

Food & Beverage - Smaller Portions or Higher Prices? - By Joe Dunbar

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We bought a loaf of fresh baked whole grain bread at a local bakery today. Something about the loaf was different. This loaf was about the same dimension as the loaves purchased previously from the same bakery. The price was the same. The difference became apparent when holding the loaf in my hand. The weight was different - much lighter. I'm guessing they shrunk the loaf between 15 and 20% by weight.

Flour prices have been increasing significantly during the last year. The operator decided to hold prices steady and shrink the portion size. In my opinion, the change in portion size will be perceived by most of the patrons. I love the bread and I'll continue my long term loyalty. Six bucks for a great, but lighter, loaf of bread.

The bakery definitely had fewer employees today. The store traffic seemed slightly less than I remember. I'm guessing the staff has been cut 25% and the number of patrons is down 10%. If I'm close, sales are down 10% (same price per loaf), cost of goods sold are up 5 to 10% (even with the smaller portion) and labor cost has dropped 25%.

Will the patrons remain loyal given the lighter loaves? Possibly. Would they be happier with the same size loaves and higher prices? I'm not sure they would prefer the higher prices. Maybe the baker has struck the right balance for his clientele. He's always at the bakery and he knows many patrons by name. He talks with lots of people and he has a decent read on our local economy.

Whether you try smaller portions or higher menu prices, this may not be the time to do both.

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