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## **Tactics in Maintaining Margins**

How U.S. restaurants are “re-engineering” to deal with rising food costs

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## 1. Overview

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The impact of rising food costs will play out differently between major restaurant chains and independent restaurants, where scale and purchasing clout will mitigate the impact for some. On the supply side, foodservice distributor margins are under pressure as rapidly increasing food costs become difficult to pass through quickly enough to restaurant customers who remain highly sensitive to the protection of menu price points.<sup>2</sup>

Wholesale food prices continue to rise sharply, with year over year prices for all foods up 5.3% through January 2011, according to the Bureau of Labor Statistics. Key commodities including beef, flour, oils, coffee, and sugar are all experiencing double digit price increases.<sup>6</sup> Higher wholesale costs over the past two years are still working their way through the supply chain, and companies including food makers and grocers are showing more willingness to pass along the increases to consumers, said Hart, the Iowa State agricultural economist.<sup>3</sup>

*Major restaurant chain operators have the ability to leverage purchasing volume with key manufacturers to lock-in prices to mitigate the impact of inflation and manage menu pricing. Independent restaurants, however, generally lack the purchasing leverage to lock-in prices, and as such, are subject to real-time market pricing conditions, which put increasing pressure on maintaining menu price points and profit margins.<sup>2</sup>*

As the fuel price outlook continues to point to higher costs, restaurateurs, food manufacturers and distributors are looking for ways to either shave costs or pass along price increases to customers in modest ways.<sup>16</sup>

Chris Caldwell, communications director at the International Food Service Distributors Association, said distributors buffered the fuel costs for decades. But the spike in fuel prices during 2006 and 2007 finally forced them to start recouping the costs. There have been some efforts to mitigate the costs, Caldwell noted, with restaurants and distributors examining whether a customer could stand to take deliveries three times a week instead of four. Long-term contracts – like the ones Mendez has for his beef and eggs – also help provide some sort of stability. But independent restaurants, which place smaller orders and often require a wider variety of ingredients, are more susceptible to facing bigger price fluctuations, Caldwell said.<sup>6</sup>

Rising fuel costs have created a chain reaction of rising prices for wholesale goods and restaurant meals. As fuel costs remain high, food products, along with other kinds of goods, simply cost more for buyers along the supply chain. According to AAA Michigan, the price for a gallon of diesel in metro Detroit in early May was \$4.19, compared with \$3.06 last year. The price for a gallon of regular gasoline was \$4.14, compared with \$2.85 a year ago.<sup>16</sup> Making matters worse for restaurant owners: Charges of \$5 or more per delivery. If a restaurant receives eight to 10 deliveries a week, costs start to add up. "It's \$2,500 a year to me in extra outlay," said Caliente Kitchen owner Smith.<sup>1</sup>

## 2. Finding Solutions

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*The following article excerpt taken from [The Recovery Times](#), NYU's Business and Economic Reporting Program<sup>9</sup>*

### *Restaurants Cook Up Ways to Cut Costs*

Across the country, food outlets from small bakeries to restaurants have been forced to fine-tune their operations to adjust to a more frugal American consumer. From pulling napkins dispensers out of public reach to charging for extra condiments, restaurateurs today are looking to save on even minor details, but often, critics say, at the expense at the overall customer experience. "You'll see things like smaller portions, less fries, only one tomato," said Denise Lee Yohn, a contributor to foodservice monitor QSR. "But consumers pick up on this and will feel like something's just not right."

*Cautious customers, plus the recent surge in basic food prices, have operators feeling the pressure on all sides of the business. Diner traffic dropped 3% from a year ago, while patron spending fell 1%, the first decline in dollars since market research firm NPD Group began tracking the foodservice industry in 1976. In its latest count, NPD found in July that the U.S. lost more than 5,000 restaurants in the course of a year – a 1% drop from 2009 – with independent shops suffering most.*

### **Unconventional Ways to Save**

The adapt-or-die mentality has brought about inventive ways both to diminish expenses and boost sales. Generic marketing to lure in customers is no longer sufficient, and trimming down on core expenses like staff, rent, and ingredients is no longer enough. From limiting payment options to paring down décor, previous details that catered to a comfortable night out may be stripped from restaurant budgets. That means more "cash only" signs, more stringent reservations rules, or even doing away with tablecloths and centerpieces.

