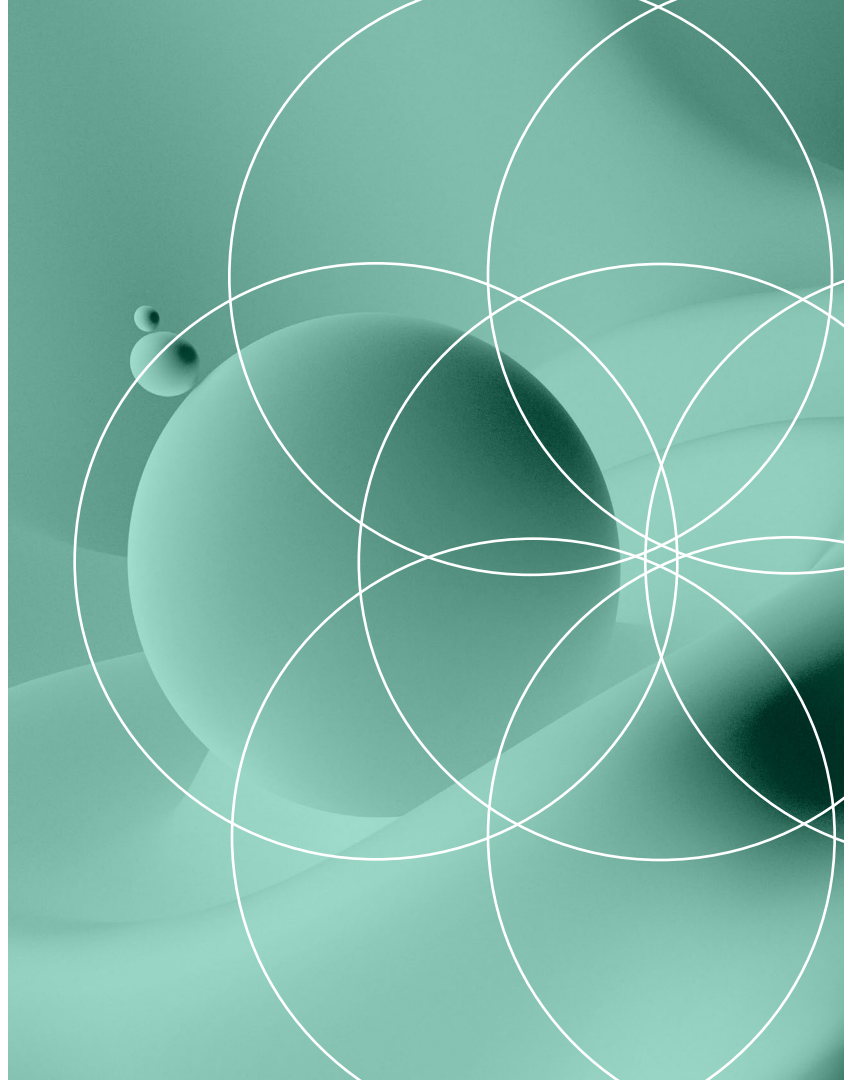


Optimize Menus With Insights And Testing

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Best-In-Class Menu Optimization Requires Systematic Approaches

Menu optimization, including new items, deletions, limited-time offers (LTOs), and category management can have a big effect on customer loyalty and incremental sales and, subsequently, on the overall success of a restaurant. Despite the importance of data-driven menu optimization, many restaurant organizations have not standardized their approaches to menu analysis. To better determine the effects of menu changes, restaurants must establish comprehensive and reliable workflows that use all available menu data to inform changes, while taking potential traffic and profit losses into consideration.

In a study commissioned by Mastercard, Forrester Consulting surveyed 319 menu and category leaders at quick-service, fast-casual, and full-service restaurant franchises to assess their current strategies, challenges, and the potential benefits of systematic approaches to menu optimization.



Menu optimization is integral to success.

Most restaurant leaders (70%) indicated that optimizing their restaurants' menus is fundamental to achieving organizational goals.



High degrees of rigor are not applied to menu changes. Though some rigor is applied for data analysis, only one-quarter (27%) of respondents' restaurants apply high rigor to analytical and financial analyses.



