INDUSTRY WEEKLY DIGEST

**YOUR WEEKLY DIGEST OF CONTEMPORARY INDUSTRY TRENDS**

DYNAMIC PRICING

In Restaurant Revenue Management

Despite the acceptance of and growing maturity of revenue management practices in many service sectors with perishable inventory such as hotel bedrooms and airline seats, the application of similar principles to the restaurant sector lags, but also remains contentious. Indeed, well publicised recent announcements of plans to implement dynamic pricing by Stonegate in the UK and Wendys in the USA were met by widespread condemnation by both industry commentators and consumers.

In this Digest, Mark Ashton considers that given the myriad contemporary challenges in the restaurant sector, coupled with the rapid and widespread growth of technical solutions, there has been no better time to solve the dilemma of dynamic pricing in restaurant revenue management.

Have a great weekend!
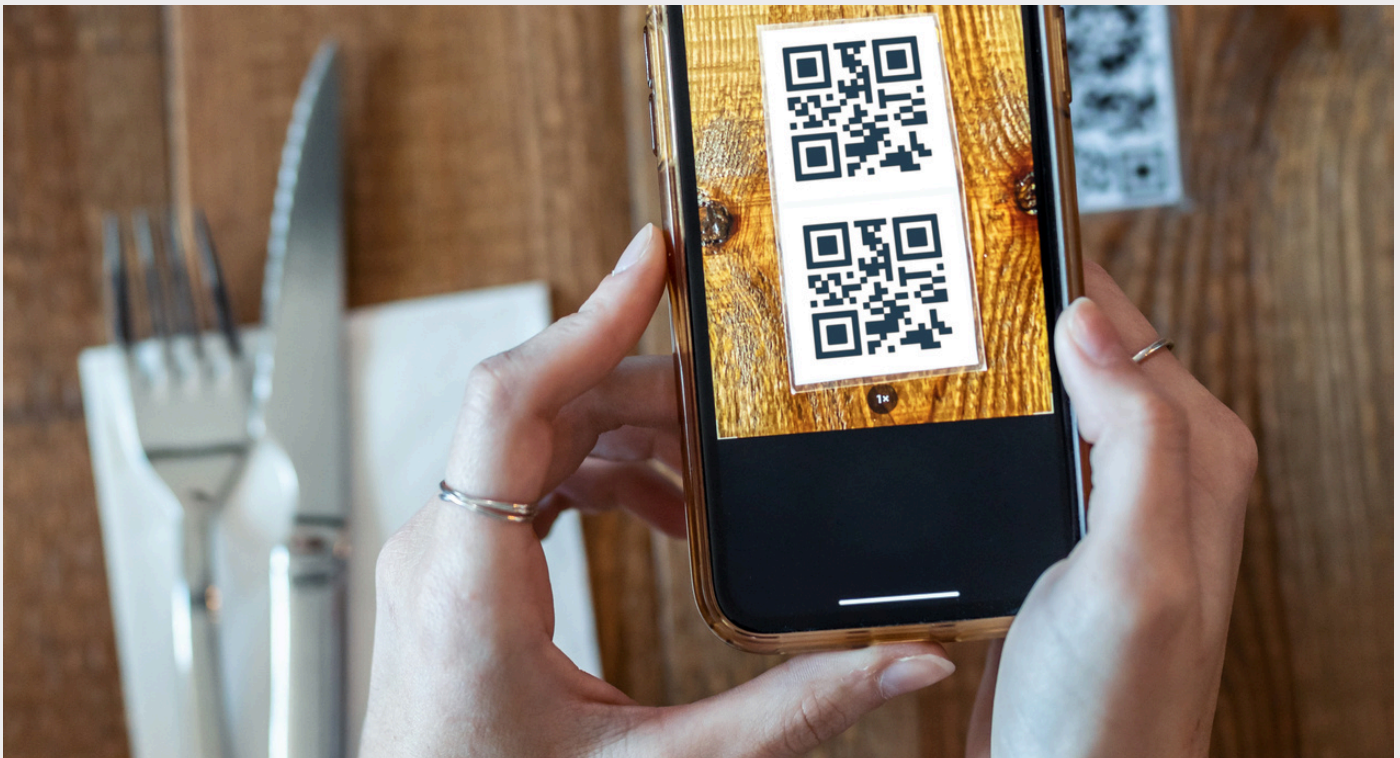
DYNAMIC PRICING IN RESTAURANT REVENUE MANAGEMENT – IS AI NOW FACILITATING IMPLEMENTATION?

Mark Ashton

The contemporary challenges in the restaurant sector are legion: inflationary pressures on food and other costs; recruitment and retention challenges coupled with rises in the minimum wage; high rents; issues with customer no shows; high levels of food waste to name just a few. Given these mounting pressures on operators margins, there has been no better time to try to solve the contentious issue of dynamic pricing in the food service sector. Here, I explore how AI might facilitate its future implementation and look at examples of those offering systems to do this.

Indeed, there are a growing number of companies offering AI driven solutions to facilitate dynamic pricing. They fall into two categories - those related to price (and spend) and those related to capacity.

Companies offering based focused solutions include Juicer who offer intelligent pricing solutions driven by data to facilitate dynamic pricing of individual dishes. Sauce do similar through creating a dynamic pricing strategy recommended based on data and allow operators to compare potential strategies and likely results through their tool.

Another company innovating with price is The Drink Exchange who claim to turn bars into a stock market for an evening with drinks prices rising and falling every few minutes, based upon what is being sold.

Other innovative solutions focus on capacity, drawing on more attribute based pricing solutions. Tock offer paid table reservations with additional charges at peak times. Tablz do similar offering dynamic pricing based on seating location with premiums charged for window seats/Chefs table.

Given the rapid growth of online food delivery where these tactics seem more expected/acceptable coupled with far greater proliferation of technology in restaurants - think digital menu boards, self-service terminals, loyalty apps etc. maybe we are now at a tipping point where dynamic pricing can be tested and applied in the food service sector in a palatable way based on data and segmentation. This may also help address some of the contemporary challenges noted before. There is also opportunity for academic research in this area where I identify a growing research-practice gap on this topic.

"Given the mounting pressures on operators margins, there has been no better time to try to solve the contentious issue of dynamic pricing in the food service sector."