

Are menu costs faced by  
supermarket chains  
sufficient to form a barrier  
to price adjustments?

**James LaBelle and Maya Jarrad**

"The Magnitude of Menu Costs: Direct Evidence From Large U.S.  
Supermarket Chains"

(Levy, Bergen, Dutta, Venable 1997)

# Methods

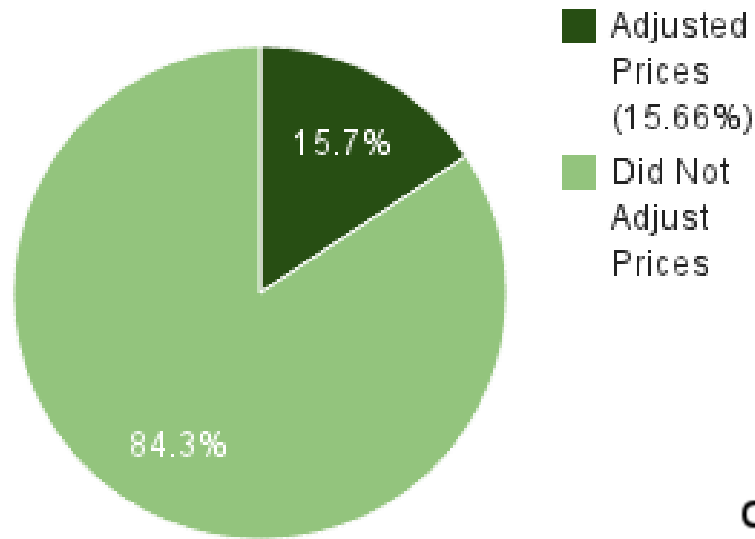
## Magnitude of Costs:

- Labor (70.1%)
- Mistakes (19.0%)
- Printing and delivery of tags (5.7%)
- Supervision (5.2%)

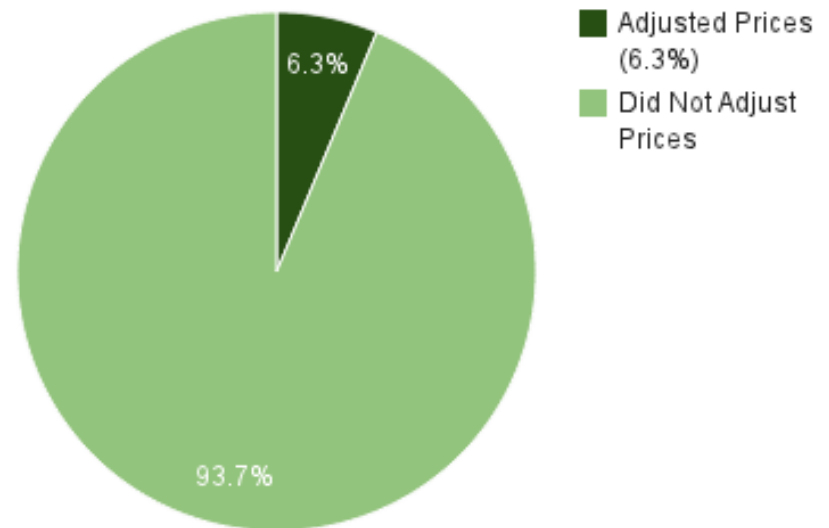
## Frequency of Adjustments:

- Total products (25,000)
- Products with cost increases (3916)
- Products with price adjustments (

