MAINE*SENSE*

MAKING SENSE OF YOUR FOODSERVICE BUSINESS

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 percent to 70 percent, or even more, 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. Those things can negatively or positively impact costs; in fact, "proper purchasing" would positively impact it. 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 *Mainesense* 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 are the dollars that you take 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 item's contribution margin and its popularity into account to to determine which of four categories it falls into: 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's profit.

- The profitability is HIGH if the menu item's 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 (i.e., 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, enter the word CHALLENGE.

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

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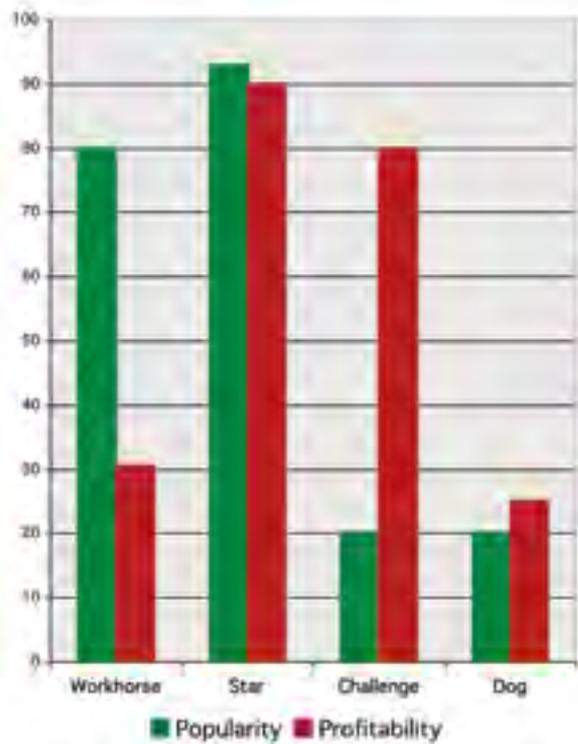
How to Take Action Based on the Results

Let's start with the obvious. Keep the STARS and dump the DOGS.

Your creativity is now required in order to deal effectively with your CHALLENGES and WORKHORSES. Let's start with the CHAL-LENGES. 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). Renaming or replating the item to make it sound and/or appear more appealing is another alternative. Instead, 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 reengineer the menu item to reduce its cost while not sacrificing what makes it popular. This can involve substituting a single relatively expensive ingredient with one that is less costly (i.e., replacing Asiago cheese in a Caesar salad with Reggiano Parmesan). It may involve substituting one cut of meat with 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 item's selling price? Your chef's imagination and talent take 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. Make your profitable items stand out. Filler items are those that take up space on your menu pages but do not offer much in the way of gross profitability. You can make your menu items add value by creating a more attractive name, adding an intriguing sauce or dressing or a special theme to the food. For instance, taking a normal hamburger and drizzling it in a spicy honey barbeque sauce might add a little pizzazz and appeal, giving the public more incentive to try it and the operator a reason to slightly increase the price.

Perform a regular health checkup of your restaurant menu

Ask yourself a number of questions and then brainstorm with your staff to see what you can change on your menu. Together, you will be able to locate areas where you could be doing better. In this industry that is constantly changing, you will want your menu to be easily adaptable in order to quickly take advantage of market trends.

1. **When was your last restaurant menu checkup?**

2. **Do you offer different and exciting menu choices?**

3. **What are you selling the most of, and is that menu item more than six months old?**

4. **What are the most popular items on your menu? Engineer your menu to find out.**

5. **Are there any future trends appearing in the market? How can you adapt your menu to include these trends?**

6. **Is your menu the right size? Bigger is not necessarily better.**

7. **Are the gross margins on your menu appropriate for long-term viability?**

8. **Are your prices too low or too high in comparison with your market competitors?**

9. **Have you taken into account any recent supplier price increases for food and beverage costs and adjusted your menu pricing accordingly?**

10. **Have you engineered your menu for future success?**

11. **When was the last time you raised your prices?**

12. **Is your menu health-friendly for the current health and wellness revolution?**

Take action to improve the health of your restaurant menu design

You can ask yourself as many questions as you like about the health of your menu, however, if you don't take action then it will all be in vain. Addressing any problems early on will enable you to keep your menu fresh and inviting to customers over the long term.

You want to learn how to increase the average spend of your customers, correctly categorize the items on your menu, decrease your food and beverage costs, increase menu prices without losing customers, and increase sales at the same time. After all, the single most important marketing collateral a restaurant possesses is its menu. And your menu is one of the surest ways to effectively and measurably increase sales, profits and guest satisfaction scores in a manner that is both quick and sustainable.

It's a little bit art and a little bit science, but the bottom line is that menu engineering, when added to your overall restaurant menu design, will help your restaurant put more dollars into your bank account ... and dollars in your bank account is the true measure of the success of your restaurant.

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