Respondents want to adopt menu optimization products. Nearly three-quarters (72%) of respondents expressed interest in adopting products to help them apply systematic approaches to menu changes.

Menu Optimization Is Fundamental To Achieving Top Goals

Menu strategy leaders' top annual goals included enhancing customer satisfaction (60%), improving operating margins (56%), and reducing supply chain costs (54%). Optimizing the menu, which impacts operating margins and customer spend, follows with 51% noting it as a top goal. Menu optimization wasn't just a key goal on its own — 70% of respondents also noted that it is vital to their restaurants' ability to achieve other organizational goals.

Increasing customer spend was fifth in priority with significant variation across industries and regions. Respondents from EMEA were more focused (60%) compared to respondents from North America (47%), Latin American (LATAM) (42%), and Asia Pacific (APAC) countries (46%).

At quick-service (QS) and fast-casual (FC) restaurants, increasing customer spend per visit is a much higher priority, with 55% noting it as a top goal compared to 39% from full-service restaurants (FSRs).

Top Goals For Next 12 Months

**60%**

Enhancing customer satisfaction

56%

Improving operating margin

54%

Reducing supply chain costs

51%

Optimizing the menu

50%

Increasing customer spend per visit

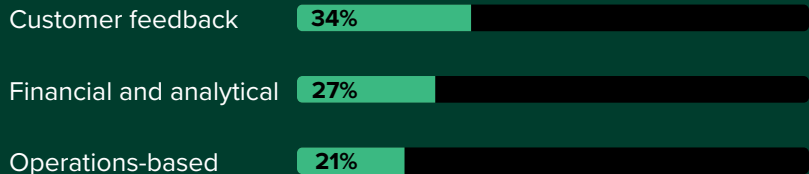
55% for QS and FC
39% for FSRs

Working With Partners Is Common For Some Analytics, But Rigor Isn't Universally Applied

A total of 80% of respondents are using at least some external partnerships to analyze menu changes. However, the degree of rigor applied to reviewing insights that could influence menu changes and help determine the impacts of these changes is less consistent. Just 21% of respondents were very rigorous in their operations-based analyses, 27% in their financial and analytical performance analyses, and 34% for customer feedback analyses.

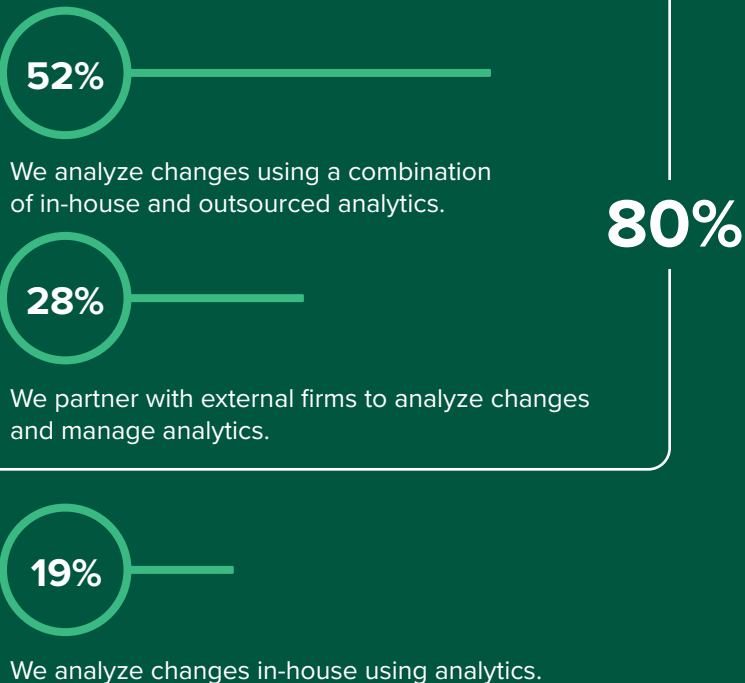
Few Restaurant Respondents Conduct Very Rigorous Analyses

(Showing "Very rigorous" responses)