Customers may find a growing number of businesses denying some or all types of credit cards, which remove hefty interchange fees charged by card processors from the picture. Restaurants operators are charged around 1% to 2% of each bill paid with a debit card and about 2% for each credit card payment. All together, these small but critical changes can help restaurants save up to 4 percent of sales, according to restaurant consultant Michael Whiteman of Baum & Whiteman.

## **A Play on Menus**

Food-oriented savings have also appeared right under the consumer's nose as restaurants fiddle with their menus to level costs and draw higher bills. Instead of showing off feature items under the main course category, a growing number of restaurants say selling tapas-style dishes has proven more cost effective. "Restaurants are moving more and more into small plates and less and less with elaborate main courses," Whiteman said. "This isn't just a small-plates phenomenon but a tap into consumers' needs for comfort and safety. Smart operators will figure out how to translate this to the right side of the menu."

Previously relegated to the left side of the menu, accessorial dishes such as appetizers, sides, soups, and salads now serve as a crucial revenue channel. At lower price points and easy to share, small plates have a psychological impact, leading guests to think they are spending less, which may encourage them to order more individual dishes. Although absolute pricing is lower, small plates often cost less to make. They require fewer ingredients and lower skill-sets to complete, helping to wash out some of the input and labor costs behind the scenes.

Another play on menus is to keep its offerings in flux. Whether it's in the form of seasonal selections or daily specials, changing up what appears on the menu and how entrees are prepared can help combat rising food prices. Since July 1, commodity prices ranging from wheat and corn to live cattle and coffee have all been on the rise. Wheat's nearly 45% surge has forced pasta and bread suppliers to charge restaurants more. Corn contracts have climbed more than 55%, with analysts projecting prices to hover near \$8 a bushel. Even sugar has swelled 75% and soybeans about 35%.

Sides, sauces, and preparation styles that are constantly changing allow chefs to incorporate more affordable ingredients. "Our menu is constantly changing," said Jenny Moon, managing partner of Apiary, a Manhattan restaurant that opened its doors as the stock market was tanking in the fall of 2008. "A lot of times the chef will change the prep of things seasonally. Also, we always have one or two specials every day featuring seasonal ingredients." According to Moon, having an experienced chef is key to variable menus. When corn prices rise, for instance, a skilled staff can easily swap in different vegetables. Moon also says sauces for steak and duck can be modified, while sides can vary from parsnip purees to sautéed escarole.

## **Become a Supplier**

While some independent venues depend on their chef's brand and already-established name in forming relationships with food suppliers, others have found a loophole in the system by growing their own garden. In 2010, The National Restaurant Association's annual survey of chefs found that the number one trend among American restaurants was to cultivate their own basic ingredients, such as lettuce, tomatoes, and herbs.

A 25-pound box of tomatoes from Florida sold for as much as \$30 this year, compared to about \$7 a year ago, as an uncharacteristically cold winter down south created a shortage of this widely-used ingredient. That compares with a couple dollars for a packet of seeds that can yield up to 50 tomatoes. The garden-to-plate philosophy comes handily in a year of inflating food prices and as the eat-local movement quickly picks up steam.

At Manhattan's Fat Radish in the Lower East Side, owners Ben Towill and Phil Winsler have turned the bare-boned decor and warehouse-style lighting into a trendy theme. Fat Radish serves up creative cocktails and seating diners next to its sage, rosemary, and chili herb garden, which end up in their array of snack-like selections. **Grand Rapids, Michigan-based Blue Water Grill** has also cultivated much of its basic ingredients from its own back yard, while Bell Book and Candle in Manhattan resorted to the rooftop to plant an array of vegetables.

For ingredients that cannot be home-grown, the dependence on local foods has brought many green markets and independent farms to life. "We've certainly been successful in the fact that there's been a big farm to table, know your farmer, know your food movement going on," said Adam Foreman, a member of the Holton Foods team and runs the farm truck that makes its way around Manhattan seven days a week. Hauling fresh produce from Vermont and making stops at practically every district of Manhattan has made the Holton Farm Truck popular among both individual and commercial buyers.

### Reaching Out

While trimming expenses may have helped ease the financial situation at some establishments, the heart of the restaurant business is still serving patrons. At the end of the day, little traffic still spells doom no matter how much cost is cut. Marketing special promotions with pamphlets slid under doors or mass-sent emails have turned into a much more refined art.

