KING-CASEY
Insights & Trends in Foodservice Merchandising & Design

REPORT



The Menuboard Optimization Trilogy

Three Analytical Approaches That Improve Business Performance

Optimized Menuboards Optimize Sales

Why should you optimize menuboards? Because the menuboard is the single most important communicator in a food service environment. It's your top selling-tool. Successful menuboard optimization programs generate significant returns on investment. Optimizing menuboards can shave precious seconds off the order process, speeding throughput, boosting customer satisfaction and increasing the number of transactions. We routinely see increases in overall sales. This translates into increased profitability. In fact, menuboard optimization has one of the highest ROI's of any option available to food service operators.

The proven approach outlined in this issue of the *King-Casey Report* is applicable to all food service operators, including restaurants, C-Stores and Grocerants.

Consumer Research Analytics



Financial Data Analytics



Communications Analytics



The Menuboard Optimization Trilogy™

Three Analytical Approaches That Improve Business Performance

A Trio of Analytics: Consumer Research, Financial Data, and Communication Design

King-Casey has been pioneering the science of menuboard optimization for decades. We have learned that in order to realize significant results, menuboard optimization involves combining three different skill sets -- a trilogy of analytical tools that collectively result in meaningful advancements in menuboard communications.

This approach helps restaurant brands be smarter as they optimize their menuboard layout, design, content and pricing structure in a way that promotes profitability while encouraging repeat customers. The process helps brands understand the thinking behind customer decisions. It provides a complete picture of customer needs, attitudes, needs and behaviors, and how these can be turned into desirable menu decisions. In this article we take a look at each of the components of the Menuboard Optimization Trilogy.

1. Consumer Research Analytics

Consumer Research plays an important role when it comes to menuboard optimization. Research should be conducted both prior to and following menuboard optimization.

Although there are many forms of research available, the following approaches have proven particularly beneficial for menuboard optimization.

Pre Optimization Research

We use pre-design research as a diagnostic tool to help identify how customers are actually using the menuboards, what issues they have, and what specifically needs improvement. Research can involve ethnographic studies to actually observe customer behavior and menuboard use. We use customer intercept interviews to ask questions about their menuboard use, and to explore their likes and dislikes. Yet another approach is online research, where feedback can quickly and cost-effectively be collected from many consumers to quantify and prioritize key findings and insights.

Post-Optimization Research This approach is used later on to test and validate the effectiveness of the new optimization strategies, before new menuboard designs are developed and put into test stores. Focus groups can be used to gather qualitative research on consumer reactions and use of the new menuboard strategies. Quantitative evaluation an effective way to reach hundreds of consumers and compare the performance of the optimized menuboards to current boards. We can evaluate purchase intent as well as gather data on consumer attitudes and preferences. It's important to note that all of this strategy validation research can be conducted using renderings of the menuboards. This allows us to quickly hone in on the best strategies before the creation of final menubaord designs, and before the costs associated with production and distribution to stores.

> ***"The most effective menuboard communications are the result of superior analytics and strategic thinking… not clever graphics"***

2. Financial Data Analytics

This part of the Trilogy focuses on utilizing point-of-sales data to identify ways to optimize the menuboard layout , product positioning, pricing elasticity, menu mix optimization and food and beverage attach opportunities.

Basic Sales Analysis

All brands track sales but it is astonishing how few use this data to help them create an optimized menuboard. Understanding where your sales are coming from can help you learn how and where to position items on your menuboard. Where you place products on your menuboard should be driven by an analysis of sales and profits. Some of your menu items are better sellers than others and some contribute more to your bottom line. These should be more prominent on your menuboard. Analyzing sales also helps identify which poor selling items should be eliminated altogether to free up precious space for high priority new items.

Taking a Deep Dive Into Data

We analyze basic sales and profit contributions to better understand the placement and priorities we designate to certain menu items. But there's a treasure trove of data that's often overlooked. By utilizing sophisticated analytical skills and algorithms we can develop and test many different product and pricing strategies to determine which are best for improving business performance. Brands can realize increased margins across menu items, without negatively impacting customer traffic. You can create programs tailored specifically to the needs of the chain, geographic segment, outlet, transaction type, and customer. Here are a few of these tools.

Menu Pricing Analysis. This allows for the creation of sophisticated pricing strategies which are modified over time as internal and external environments change. Utilizing a technique that is more predictive than traditional consumer research, consumer purchasing behavior is analyzed and the impact of price changes are studied at the item level, category level and across categories. Promotional activity is analyzed to calculate impact on sales, profit and traffic. end-result is a brand-specific pricing strategy for your optimized menuboards that's transparent to the customer, and allows for higher profit without the traditional customer pushback.