Base: 319 decision-makers at the director level or above at quick-service, fast-casual, or full-service restaurants with decision-making power in optimizing the menu
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, March 2024

Most Partner With Outside Firms To Analyze Menu Changes



Base: 319 decision-makers at the director level or above at quick-service, fast-casual, or full-service restaurants with decision-making power in optimizing the menu
Note: Showing three responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, March 2024

Restaurants Use Multiple Insights To Identify Optimization Opportunities

Menu optimization decisions must be backed by data. To inform these decisions, restaurant respondents said their organizations currently use various insights. The top-three areas currently used are examining historic patterns in sales performance (62%), examining historic patterns in customer purchasing behavior (58%), and understanding customer loyalty to a certain product (51%). Still, these make up just over half of respondents, indicating that more can still be done to better determine menu optimization strategies, especially when it comes to gathering information directly from customers and studying the competitive landscape.

Insights Used To Inform Menu Optimization Strategies



Examine historic patterns in sales performance



Examine historic patterns in customer purchasing behavior



51%

Understand customer loyalty to a certain product



50%

Gather information from restaurant managers



43%

Facilitate customer surveys



40%

Conduct qualitative customer focus groups



36%

Study the competitive landscape

Methods For Testing Menu Changes Vary

Once restaurant decision-makers gather the insights needed to initiate menu changes, they should conduct tests to evaluate the effectiveness of the changes and determine future opportunities for improvement.

When it comes to testing menu changes, respondents said their organizations' top-three approaches are measuring the sales impact of localized offerings (69%), leveraging in-app or website A/B testing (65%), and trialing new menu designs in limited regions or stores (58%). However, fewer are projecting the impact of new prices (40%) and quantifying transaction losses based on projected changes (31%).

Respondents from full-service restaurants noted their restaurants were more likely to test menu items in limited regions (59%) compared to respondents from quick-service and fast-casual restaurants (45%).

Approaches Used To Test Menu Changes



69%

Measure the sales impact of localized menu offerings that cater to regional preferences

65%

Leverage in-app or website A/B testing

58%

Trial new menu designs or layouts in limited regions or stores

50%

Test menu items in limited regions or stores

46%

Conduct profitability analyses based on projected menu changes

40%

Project the impact of new prices

31%

Quantify transaction loss based on projected menu changes

There's Room To Improve Current Menu Optimization Processes

Despite a wide adoption of menu optimization processes, few respondents feel their organizations rigorously assess and deliver with high accuracy. Across historical analyses, future projections, and workflows and processes, respondents saw room for improvement. For historical analyses, just 16% felt their organization is accurately measuring the true impact menu changes have on revenue, and just 9% felt their organization can project future shifts in customer behavior between categories at the highest level. Finally, on the process side, just 11% of respondents reported their organization maintains a consistent cadence of menu additions and deletions.

Nonetheless, respondents understand the importance of these processes to their organizations' menu optimization strategies. While 82% of respondents believed measuring true impact on revenue is essential to menu optimization strategy, just 16% felt their organization does it proficiently.

Few Demonstrate High Competency Across Optimization Processes

FUTURE PROJECTIONS

**13%**

Projecting customer loss or gains from adding or deleting a menu item

**9%**

Projecting shifts in customer behavior between categories

HISTORICAL ANALYSES

**25%**

Gathering data to support analysis of menu changes

**16%**

Measuring the true impact on revenue and/or profit as a result of menu additions or deletions

PROCESSES

**16%**

Establishing an organizationwide approach to menu additions or deletions

**11%**

Establishing a consistent cadence to menu additions or deletions

Change Aversion, Silos, And Slow Time To Insights Inhibit Menu Optimization

Nearly half of respondents (49%) ranked resistance to change as a top barrier to evolving menu strategy. Siloed data and inaccessible specialists affected 46% of respondents, with EMEA and APAC respondents reporting higher instances (52% and 51%) compared to LATAM and North America (43% and 37%). Rounding out the top three, 44% of respondents felt the lack of internal expertise to execute analyses.