*Restaurants are creating personalities online to extend their brand. That doesn't mean simply owning Twitter and Facebook accounts, but making these voices interactive and personal.*

The Mermaid Inn hired Chris Rackliffe in early 2010 to become their social media voice, generating nearly 2,000 followers since. "Our sales have steadily increased since I started," Rackliffe said, "but that doesn't mean that everything's been easy." He says he personally responded to tweeters who contact The Mermaid Inn, establishing direct relationships with potential customers. Raking up followers and fans is no easy feat, but social media has been an inexpensive way to find eaters who are online talking about say seafood or oyster bars, and encourage them to visit The Mermaid Inn. It's also a channel to ask diners how the restaurant can improve, said Rackliffe, without bothering them with a comment card. "Our presence on Twitter and Facebook has definitely increased the frequency and openness of conversations about our restaurants," Rackliffe added, "which keeps us top-of-mind when considering where to dine out."

Reaching out to patrons has also come in the form of food trucks and pop-up eateries. Without the need for large capital investments, these temporary outlets give chefs and owners the freedom to experiment with their menus, marketing strategies, and supply chain relationships.

### 3. Restaurants React

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Everyone from home cooks to mom-and-pop café operators to chain restaurant companies have to concern themselves with food prices in an economy just beginning to right itself after a prolonged slump. Some analysts predicted earlier this year that higher food prices could actually be good news for restaurants, at least the bigger chains that can lock in long-term prices on many commodities. In January, NPD Group reported that higher food prices at the grocery store were driving more consumers to restaurants. Of course, this trend can only continue if eateries continue to find ways to hold the line on menu prices.<sup>5</sup>

*Restaurant operators are scrambling to blunt the higher costs by buying local, switching distributors and even swapping out pricey menu items for less expensive fare. But many restaurant owners say they're resigned to absorbing the cost increases because they don't want to raise menu prices.<sup>1</sup>*

Restaurants are feeling the pressure to hold prices down even more deeply than grocery stores because consumers tend to cut back on eating out when they are trying to save money. “If prices are higher, consumers definitely notice it in restaurants,” said Andy Deloney, vice president of public affairs for the Michigan Restaurant Association. Restaurant owners usually like to ride out food price increases in hopes that the spikes are short term.<sup>10</sup>

While volume discounts and the ability to negotiate long-term contracts help big chains, independent eateries typically have to find other solutions to higher costs, and for many the solution may be in foraging for food closer to home. Some independent restaurants say they’re more insulated than others from both higher prices and weather-related shortages of tomatoes and other food products because they’ve been **sourcing locally** for years and don’t depend on imported ingredients.<sup>5</sup>

Another way to deal with higher prices might be to **reconfigure your menu** based on the ordering behavior of your guests. Restaurateurs often try to have the cost of food make up one-third of a dish’s price. Often times, small restaurants miss that mark, but running at a higher margin seems preferable to the risk of losing customers. But the current trend seems unsustainable; eventually prices will most likely be raised everywhere.<sup>7</sup>

According to Patrick Conway, president and chief executive officer of the Pennsylvania Restaurant Association, “**Managing costs and closely aligning shifts and reducing operational expenses** are just a variety of ways to offset costs.”<sup>14</sup>

### Quick Service/Fast Casual Restaurants

- ◆ Oak Brook-based **McDonald's**, the world's biggest restaurant chain, **raised U.S. menu prices 1 percent in March** to help offset higher commodity costs, Chief Financial Officer Peter Bensen said during an April 21 conference call. The company expects food expenses to increase as much as 4.5 percent in the U.S. and Europe this year. The last time McDonald's raised menu prices in the U.S. was in the fourth quarter of 2009, with a 1% increase over the year-earlier period.<sup>7</sup> The company and its franchisees purchase food, packaging, equipment and other goods from numerous independent suppliers.

