



## OUTPERFORM YOUR COMPETITION

By Peter Thor, BFC

What makes your pizzeria special? Can you clearly define how you are different or better than your competition? This is the starting point to take your pizzeria from good to great. Take a measure of where you are, and define what you need to accomplish to get to where you want to be.

A fascinating recent documentary on the top pizza restaurant in the U.S. shared some tips on what makes a chef and a pizzeria great. It all starts with a desire to learn and improve both skills and repetitive efficiency. Running a pizzeria takes a ton of work every day and it is often difficult to look beyond today's operation, but that is where there is growth both personally and for your business.

Start with an honest assessment of where you are, both strengths and weaknesses. As hard as it might be, visit competitors and learn what they do well, and what they may lack. Independent pizzerias depend on repeat business and a loyal customer base in their community. How to develop a repetitive customer base and keep them interested in coming back often takes some creativity. After looking at your business from the inside, gain perspective from your customer's point of view. A survey, social media posts, and direct conversations can all yield beneficial information. Review your menu from a customer's perspective and ensure that it is easy to understand while enticing.

Beginning with the covid outbreak in 2019, consumers have faced a bewildering array of rules and health concerns which have probably permanently changed restaurant consumer behavior. A recent NPD research report found that patrons today are more focused on food quality, friendly service, and a comfortable safe environment than other factors. Affordability and value are also important, less so than repetitive deals. Restaurant customers at both the high and lower ends of the scale are scrutinizing choices more, which is likely to continue as the country heads toward a recession.

Average restaurant pricing has increased by 8% in the past year. The rate of cost inflation is slowing so one can expect restaurant price increases to slow,

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## SEASONALITY OF CHEESE PRICES

By Peter Thor, BFC

No ingredient is more important to a pizzeria than cheese. It is the highest cost ingredient, and choosing a premium quality cheese is fundamental to your success. But cheese prices fluctuate during the year, and price changes can have a material impact on your bottom line. This article explains the primary cost and seasonality factors that drive wholesale cheese prices.

The cheese making process began thousands of years ago, but today's cheese plants are high volume technical marvels. Most cheese is made from cow's milk, where costs are determined by feed, labor, energy, and transportation costs. It roughly takes 10 lbs. of milk to make

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## MARKET UPDATE

Dairy	PRICE	LAST MONTH	DIFF
Cheese Blocks	\$1.929	\$1.858	\$0.071

The recent weakness in the global dairy markets should slow exports and could temper the expected seasonal gains for U.S. cheese and butter prices this spring and early summer.

Beef	PRICE	LAST MONTH	DIFF
50% Trimmings	\$1.321	\$1.093	\$0.228

So far this year, the biggest year-over-year inflation in beef is the middle meat (steak cuts), but higher beef trimmings and ground beef prices are usually not inexpensive but are expected to seasonally rise soon.

Poultry	PRICE	LAST MONTH	DIFF
Wings (Jumbo)	\$1.073	\$1.022	\$0.051

Expect chicken breast and chicken tender prices to increase going forward. Egg prices are expected to seasonally top in April.

As of 3/17/23

## OUTPERFORM YOUR COMPETITION

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enabling some operators to offer more savings “deals”, especially since supply and logistics concerns have eased. Operators who want to generate short term lift in sales via discount promotions should consider creative promotions that do not damage the brand’s long-term value perception. Some research by Paytronix suggests promotions may be most effective when offered exclusively to loyalty program participants.

The critical traffic drivers that remain are: (1) quality food, (2) friendly service, and (3) perception of value. How can you keep both customers and staff engaged in order to repeatedly provide an outstanding experience? Innovation, even in increments, makes things better and provides some challenge in a good way. Not every idea will work, and new introductions can be quickly adjusted which is one of the advantages independent restaurants have; namely on-site owners! Begin with an examination of your menu which is your #1 sales tool. How is it presented both on-site, and on-line? A good menu conveys your brand and tells customers what to expect. It should be both colorful and enticing.

Speaking of service, your staff should be well trained in every aspect of the menu and related policies, and yield opportunities for cross-selling. Engaging the service staff at every level is key to a welcoming experience, even for take-out. Hire strategically and seek to develop a reliable team of experienced and outgoing persons. Back of the house is just as important. Your success requires an entire team. Efficient operations is a basic building block from which your food quality consistently wows customers, and in addition generates enthusiasm amongst the customer service staff which interact directly with your customers.

One way to show appreciation to your customers is through a loyalty program. There are many types and advantages, including growth opportunities and ongoing customer input. The best independent pizzeria’s also develop deep ties within the community; perhaps local sports or charitable activities. Engagement with schools, local service groups, and other active organizations will pay dividends.

To take your pizzeria from good to great also requires constant feedback, so whether dine-in or take-out, you should enable customers to comment on food quality, service, and their experience. Your responses to those comments is also required for valued customers to know you’ve listened.

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## SEASONALITY OF CHEESE PRICES

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1 lb. of cheese. Modern plants also produce by-products, making everything from baby formula and medicine to cosmetics. These by-products are sold which actually help keep the cost of making cheese down. Many countries including the U.S. regulate the sales price of milk for reasons of protecting both producers and consumers. Thus, the two primary costs of making cheese are the milk input and the processor conversion expenses, milk to cheese.

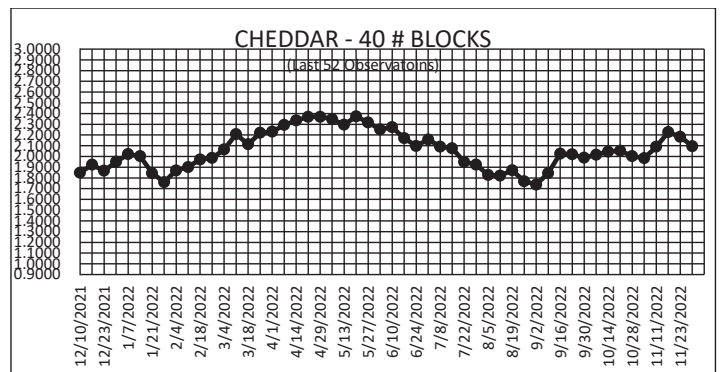
There is a seasonality effect of cheese making related to weather, temperature, and availability of feedstocks. Simply put, cows produce less milk during the winter and more during the warm summer months. These factors can also change the composition of the milk in terms of fat and milk solids.

Market forces also play a role where cheese is an international commodity with large volumes being produced, exported, and imported by many countries around the world. Whenever there is a significant disruption anywhere in the world, the cheese trade is impacted and usually also the price. Demand for cheese has been very strong during the Covid pandemic, with pizza being a popular take-out choice as well as a strong retail demand.

Domestic wholesale cheese prices have fluctuated during the past year, and 2023 is likely to be similar with seasonal prices increasing in winter and declining during the spring and summer. Exports are exceptionally strong except to China which may have a dampening effect on demand. Rising costs of energy and labor may also impact both the input cost of milk and the conversion cost into cheese. Imported cheeses, especially from Europe will continue to be impacted by the war in Ukraine and disruption to feed and energy. Barring new external factors, cheese supply and demand will follow the same seasonal pattern as this past year.

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