Revenue Situation Analysis. This is a thorough review of restaurant sales drivers and their relationships to one another from the outlet to the enterprise level. Using detailed transactional and customer data provides a foundation for the strategic understanding necessary to develop sound marketing strategy. Confronted with the challenge of growing system and same store sales, marketers need to identify opportunities across multiple revenue-driving levers, such as individual customer frequency, additional menu item attach rate, and promotional and pricing mix.

Menu Performance Analysis. This follows the revenue situation analysis and involves a comprehensive review of revenue performance of menu items, their related transactions, and relationship with other menu items. This leads to an understanding of the specific food and beverage menu items that have the highest attachment potential. Building sales and merchandising programs featuring those items can provide the highest likelihood of successfully growing sales.

3. Communication Analytics

This involves a communications assessment of the current menuboard by an experienced menuboard optimization consultant. The objective is to evaluate how effectively the menuboard's language, images, colors, branding, typography, layout, navigation, and legibility come together to communicate and support your brand's menu strategy. It's critical that strategy drives the design of the menuboard. For example, if the menu strategy states that "we will increase ticket by increasing beverage attach", does the current menuboard effectively communicate adding a beverage to a food selection?
Research has proven consumers prefer to order by images. The strategic use of food and beverage images can increase the sales of featured items. How does your menuboard stack up in this regard?

You should determine if the current menuboard is simple to navigate and order from. How have menu categories been arranged? Are items easy to find? What's the clarity of key messages? Is the order process intuitive? Learning to think like a customer can help you assess your menuboard's ease-of-navigation.

Through research we have determined that menuboards have "hot spots" -- specific areas on the menuboard where customers tend to look first and most frequently. These hot spots can be leveraged to have a positive impact on ease-of-ordering and speed throughput by putting your best-selling and highest margin items in these zones. The communication analysis should determine if the current menuboard is utilizing hot spots to advantage.

The communication analysis identifies what you are currently doing well, and want to retain in your optimized menuboards. It also identifies the problem areas where design and communication techniques fall below best-practice. The analysis results in a "hit-list" of opportunities for improvement as you optimize your menuboards.

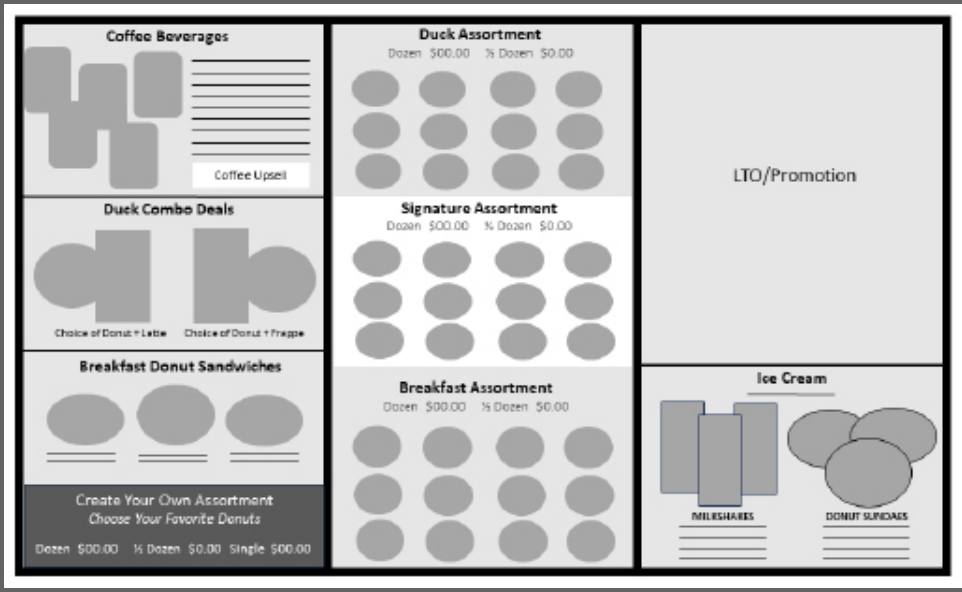


An optimized menuboard is only as good as the menu strategy that is driving the effort. It's important that management takes the time to thoughtfully develop a menu strategy. Establish how the invidividual menu items should be prioritized How will each contribute to realizing your brand's business objectives? It's the menu strategy that helps drive your menboard optimization strategy.