*Around 10 commodities make up about 75% of McDonald's ingredient costs — Beef, chicken, pork, bread and milk products, paper, cola, ketchup and other sauces, and fruits and vegetables. Benson said McDonald's would "raise prices where it makes sense" but would carry some of the higher costs itself, rather than passing it all on to consumers.*<sup>8</sup>

- ◆ **McDonald's** also announced in May that they plan to **replace many of the cashiers** at its 7,000 European restaurants **with touch screen terminals** that allow customers to order and pay electronically. McDonald's says the move is about making its restaurants there more convenient and efficient — it's also clearly about keeping down costs. The decision is being driven by margin concerns; McDonald's is still growing sales but margins are being eaten up by higher commodity costs — beef and dairy in particular. Also, consumers everywhere are struggling to pay bills under the weight of rising gasoline and food prices and a Big Mac or McCafe coffee is quickly becoming an expense many cannot afford as often as they may once have.<sup>17</sup>
- ◆ In May, San Diego-based **Jack in the Box Inc.**, a fast-food chain with restaurants mainly in the western U.S., **raised its prices 1.5 percent**, saying it was being cautious about increases because of the competitive environment.
- ◆ **Domino's Pizza Inc.** is **letting consumers decide whether they're willing to pay more**. The company is offering two medium, two-topping pizzas for \$5.99 each but has recently offered the option of converting one of them to a premium pizza, with more toppings, for an extra \$2—a price increase, in effect.<sup>7</sup>
- ◆ **Paisano's Pizza** in Leominster, MA, recently posted a sign thanking customers for their business while apologetically explaining the **\$0.75 increases** were due to soaring commodity costs.<sup>4</sup>
- ◆ **CiCi's Pizza**, based in Coppell, TX, has managed to absorb the bulk of food price increases, thanks to the benefit of **distributing to its own stores**. "We are not competing with other restaurants for our food products, and we are constantly banging on our food providers' doors to give us a better deal," says Craig Moore, president.<sup>4</sup>
- ◆ Chairman Ronald Shaich said **Panera Bread** instated some modest price increases throughout the recent recession to cover rising input costs. Last year the bakery-café restaurateur **hiked prices on certain menu items by 2%**. Panera projected a year-over-year price increase of approximately 2% again in 2011, while maintaining stable margins. Shaich said Panera experienced higher costs in dairy and wheat, as well as significantly higher costs in coffee. He said Panera has historically been able to pass on underlying inflation costs to consumers. Food makes up about a third of the company's overall costs, he added, and "we'll continue to adjust our pricing to reflect our underlying costs."<sup>8</sup>

- ◆ At Denver-based **Chipotle Mexican Grill**, food, beverage and packing costs jumped 28.4% year-over-year to \$149.6 million in Chipotle's recent quarter, making up 31% of total costs, compared with a 30.1% share in the year-earlier period. Much of the higher costs came from beef, cheese and avocado costs. Chipotle CFO, Jack Hartung, forecast food cost inflation in the mid-single digits for 2011. "The cost of these items has surged threefold as a result of severe crop loss, which, if we remain fully supplied, would increase our food cost by over 200 basis points," Hartung said. Despite the anticipation of higher costs, Hartung said Chipotle would **hold off on passing those prices onto its customers** "which will allow us to see how inflation plays out on a sustained basis and allow us to see how consumers react to price increases from other restaurants."<sup>8</sup>
- ◆ Luby's Inc., the parent company of 96 **Luby's Cafeterias** and 185 **Fuddruckers**, reported a loss in February due to a decline in store-level profit at Luby's Cafeterias, resulting primarily from higher food costs. Luby's promotions like a \$4.99 weekend brunch deal drove traffic at its cafeteria chain but resulted in lower checks. Chris Pappas, Luby's president and chief executive, said customer traffic was up 8 percent, "but our per-person average is down 4.9 percent, largely due to the impact of the lower kid's meal price, expansion of our Saturday-Sunday all-you-can-eat breakfast and limited time offers." The company is working on store-level margins by looking at "**selective menu prices increases, further localization of cafeteria menus and offerings to drive traffic and implementation of a theoretical food-cost management tool at Fuddruckers locations**, which is currently being tested at six units."<sup>15</sup>
- ◆ **Fuddruckers**, which is known for its gourmet burgers, has started **promoting non-beef items such as grilled and crispy chicken sandwiches**. The chain also is testing new products and upgrades, such as new onion rings at a test unit. "Some guests are willing to spend more to substitute onion rings for our potato wedges," Pappas said.<sup>15</sup>
- ◆ Restaurant chain **Johnny Rockets**, known for its burgers, uses about eight million pounds of ground beef a year, and its prices have risen 20 cents a pound over the last two months, says Ray Masters, senior vice president of purchasing and distribution. To offset part of the increase, the privately held company has **renegotiated its poultry costs, cutting them 5% for 2011, and its ice-cream prices are down 4%**. Still, this won't offset the higher beef costs, Mr. Masters says.<sup>11</sup>

