Is Your Menu Working For You or Against You?

As a restaurant operator you already know the importance of keeping your food costs in line. That's because combined with your wages and other payroll expenses, food and beverage costs account for anywhere from 60-70+ percent of your total revenue. Moreover, your food and labor are relatively controllable costs compared to rent, utilities, insurance and most of the remaining expenses that make up your monthly payables list.

Menu Engineering
In this issue we are going to look at some tools and techniques for menu engineering. In simpler terms, it is a process for the methodical selecting, costing, pricing and evaluating of your menu items.

Menu engineering provides you the operator with information about a menu item's profitability, as well as popularity, so that proactive planning, recipe design and customer pricing decisions can be made. Menu engineering is not a substitute for proper purchasing, food rotation, standard recipes or any of the other basic kitchen controls that can negatively impact your costs. Rather it is a method of evaluating every item on your menu relative to its present contribution to bottom line dollars, thereby helping you to recognize the items you want to sell!

Contribution Margin
In the last issue of Essence we discussed the effectiveness of the menu pricing model strategy called Contribution Margin. We discovered that by calculating the cost of each item on the menu, the Contribution margin was what remained after the product cost was deducted from the selling price. These were the dollars that you took to the bank. While a menu item's contribution margin tells us how many dollars each individual sale of the item contributes to the cash register, you also need to know how popular the item is to determine the total dollars it contributes to the restaurant's revenue. Menu engineering therefore takes each menu items contribution margin and its popularity into account to determine into which of four categories it falls: star, workhorse, challenge or dog.

Perform a menu engineering exercise:
1. Determine the profit (food cost percentage) for each menu item.
You can determine the menu's average item profit by adding all of the percentages

together and dividing by the total number of items.

- The Profitability is LOW if the menu item profit is less than the menu's average item profit.
- The Profitability is HIGH if the menu items profit is greater than average for the menu.

2. Determine the popularity of each menu item.
List your menu items and track the total number of each item sold.

- The Popularity is LOW if the menu item's menu-mix percentage (e.g. the total number of the item sold divided by the total number of items) is less than 80% of the average.
- The Popularity is HIGH if it sells at least 80% of an average item's popularity.

Chart the Results
You will now be able to plot each menu item on the popularity chart to visually see where the item falls.

If an item is both profitable and popular then it's a STAR.

It it's profitable but relatively unpopular then enter the word CHALLENGE.

If the item is relatively unprofitable but popular then enter the word WORKHORSE.

Finally, a DOG is an unprofitable and unpopular menu item.
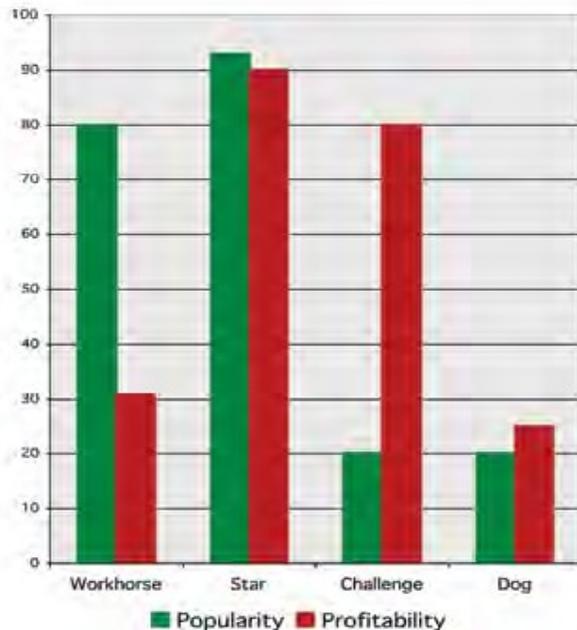
How to Take Action Based on the Results

Let's start with the obvious. Keep the STARS and dump the DOGS. Your creativity is now required dealing effectively with your CHALLENGES and WORKHORSES. Let's start with the CHALLENGES. These items are profitable but relatively unpopular. Your "challenge" is to make them more popular. There are many ways to accomplish this including changing the preparation (Chicken Marsala may be more popular than Chicken Putanesca, but still just as profitable). Re-naming or re-plating the item to make it sound and/or appear more appealing is another alternative. Alternatively you might want to create a whole new menu item using the same "center of the plate" ingredient, but doing it in a way that will be more appealing to your customers.

As for the WORKHORSES, they are popular items with less than ideal profit margins.

Here is where your best opportunities lie. Your job is to re-engineer the menu item to reduce its cost while not sacrificing what makes it popular. This can involve substituting a single relatively expensive ingredient for a one that is less costly (e.g. Asiago cheese in a Caesar salad for Reggiano Parmesan). It may involve substituting one cut of meat for a less expensive one knowing that the preparation is what makes the item popular. It might be as simple as using a less expensive garnish. How about increasing the items selling price? Your chef's imagination and talent takes over here.

Hopefully it is now easy to see how this information allows you to proactively manage your menu. From collaborations with your chef to tinkering with your prices you can use menu engineering to effectively manage a key aspect of your food costs!

Evaluate Current Profitability
When you know which menu items are the highest grossing items (meaning they result in the most profit before any other expenses are considered) then you know which items to promote. In the chart below, you can see by looking at the last column that the king crab legs are the most profitable item on this seafood menu. Even though the food cost is greater for the crab legs, the gross profit is higher as well. To many operators, it is the gross profit that matters most. To maximize your profit, you might consider raising the price of the other fish entrées slightly, or simply train your serving team to upsell the crab legs.