Putting It All Together

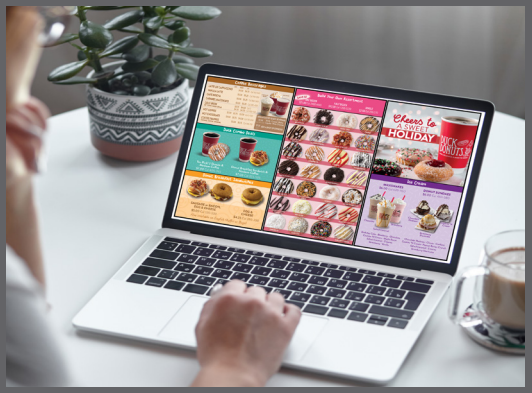
Using the collective analytical findings of the Menuboard Optimization Trilogy, it's time to develop your optimized menuboard communications. This typically following a series of sequential activities, as illustrated below:

1.) Develop the Menuboard's Strategic Layout. This is a "blueprint" for how the optimized menuboard will be organized. It expresses in words and schematic diagram form how the content will be organized to achieve the business goals and objectives set forth in the menu strategy. The schematic illustrates the optimized menuboard's layout, product placement, space allocation and key communications. There may be several variations of the new menuboard layout developed, before one is finalized and approved.





2.) Visualize the Optimized Menuboard. Here the strategic layout is developed into color renderings illustrating what the new menuboard might look like. There's just enough detail in these renderings (visuals, graphics, copy, branding, colors) to conduct consumer reasearch to quickly assess the validity of the new menuboard strategy.



3.) Conduct Research to Validate the New Strategy. This will determine if the new menuboard resonates with customers. Using the color renderings, conduct quantitative and/or qualitative research to evaluate the new strategy before placing them in stores. Use renderings of your current menuboard as a control. See what works, and what needs tweaking. This will help confirm if the new strategy can achieve the desired business objectives.

On-line research (shown in this image) is a fast and cost-effective method for validateing new strategies with hundreds of consumers.

King-Casey's Proprietary Methodology Gets Results

BRAND CONCEPT	RESULTS OF MENU OPTIMIZATION
Coffee Concept A (~140 locations)	Sales + 5%; Faster order time *(Results from Quantitative Validation Research)*
Coffee Concept B (~70 locations)	Sales + 5.4%; 19% lift in energy drinks; Easier and faster to order; Increased incidence of food attach *(Results based on In-Store Testing)*
Burger Concept A (~350 locations)	Sales +22.6%; Faster order time; Improved brand perceptions *(Results from Quantitative Validation Research)*
Burger Concept B (~ 350 locations)	6.4% increase in average check ; 2.6% increase in combo sales; 1.0% increase in higher-margin items *(Results based on in-store testing)*
Sandwich Concept (+ 10,000 locations)	Sales + 15%; Faster order time; Improved brand perceptions *(Results from Quantitative Validation Research)*
Chicken Concept (~800 locations)	3.2% increase in transactions; 2.7% increase in overall sales; 1.5% increase in profits *(Results based on In-Store Testing)*
C-Store Concept (~400 locations)	Sales +13%; 34% increase in the number of Items ordered; Improved ease of ordering; Improved brand perceptions *(Results from Quantitative Validation Research)*

KING-CASEY IS THE FIRM THAT THE WORLD'S LEADING RESTAURANT AND FOODSERVICE BRANDS COME TO WHEN THEY WANT RESULTS

King-Casey provides practical, analytics-driven insights and research-validated solutions for restaurant and foodservice brands. We are renowned as the leader in providing comprehensive, turn-key Menu Optimization Services that increase sales, profitability and the customer experience.

Collectively, our services provide advanced solutions that enable our clients to unlock the full potential of their menu, and achieve significant, measurable business results. No other firm provides such comprehensive menu optimization analytics and solutions.

Our Suite of Services Include

- Consumer insights
- Attitude and usage research
- TURF research and analysis (optimal item assortment)
- Menu performance analysis
- Menu operations analysis
- Menu reengineering
- Pricing and Revenue Management
- Menu strategy
- Menu communications and design (web, mobile app, kiosks, menuboards)
- Menu design testing and roll-out
- Total store communications (path-to-purchase)

The Benefits Are Immediate and Meaningful

- Increased sales and profitability
- Improved customer experience
- Totally integrated solutions
- No loss or dilution of insights and data due to their transfer from one consulting resource to the next
- Cost and timing savings resulting from combining the full suite of services under one umbrella

Want to Know More?

Please call Tom Cook, Principal, King-Casey at (203) 571-1776. Or email Tom at: tcook@king-casey.com.
Take the first step in optimizing your menu and increasing your business performance.

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