### *Other Restaurants*

- ◆ Paul Cunningham, owner, **Schreiner's**, Fond du Lac, WI, **joined a purchasing group** in 2010. "I'm getting a half of a percent back automatically each quarter from my prime vendor, and, besides the rebates I collect on my own, I get the rebates the group has negotiated." The group audits participating suppliers and confirms that he is receiving his contract price (landed cost plus). Paul says he's not only saving money, he has less aggravation during the purchasing process." He has also redesigned his menu, creating panels to highlight the restaurant's profitable signature items.
- ◆ Local restaurants in the DFW area are trying to get independent restaurants across the county to **join a co-op and leverage their collective buying power** with vendors to lower food costs. The two restaurant owners starting the co-op have independent restaurants that have been in operation for about a dozen years each, but their existence is threatened by a vastly growing number of chain restaurants and the rising cost of food. The co-op idea has only been floating around for about a month, but eight restaurants have already pledged to join, and more are expressing interest.<sup>12</sup>

- ◆ Harry's Tap Room, Washington, D.C., was recently converted into **Harry's Smokehouse**. Michael Sternberg, proprietor, explains, "With the smokehouse concept we can **use lesser cuts of meat** – briskets, pork butt, chicken thighs – which helps us run a good cost of goods." Plus, changing the concept has resulted in **lower labor costs**, because once the product is smoked it can be reheated on the grill, eliminating a line position. Michael says he has reduced prices and even though he is seeing about a 9% decrease in per person check averages, cover counts are up significantly (18%+).
- ◆ David Groll, executive chef of **McAlister's Deli** headquartered in Ridgeland, MS says, "We're focused on managing protein, starches, and salads to maintain margins, and following trends. By adding paninis, which account for 14% of sandwich sales, we've **reduced the amount of protein required per sandwich** from 4-5 oz. to 3-4 oz., plus the bread is sliced thinner, which gives us a better yield, heats the protein, and melts the cheese faster."
- ◆ "As we saw cost of goods creeping up, we did an analysis of key proteins and the more expensive items on our menu," explains Lorena Stearns, general manager, **Finn's Irish Pub**, Ellsworth, ME. She says they've **designed a beautiful new menu where prices follow text** – they're not lined up on the right side – so it's not as easy to hunt for items by price. "To help move product that spoils easily, such as crab, we've added new menu items for the bar, including fried bite-size pieces of crab called crab poppers," says Lorena.
- ◆ Dave Machado, chef/owner, **Lauro**, Portland, OR, says the best business decision he's made recently is **jettisoning lunch**. "I always had the feeling that lunch was a loss leader but when I looked closely at the numbers I was shocked at how low the check average was and that there was no beverage revenue at all." To control food costs, Dave has made some purchasing adjustments, including putting caps on what he pays for seafood (no more than \$10/lb.) and meat (no more than \$5/lb.). This means he's no longer serving halibut, ahi tuna, and lamb. Instead, he's buying Alaskan cod, skate wings, cuts of beef that braise, and chicken thighs. "Our plate appeal is high, the quality of product is great, and we're careful with our prep, so we have little waste," Dave says. "I think it's all about being methodical and examining your numbers frequently and carefully."
- ◆ Double-digit gains in pork, butter, coffee and lettuce costs during the three months ended April 29 led Lebanon, Tennessee-based **Cracker Barrel Old Country Store Inc.** to **raise restaurant menu prices by 1.5 percent** in March. Commodity inflation has been "above our expectations," said Chief Executive Officer Michael Woodhouse.
- ◆ Taylor Smith, owner of **Caliente Kitchen** in Boynton Beach and Delray Beach, is trying to cut costs by **buying local produce** - when available - for his new Caliente Kitchen in Boynton Beach. Beyond that, Smith hasn't had much luck finding less expensive food purveyors. "We've tried multiple sources to find the same quality of meat and fishes at reduced costs, but we haven't been able to," Smith said. "So I've been eating it on my end."<sup>5</sup> David Manero of BurgerFi, Vic & Angelo's and The Office restaurants, throughout Palm Beach County, said his meat costs are up a whopping 12 percent. That translates to another \$4,000 a month, per store, for the all-natural Angus beef Manero buys for BurgerFi, his new hamburger chain. "This economy hasn't fully recovered, and I'm not going to raise our prices and affect our guests," Manero said.<sup>1</sup>
- ◆ Fish prices have jumped enough to prompt Nicholas Coniglio to tweak the menus at his **Nick & Johnnie's** and **Cucina** restaurants on Palm Beach. Coniglio's menus used to offer several types of fish. But with rising shipping costs, Coniglio says he's mostly **offering whatever his fishermen are catching nearby**. "Whatever they catch for the day, we'll take it and run with it," Coniglio said.

