

Improve Your Menu Engineering

Are You Costing Your Company Thousands By Not Conducting The Proper Analysis?

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The term “menu engineering” is not used by all restaurant operators. However, it is a definite process that all restaurants, single and multi-unit, should be utilizing. The process of determining which items need to be removed or modified versus which ones should be added to a menu can be a complex one. Too often mistakes are made which can hurt the future profitability of the company. In some cases decisions are made off of the passion and emotion that is involved with the menu item and not necessarily the numbers that are to assist the decision making process. Even more important, which numbers are used. Incorrect or incomplete analysis can hamper the ability to plan for profits.

The accuracy of the recipe costs is important to driving the profitability of the menu(s) (see our article “Increasing the Accuracy of Recipe Costing,” The Las Vegas Food & Beverage Professional, April 2013). Too many times the recipe costs are not accurately stated and can adversely affect the whole menu engineering process and operation. In my interviews with many restaurant operators, the primary focus on menu engineering is quantities sold of an item and the cost percent per plate. Although volume and the cost percent per plate is important, they should not be the only factors in the decision making process. The view in this article is to look at engineering the profits of each menu item drive and not necessarily the cost percent on its own.

Using accurate recipe costing as a base along with analysis of gross margin per plate, the restaurant location can make methodical decisions that can only assist in the improvement of the bottom line.

The first step of the process should be an analysis of the current menu specifically by price tier or markets and the type (lunch, dinner, etc.). The analysis should be done on all core or printed menu items. In order to determine what core menu items are to be removed, you will need to determine the gross margin per plate and extend that out by the volume to determine the contribution margin the item is delivering. Obviously, you cannot remove a whole category. However, the menu items that are driving the lowest contribution margin dollars for each category should be targeted for replacement.

Once we have determined the menu items to be removed, the next step is to take the newly

designed menu items and compare the gross margins per plate for each item. The goal is to ensure that the gross margin dollars per plate does not decrease. If the current menu item is replaced with a new menu item that results in a lower gross margin per plate, you may be reducing the overall chances for improved profit. If this decision is made, there will also be a need to increase the volume sold to make up any lost margin dollars from the change. The goal should be to replace a current menu item with a new one that will improve the gross margin per plate. Remember, this view of menu engineering is not to look at the cost as a percent, but the potential amount of profit that will be driven from the new menu item.

Using accurate recipe costing as a base along with analysis of gross margin per plate, the restaurant location can make methodical decisions that can only assist in the improvement of the bottom line. The method of looking at only cost percentages is flawed. You cannot place percents in your pocket. Concentrate on the amount of profit you are going to be generating. In a time of a highly competitive marketplace, operators cannot make mistakes in decisions relating to the menu. The menu is the pinnacle of what you represent. All restaurant operators are in the business to make a profit. Ultimately, the main goal should be to make a profit that can cultivate and grow the business. Proper recipe costing and menu engineering decisions can propel you there.



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