complete solution. In practice, successful digital menu board implementations achieve a balance that engages your customer without cluttering the digital menu board with gratuitous advertisements.

A seasoned digital signage company will be able to help you carefully craft a plan to leverage these relationships while ensuring the digital menu boards accomplish their main purpose.

Step 2 – Calculate the Savings

In this part of the calculation, items such as your current print costs, distribution costs, implementation costs will be collected. Additionally, the amount of compliance (how quickly and accurately do your various locations get the changes up and down) will be worked into the overall calculation. Included in this part of the calculator will be the supplemental revenue that has been finalized from Step 1.

Other hard costs will also be collected to come up with a meaningful number you can track to understand the return on investment you receive with your new digital menu boards. This can be something tangible such as an additional two coffees a day will need to be sold for the digital menu boards to pay for themselves. An experienced company will have a high-level calculator to help reveal exactly where, when and how you will see results.

Note: Be wary of those companies that do not clearly separate the potential sales lift from the savings number. This portion of the calculator must only focus on impact to numbers. Any potential sales lift numbers will be calculated in Step 3.

Step 3 – Calculate the Potential Opportunity

This part of the calculation will take into account a number of new factors. For example, in the past many restaurants opted to only raise prices once a year due the challenge in updating a conventional menu board. With the adoption of digital menu boards, incremental price increases can be implemented as needed. Additionally, the process of updating the boards which was once cumbersome can now be done at the press of a button allowing you to do much more with your screens in much less time. As you calculate the potential opportunity, choose to remain on the conservative side. While recently published reports discuss double digit increases, the goal is to under promise and over deliver. For those who are more dubious, select only a 1% increase in sales and when you achieve double digits you can be that much more satisfied with the overall outcome.

Step 4 – Measure Then Instantly Transform

Once you have implemented your digital menu boards the next step is to carefully monitor your sales. If you are using day-parting be sure to cross-reference your sales based on the time of day against the menu offered. Next, watch and determine if a promotion, item, or special seems particularly popular. If you succeed you can offer the item more often. Alternatively, if something is receiving a less than desirable result it can be easily removed from rotation. Gone are the days when you are “stuck” with whatever is up on your wall. Now you can easily transform what you are offering based on what your sales are telling you.

PAYMENT OPTIONS

A critical piece in determining your final return-on-investment is the method of payment. The partner you select to develop and deploy this system must be one that has considered the need for flexibility in payment options and should have several payment scenarios available, including both a purchase and lease option. Be sure to ask about these options and inquire on the terms associated with each. It will provide you with insight into their level of experience and allow you to select the option that works best for what you wish to accomplish.

WIRELESS RONIN TECHNOLOGIES

Digital Menu Boards, Promotional Boards, Infotainment, Interactive Kiosks, and Drive thru Menu Boards

Wireless Ronin is a digital media leader in the fast casual and QSR industries with RoninCast® dynamic digital signage and its creative and technical support services. RoninCast® digital menu boards allow:

- Never-before seen flexibility in product advertising, menu day-parting and decreased time-to-market with new products and promotions.
- Corporate brand identity maintained while allowing unique market segments to customize each specific location's needs.
- Additional signs extend into different areas for improved dining experiences with entertainment programming.
- Employee training and back-of-house applications that help you monitor and improve operations.
- An engaging drive-thru with dynamic digital menu boards for full audience reach.

Wireless Ronin has the services and support structure to assist you where needed through each and every step of the process. Through our Network Operations Center (NOC) located in Minneapolis, MN we can monitor the health of your network, schedule content, verify updates, and service your needs 24/7/365.

RoninCast® digital signage software is an award-winning technology that has generated numerous awards for clients in the area of interactive innovation, environmental design, hospitality, top merchandising, and absolute excellence in electronic media.

In December 2008, Wireless Ronin's digital menu board application for Kentucky Fried Chicken was named one of the Best New Products of 2008 by Visual Merchandising and Store Design (VMSD) magazine.

NEXT STEPS

This white paper is only a start to developing your digital menu board solution. To find out how RoninCast® software can meet your digital menu board needs please contact:



Karolyn Hart

khart@wirelessronin.com

1.800.335.0028 x179

About the Author

Karolyn Hart is the Director of Business Development at Wireless Ronin Technologies. She has spent the last decade working as a technical and marketing consultant for a variety of Fortune 500 companies across various industries.