

Module Title: MENU PLANNING AND COSTING

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Lecture 14: Menu Engineering

Menu engineering

- **MENU ENGINEERING:** is the study of the profitability and popularity of menu items and how these two factors influence the placement of these items on a menu.
- The goal is simple: **To increase profitability per guest.**

- The menu engineering process was developed by **Michael L. Kasavana and Donald I. Smith** in their work **Menu Engineering: A Practical Guide to Menu Analysis**

- Menu engineering is the art and science of **redesigning** a menu to maximize restaurant profits.

- **Important question!**
- Can we influence the customers' decisions towards menu items that generate more profit?

- All menu analysis programs that analyze which menu items **are selling** ask **why certain other menu items are not selling** and examine how sales of badly performing items can be increased.

- Is it that customers do not like **the taste, portion size, color, texture, aroma, or price?**
- Could it be that the item is **hidden on the menu and that no real marketing has been done to promote it?**

❑ It is important to remember that the menu is the primary marketing tool where items compete with one another - **some offer more profit, others offer higher sales, others offer both and some neither.**

What is the importance of menu engineering?

- *MENU ENGINEERING HELPS HOTELS AND RESTAURANTS TO MAXIMIZE PROFIT BY ENCOURAGING CUSTOMERS TO BUY WHAT YOU WANT THEM TO BUY AND **DISCOURAGING** PURCHASE OF ITEMS YOU DON'T WANT THEM TO BUY.*

How do we rank menu item profitability and popularity?

COLD STARTERS

AVOCADO SALAD WITH TUNA FISH 1500

GUAKAMORE SALAD..... 1500
(Mashed avocado, lemon juice and white pepper served with tortillas chips)

KACUMBALI..... 1000
(Piment, tomato white onion and green pepper)

MEXICAN OF CUCUMBER AND CARROT SALAD..... 1000

MUSANZE POLYTECHNIC SALAD 2000
(Chicken lettuce olive tomatoes and cheese)

KALISIMBI MOUNTAIN SALAD1500
(Avocado boiled eggs lettuce and cucumber served with honey and mustard sauce)

□ For ranking menu item profitability and popularity, we need first to calculate:

1. Contribution margin of each item which is on the menu and the average contribution margin of the whole items on menu

- **A contribution margin** is the amount of money that contributes to paying the labor and operating expenses, and profit.

2. Number of sales of each item on the menu and the average of total items sold of the whole menu

- **Number of sales** : the quantity of products sold or services provided by a company in a particular period of time

A) CONTRIBUTION MARGIN

$$\square \text{CMI} = \text{SP} - \text{FC}$$

$$\square \text{ACM} = \sum \text{CMI} / \text{TMI}$$

CMI: Contribution margin of one item on the menu

SP: Selling price

FC: Food cost

ACM: Average contribution margin of the whole items on the menu

Σ : Summation

TMI: Total menu items

□ If a menu item's contribution margin is **greater** than **the average** contribution margin for the entire menu, it receives a rating of "**H**" indicating that it has an above average contribution margin.

- If a menu item's contribution margin is **less** than the **average** contribution margin for the entire menu, it receives a rating of “L” indicating that it has a lower average contribution margin.

