**HOW TO PRICE MENU ITEMS.**

The first step of creating your menu, pricing the items is to decide how you want to price things with respect to sales tax, most locations in the US get a base price and then sales tax is added on each rung up at the cash register. You don't have to do it that way, you could include sales tax in the price. Now if you decide to include sales tax in the price on the board, you should price your items to whole number values, $1,$2,$3 and so if you decide to calculate sales tax at the point of purchase, then it makes more sense to do prices like 199, 299 , 399 and so on. Sometimes you'll occasionally also see 195 to 295. In prices like that, it's been proven through a lot of different studies that the 199 , 299 pricing works with consumers, the price of 299 becomes $2 in your head, as opposed to $2.99 cents. So once you make that decision you can start calculating the prices for your items. To calculate a price for an item, we start by calculating your cost of goods and then you want to charge at least three times that amount on your menu and what you're trying to do here is keep your food costs or your cost of goods under 30%. So the multiplication by three is just a quick and dirty way to do that. You can also divide your cost by point three, to get an approximation and whatever number you come up with you then kind of round that up to the next dollar value.

So if you your calculation came up with $2.76 cents, you would probably go ahead and round that up to $2.99 cents on your menu board. Now, calculating Cost of Goods can be a little bit complex. So for an item like a bottle of Coke, it's fairly simple you simply look up what the bottle of coke cost you from the coke distributor take that value and multiply it by three rounded up to the next dollar and there's your price. Now for something like popcorn you want to take a little more time and calculate all the different items that goes into that. For example, you've got your popcorn packet that comes pre packaged with kernels, oil, solid and everything. You put that into your popcorn machine, it makes multiple servings. So you'll need to calculate what one serving of that popcorn costs and then you'll also want to calculate the cost of the bucket that goes into that typically in the example of popcorn, the popcorn bucket itself actually cost way more than the quantity. So you would take those two numbers add them together and that's your cost of goods for a bucket of popcorn. Divide that by one, three, multiply it by three and take that number and rounded up to the next dollar figure and there is your menu fries for popcorn and you'll want to do this for every item on your menu. Now what you don't typically take into account when pricing items is labor, the cost of the equipment, the cost of machinery, things like that. When we price meet new items we strictly focus on the cost of goods, utensils, paper products, anything like that that actually gets served to the customers. Right now with your simple menu this should be fairly easy. Pressing out bottle drains popcorn, things like that is pretty straightforward. When you develop a full kitchen, it's going to get more complicated because you to start taking into account sauces, condiments and items like that.

One other thing to note is if you have any item that has a high amount of loss, you'll want to kind of put that into the price as well. Right now in your current state you don't really have any high loss items and really for this type of business we don't recommend you really selling anything that has a high loss but just to give you an example to help you understand that concept. Let's say you wanted to sell slices of cake that comes in a sheet bizarre the sheet out. It's good for a week and at the end of the week, whatever you didn't sell you throw away So in calculating your price for that cake, you would need to determine what your average losses for the week are how many pieces you throw away every week and you would build that into the price.

That's part of why like at a restaurant for example, salads costs 10 times what the lettuce cost. Part of it is, that's a good way for the restaurant to make money. But part of it is because they had a tremendous food waste because they keep a lot of lettuce on hand and if they don't sell it all it gets thrown away. So they're actually making up for their food loss their and their price. So that's a very important consideration when it comes to pricing your food items. But again, for this type of business, we're going to push you towards minimizing using the food waste, we're go to keep very closely to frozen products or cooking things on demand so that the customers do not need to so that you as the operator do not mean to throw stuff away every week.