Additional barriers to systematic menu optimization at respondents' organizations included the inability of current approaches to keep pace with the speed needed for decision-making (37%) and technological shortcomings (35%). Without speed to insight that keeps pace with decision-making, respondents' restaurants may have suboptimal menu offerings that leave money on the table or create higher costs of execution than those that are best for a restaurant.

Top Menu Optimization Barriers

49%

Resistance/reluctance to change with a “this is the way we have always done it” mentality

46%

Siloed information with transaction data locked behind resource-constrained specialists

44%

Lack of expertise internally to execute analysis

37%

Approaches cannot keep pace with the speed needed to make decisions

35%

Current technology does not allow for consistent approaches across use cases

32%

Insights and recommendations are not always clear and actionable

31%

Bandwidth requires tradeoffs between number of analyses and depth of insights

28%

Lack of bandwidth internally to execute analysis

16%

Low executive buy-in

Products For Systematic Menu Optimization Resolve Key Challenges

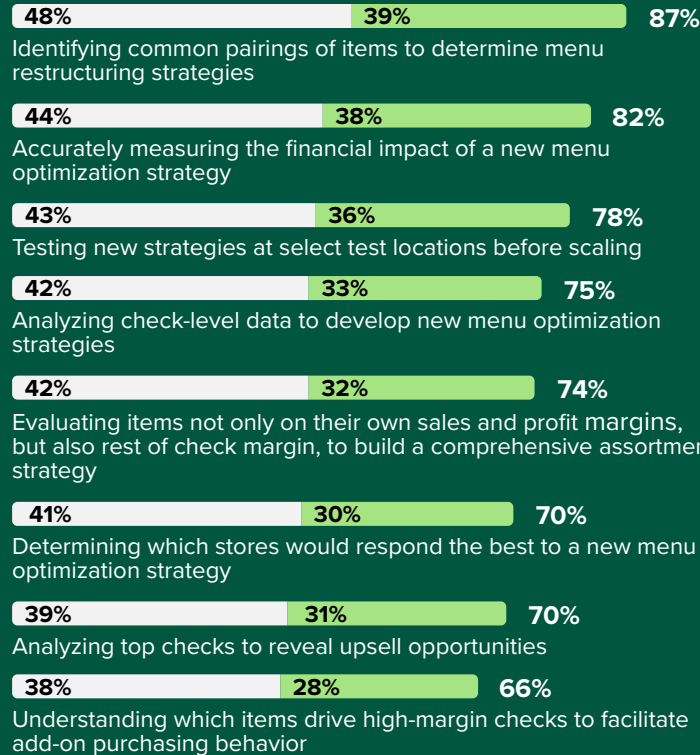
Most respondents said they want to adopt a product that would help their organizations develop and sustain systematic menu optimization approaches. The features that decision-makers are prioritizing included identifying common pairings to determine restructuring strategies (87%), accurately measuring the financial impact of new optimization strategies (82%), testing new strategies at select locations before scaling (78%), and analyzing check-level data to develop new strategies (75%).

Currently, 50% of respondents said their organization isn't testing at select locations while over one-third of respondents said they are not analyzing historical check-level data, indicating a desire to incorporate these processes and insights into menu optimization strategies.

72%
of respondents are
interested in adopting
menu optimization
products.

Important Features For Menu Optimization Products

● Important ● Very important



Clear, Actionable Insights Are A Key Benefit Of Systematic Menu Optimization

True profit impact of new optimization strategies (55%), understanding shifts in customer behavior between categories (54%), and clearer insights and actionable recommendations (50%) top the list of anticipated benefits of systematic menu optimization. APAC respondents were more focused on clear, actionable insights (64%) while North American respondents chose understanding customer shifts between categories as their top benefit (58%). Though siloed data inhibits menu optimization for nearly half of respondents, just 31% cited democratized access to data as a potential benefit, indicating they may not realize that an analytics platform can help resolve this challenge.

Respondents know that menu optimization contributes to the achievement of organizational goals. However, the clarity and data-driven insights that a systematic approach offers can continue to accelerate and drive restaurant organizations toward success.