B) SALES

$NSI = NCO$

$AS = TCO / NIM$

NSI: number of sales of one items

NCO: number of customer orders

AS: average sales of the entire menu

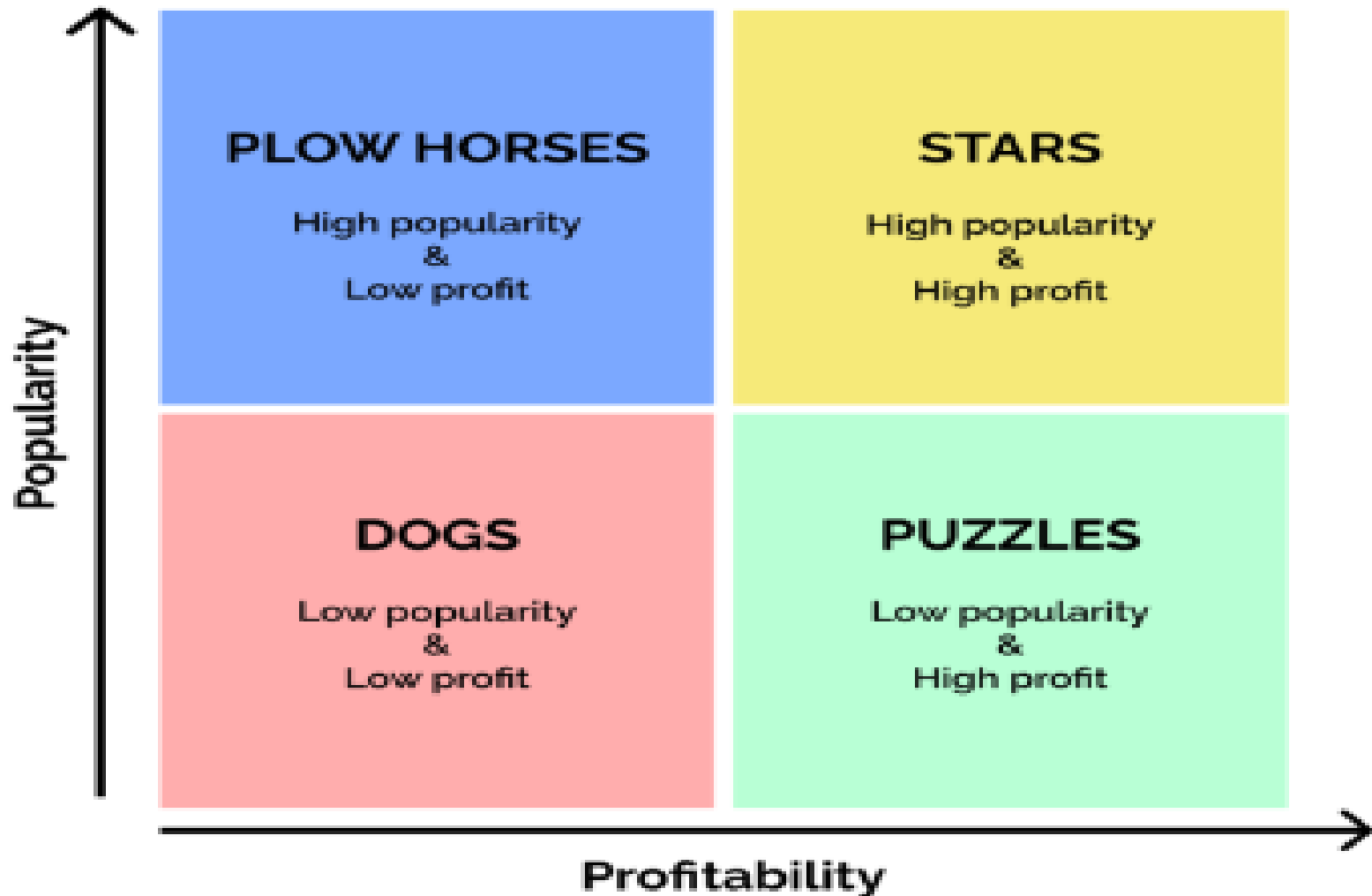
- ❑ If a menu item's sales is **greater than the average sales** for the entire menu, it receives a rating of "**H**" indicating that particular item has a higher sales than the **demand mix**

❑ If a menu item's sales is **lower** than the average sales for the entire menu, it receives a rating of “L” indicating that particular item has a lower sales than the **demand mix**

Combination of letters

- ❑ **HH: (STARS OR GOLD)** STAND FOR ITEMS WHICH ARE BOTH HIGH PROFITABLE AND POPULAR
- ❑ **HL:(WORK HORSES or SILVER)**STAND FOR ITEMS WHICH ARE HIGH IN PROFITABILITY BUT LOW POPULAR
- ❑ **LH:(PUZZLES or BRONZE)**STAND FOR ITEMS WHICH ARE LOW IN PROFIT BUT HIGH POPULARITY
- ❑ **LL:(DOGS or DQ)**STAND FOR ITEMS WHICH ARE BOTH LOW IN PROFITABILITY AND POPULARITY