"We're getting better product at a good price, instead of being stuck with 50 pounds of dolphin that we can't get rid of." At **Deck84**, Rapoport said he's **switched out the skirt steak with a hanger steak to save a little money**. He's also keeping close tabs on his distributors to find out who has the best prices for the same quality food.<sup>1</sup>

- ◆ Wyoming-based **Gordon Food Service**, which supplies restaurants, **offers menu ideas and recipes that incorporate cheaper ingredients but provide customers with bigger and better flavors**. "We work closely with our suppliers to reduce our customers' exposure to volatile price fluctuations and look for alternative sourcing solutions when necessary," said Deb Abraham, Gordon Food Service spokeswoman.<sup>10</sup>
- ◆ At **BJ's Restaurants**, a casual-dining chain, prices were steadily raised in 2010 so that by early 2011 they will be 2.5% higher—but only after **upgrading its table settings and decor**. "In this business, **you can't just raise prices without improving the overall dining experience**," BJ's Chief Financial Officer Greg Levin said in October.<sup>7</sup>
- ◆ **The Inside Scoop** ice creamery and coffee shop in Coopersburg, PA recently **altered its hours of operation to cushion the impact of rising dairy prices**, which jumped as much as 13 percent in recent weeks, owners said. "This spring and summer we are trying to absorb costs," co-owner Penny Caciolo said. "We are looking to try to cut costs in other areas and really try not to raise prices, but that is not going to last forever."<sup>14</sup>
- ◆ Louie Belletieri, owner of **Louie's Italian Restaurant** in Allentown, said he's absorbing the nearly 50 percent increase in gas surcharges, which account for about \$150 a week. "We haven't increased prices yet, and I don't see that can be an immediate thing," Belletieri said. "We try to work with it and be a bit more proactive ... **where we were giving them something extra, now we're giving them what's normal**." That includes offering customers Italian bread baskets that are less overflowing than before. "We're not cutting things out, we're just making sure that customers want it," he said. "We don't want to make waste."<sup>14</sup>
- ◆ Drew Ciora, owner of **Lockhart's Barbecue** in Royal Oak, **The Detroit Beer Co.** and **Royal Oak Brewery**, said the impact on business costs has been dramatic. There was only a \$4,000 difference in total sales at the Royal Oak Brewery from 2009 to 2010, and yet the cost for nearly the same amount of supplies rose \$45,000 for the brewery and restaurant, he said. The current situation is different than in 2008 when many food suppliers decided to take on the additional costs themselves, Ciora said. "Back then, we didn't feel the costs because a lot of our purveyors absorbed them," Ciora said. "Since this time around it's a prolonged price increase, they will have to adjust their pricing." That means Ciora will have to raise prices too. "It won't be a large increase, but it will be enough to help us balance out the fuel charge," he said. Ciora said customers can expect to **see prices go up at all three of his eateries by about 25 cents on all menu items**.<sup>16</sup>
- ◆ Bill Roberts, president of the Birmingham-based **Roberts Restaurants Group**, which includes the **Beverly Hills Grill**, **Town Tavern** in Royal Oak and **Streetside Seafood** in Birmingham, said the double hit of rising food costs and rising fuel costs is taking a toll. His food prices are up by about 9 percent so far this year. "We were cruising along, and it was like this January the switch was flipped and everything went nuts," Roberts said. "You can react to some things quickly -- but we are in Michigan and you can't raise prices any higher because we have already increased prices," Roberts said. So instead of charging his customers more, Roberts is having his chefs **trim expenses**

**by finding cheaper cuts of meat, developing less expensive entrees and sourcing cheaper produce.** For instance, Roberts may ask one of his chefs to develop a braised meat dish instead of one featuring steak. "Frankly, in this industry, over the last couple years you have become as lean and mean as you can get," Roberts said. "Now if you cut, you are cutting into muscle and bone."<sup>16</sup>

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