Top Benefits Of Analytics-Driven Approaches To Menu Optimization

**55%**

Assessments on the true profit impact of a new menu optimization strategy

**54%**

Understanding the shifts in customer behavior between categories

**50%**

Clearer insights and actionable recommendations

**48%**

Accelerated speed to insights that keep pace with decision-making

**46%**

Better utilization of resources to analyze new menu strategies

**31%**

Democratized access to the necessary data to analyze menu changes

Base: 319 decision-makers at the director level or above at quick-service, fast-casual, or full-service restaurants with decision-making power in optimizing the menu

Note: Showing six responses

Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, March 2024

Conclusion

As insights-driven decisioning becomes the norm across industries, restaurants have an opportunity to apply greater quantitative rigor to menu optimization. This study suggests that restaurants would benefit from the following:

- **Improved understanding of the impact of changes on consumer spend by category.** Restaurants understand which customers stay or churn, but they are less sure if customers substitute spend in other categories or at a competitor.
- **Calculating true lift and incrementality.** Restaurants often focus on customer experience, but menu changes are business decisions. Restaurants must study their impact on overall revenue.
- **Greater analysis of the operational changes required to adjust to menu changes.** While restaurants are diligent about getting customer feedback on menu changes, operational feedback ensures the kitchen can deliver.

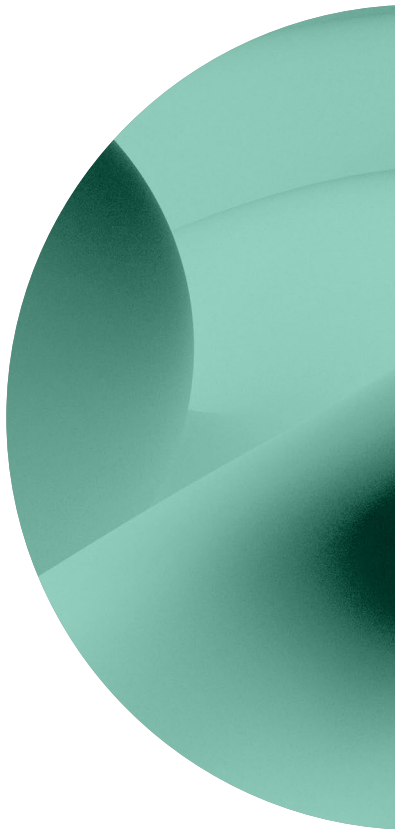
Project Team:

[Rachel Baum](#),

Market Impact Consultant

Contributing Research:

Forrester's [Customer Experience](#) research group



Methodology

This Opportunity Snapshot was commissioned by Mastercard. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 319 menu optimization decision-makers and influencers at quick service, fast-casual, or full-service restaurant chains. The custom survey was completed in March 2024.

ABOUT FORRESTER CONSULTING

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Demographics

REGION	
North America	25%
LATAM	21%
APAC	30%
EMEA	23%

ROLE	
C-level	16%
Vice president	41%
Director	43%

TOP 5 DEPARTMENTS	
Operations	17%
Technology	14%
Customer experience	13%
Analytics/data analysis	13%
Sales	13%

ANNUAL REVENUE (USD)	
More than \$5B	10%
\$1B to \$5B	17%
\$500M to \$999M	16%
\$200M to \$499M	56%

RESTAURANT TYPES	
Quick service	39%
Casual/full-service	31%
Fast casual	30%

NUMBER OF RESTAURANTS	
500 or more	6%
400 to 499	13%
300 to 399	31%
200 to 299	24%
100 to 199	15%
50 to 99	10%

MENU STRATEGY SENIORITY	
Final decision-maker for setting and/or executing menu strategy	18%
Part of a team making decisions for setting and/or executing menu strategy	41%
Influence decisions related to setting and/or executing menu strategy	41%

Note: Percentages may not total 100 due to rounding.

The image features the Forrester logo in a white serif font, centered within a large, dark, semi-transparent sphere. The background is a dark charcoal gray, adorned with several abstract, overlapping shapes in varying shades of gray, including a smaller sphere to the upper left and larger, flowing, organic shapes to the right and bottom. The overall aesthetic is modern and sophisticated.

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