THE MENU ENGINEERING MATRIX



Menu Item	FC	SP	NSI	CMI	CMI Rank	NSI Rank	Item classification
Mushroom soup	700	1000	150	300	L	H	BRONZE
Grilled Chicken	6500	9500	50	3000	H	L	SILVER
Chicken Kiev	6500	10000	10	3500	H	L	SILVER
Goulash of beef	1500	2500	80	1000	L	L	DOGS BRONZE
Vegetable ratatouille	600	1000	250	400	L	H	
Humburger	800	1200	100	400	L	H	BRONZE DOGS BRONZE
Chicken biryani rice	1500	2500	30	1000	L	L	
Tropical fresh fruit	1000	1500	120	500	L	H	
			AVERAGE: 98.75	AVERAGE: 1262.5			

MANAGING STRATEGIES

- **Gold/Stars** - These are **premier** items of the menu
- They are relatively popular and generate above average profits per sale. Some strategies to follow to enhance their profit potential:
 1. Maintain rigid specifications: Special attention should be given to these items to ensure they are of the highest quality.

- 2. Give high menu visibility.
- The menu can be a great sales tool.
- Customers tend to order items which "**stand out**".
- Make sure your gold items present themselves well on the menu.

- 3. Test for price elasticity. Be proud of gold items. If the customer is willing to pay more without affecting your total demand, logic says, increase the price.
- 4. Push a **"sales"** program. Have the wait staff suggest these items when asked by customers.

Silver/Plow horse :They reflect good volume sales, but generate little profit compared to the gold items. Some strategies to follow:

1. Don't offer as a special.

- If a silver item does not exceed the average contribution margin, why offer it as a special?
- Instead, turn the demand to high profit items (e.g., gold and bronze).

- 2. Maintain low menu visibility.
- Try to hide these items on the menu.
- 3. Reduce portion sizes slightly.
- This will reduce food cost, and in turn help to increase contribution margin.
- This can sometimes turn silver into gold.

4. Find alternative ingredients.

- See if less expensive ingredients can be utilized without sacrificing quality and consistency.

5. Test for price elasticity.

- Will raising the price significantly reduce demand?

Bronze/Puzzles - These are the most misunderstood items on the menu.

- They manage to make above average contribution margin, but are weak in demand.

Some strategies to follow:

1. Offer as daily specials. A quick and easy way to attract consumer attention and increase demand is to offer an item as a "Special."

- 2. Give the item high menu visibility.
- Make it "stand out" on the menu.
- 3. Reduce the price.
- The item may be overpriced. Test for price elasticity.
- 4. Drop from the menu.
- Especially if it has a poor shelf life, or it is difficult to prepare.

DQ/Dogs - These items are the poorest performers of the menu and may often be dropped from the menu entirely (e.g., disqualified). Some strategies to follow:

1. Drop from the menu. These items may be nothing more than **dead space on the menu**, and thus serve no purpose.
- By dropping them you can free space, reduce clutter, and concentrate on more profit bearing items. This also may **reduce inventory**.

- 2.Rename and describe to make more attractive.
- A catchy name and description may be all it takes to increase demand and **turn a DQ into a silver or gold.**

Software Programs Available

- ExecuChef Software:
- visit : www.execuchef.com
- Tracrite and Optimum Control Restaurant Management Software:
- visit : www.tracrite.net

References

[1] Paul J. McVety et al (2009), Fundamentals of Menu Planning, P135-154

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[2] Jack E. Miller, David K. Hayes & Lea R. Dopson (2002) Food and Beverage Cost Control, Second Edition,

<https://www.slideshare.net/slideshow/food-and-beverage-cost-control-2nd-edition/26949965>

End of the Module

Next upload is for Examination, I wish ALL
Success!

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Thank you!