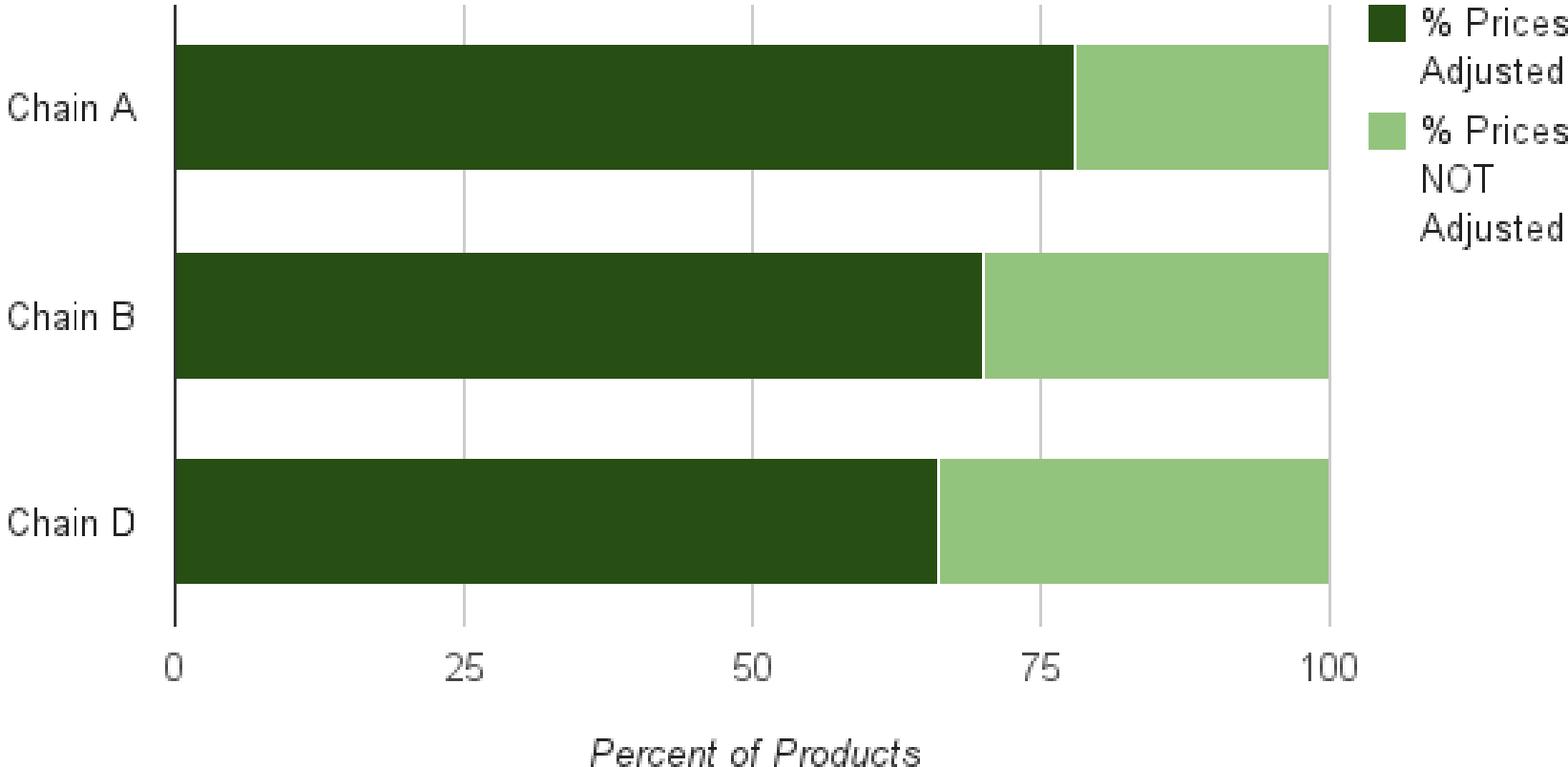
## Average of Chains A-D



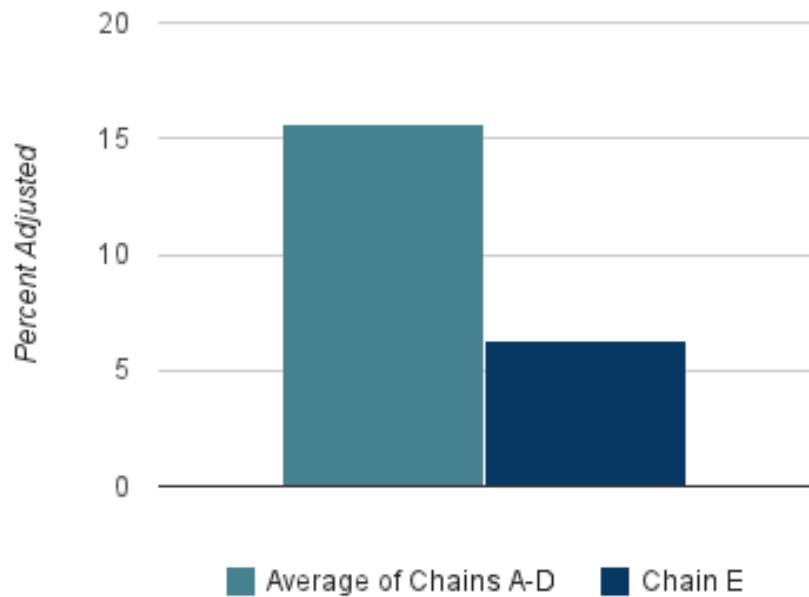
## Chain E (Item Pricing Laws)



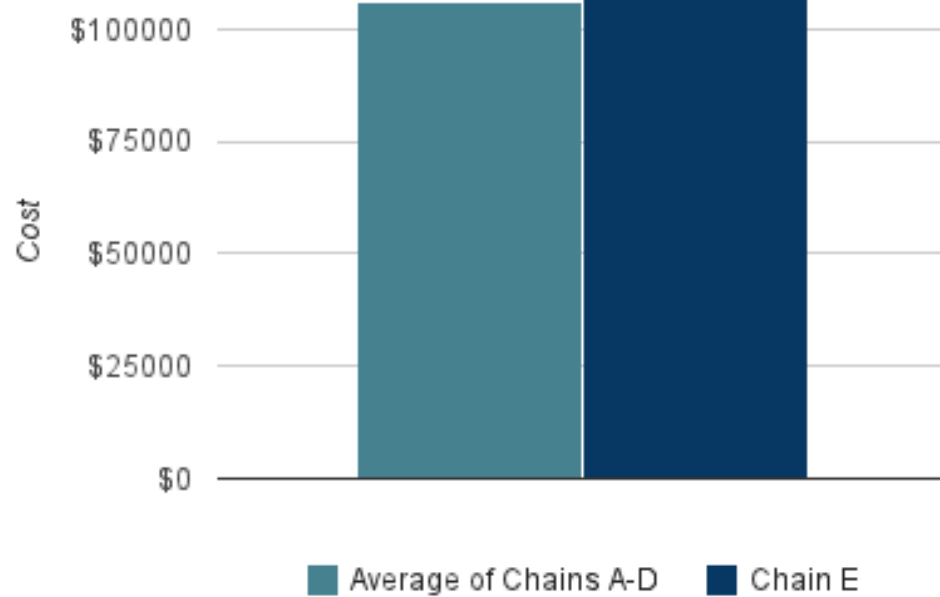
# Weekly Frequency of Cost-Based Price Adjustments (of Products that Faced Price Increases)



### Percent of Prices Adjusted of Total Stock



### Annual Actual Menu Costs



35.2%

**Percent of net profit margin spent on adjusting prices**