

CHAPTER 2

MENU MANAGEMENT





Study Questions

- 1 What functions does a menu serve?
- 2 What are the different types of menus?
- 3 What factors must be considered when creating a menu?
- 4 What are the various methods used to price a menu?
- 5 How can menu sales be analyzed?



Key Terms

À la carte menu

California menu

Cyclical menu

Du jour menu

Fixed menu

Limited menu

Limited time offer
(LTO) menu

Prix fixe menu

Table d'hôte menu

Profit

Margin

Target margin

Menu boards

Spoken menu

Sales mix analysis

Menu engineering

Sales volume

Sales volume
percentage

Stars

Plow horses

Puzzles

Dogs

Food cost percentage
method

Contribution margin
method

Q factor



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INTRODUCTION

THERE IS NO STRONGER MULTIPURPOSE TOOL FOR A RESTAURANT THAN ITS MENU. A MENU CAN HELP COMMUNICATE THE GOALS OF AN OPERATION TO ITS TARGET MARKET. A MENU CAN BE A SALES TOOL. A MENU CAN HELP MANAGERS ASSESS THE OPERATION'S STRENGTHS AND WEAKNESSES. AND, A MENU SHOWCASES THE FOOD THAT THE KITCHEN STAFF HAS PREPARED TO OFFER.



Figure 2.1: A server answering a question about the menu.

MENU OVERVIEW

One of the most important interactions people have with a given operation is through the menu, as illustrated in [Figure 2.1](#). It is where sales are initially won or lost. If, for example, guests like what is on the menu, and the prices seem fair, then they are likely to place an order. If, on the other hand, they do not like what they see, then the operation may lose business. Of course, preparing and delivering what is on the menu matters greatly, but if a person is not interested enough to order something from the menu in the first place, then the product itself does not matter.

The menu functions in two ways—for planning purposes and communication purposes. For the planning function, the menu provides an end goal to which all the employees work. The chefs gear each stage of food production toward putting out the best product at the best price. The menu also helps the staff to organize themselves by asking certain important questions:

- What is the target market? What segments are we aiming to serve?
- What types of food and service do these segments of the market expect?
- Are the ingredients for the menu items readily available and cost-effective?
- Can the menu items be prepared in the most appealing way possible?
- Is the menu best serving the needs of our target market?
- Is the menu best serving the goals of the operation?

So, using the menu as a planning tool actually helps employees stay focused on all the behind-the-scenes work and how to best accomplish the goals of the operation.

As a marketing and communication tool, the menu functions in three ways:

- Informing guests about what the operation offers
- Selling products
- Creating identity

Informing Guests

The most basic function of the menu is to tell guests what the operation has to offer. But the menu also presents an opportunity to distinguish these items from those of the competition. Many places serve a burger of some sort, but a chef can use the menu to describe exactly how a burger is prepared and why it is better than any of the competitors' burgers. Do the chefs use a particular kind of meat or spice? Do they cook it in a different way? Do they offer different condiments for the dish? Chefs can describe all of this detail on the menu. Check out the two descriptions of burgers in [Figure 2.2](#). Which is more appealing to you?

In addition, the menu informs guests about potential health concerns, such as the risks of eating undercooked food, ingredients that may cause allergic reactions (for example, tree nuts), or particularities of specific dishes (for example, degrees of spiciness).

Selling Products

The menu may be an operation's best sales tool. It can greatly influence what guests decide to order. How? By appealing to the guests' appetites through well-written descriptions of menu items. Guests are also influenced by the placement of items on the menu. For instance, marketers and chefs may choose to highlight the items they most want to sell by placing those items at the top of the menu, putting them in a bolder or bigger font, or even by boxing off the items altogether in a separate category. The more visual attention certain items attract, the more likely guests are to consider and order them. A "Daily Specials" page is one way to use the menu to sell product.

Creating Identity

The menu also helps create the image or identity of an operation. The items listed on a menu say a lot about an operation, but so does the design of the menu itself. The font, color scheme, and material or paper stock the menu is printed on all help communicate the identity of an operation. For example, a menu using a heavy paper stock, bound in a leather cover, and listing menu items in a script font may give the impression of a high-end, formal operation. On the other hand, a menu presented on one sheet of regular paper stock with menu items printed in a large, colored font may create the impression of an informal, casual operation.



Figure 2.2: A descriptive menu (top) compared to a nondescriptive menu (bottom).



VIDEO

Menu Overview

For a video on menu overview, please go to: Textbooks.Restaurant.org/Videos.

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MENU TYPES

There are many types of menus. An understanding of these broad categories of menus is a good first step in determining or identifying an operation’s goals and function in the marketplace. The different menu types are listed in Table 2.1.

TABLE 2.1: MENU TYPES



Taqueria

À La Carte Menu

TACOS (1)		SIDES	
Chicken or beef	\$2.50	Refried beans	\$1.00
		Rice	\$1.00
BURRITOS (1)		Chips and salsa	\$1.50
Vegetarian (bean & cheese)	\$4.00	Chips and guacamole	\$2.00
Beef	\$4.25		
Carnitas (pork)	\$4.25	DRINKS	
Chicken	\$4.25	Horchata	\$1.75
		Fountain drinks	\$1.50

À la carte (ah le cart)
This menu prices each item separately. For example, on an à la carte menu, a typical meal, such as steak, potatoes, and a vegetable, will have separate prices for each item, and they need to be ordered individually. In short, nothing on an à la carte menu comes with anything else.



BOOTS' DINER

Serving Food 24/7

SINCE 1923

★ BREAKFAST	★ DINNER
2 eggs, sausage or bacon \$6.50	Steak and potatoes \$10.00
Denver omelet \$7.00	Chicken parmesan \$8.50
California omelet \$7.00	Baked mac and cheese \$7.50
Loaded oatmeal \$4.50	Meatloaf sandwich \$8.50
★ LUNCH	★ SIDES
Cobb salad \$7.00	French fries \$4.00
Tuna melt \$7.00	Creamed spinach \$4.50
Hamburger \$8.00	Coleslaw \$4.50
Cheeseburger \$8.50	Chips and salsa \$5.50

California
This menu lists all meals available at any time of day. Diners that are open 24 hours a day might use a California menu. This accommodates a wider variety of guests who may differ in lifestyle and work schedules. The guests can choose whatever they want whenever they want it—for example, breakfast at dinner time.



Spring Menu

Starters

Ricotta Stuffed Fried Zucchini Flowers 6
Spring Greens Salad 5
Prosciutto-Wrapped Melon 6

Lunch Entrees

Curried Chicken Salad Wrap with Side Salad 8
Grilled Portabello Sandwich with Roasted Red Peppers and Side Salad 8
Fresh Strawberry Risotto 10
Grilled Steak and Arugula Salad 10

Dessert

Old-Fashioned Apple Pie and À La Mode 4
Hazelnut Chocolate Tart 4

Cyclical
With this menu, chefs or managers change items after a certain period of time. For example, an operation might serve four different menus that correspond to the four seasons. Cyclical menus can change on a daily, weekly, or monthly basis as well; it all depends on the management’s objectives in catering to the target market.



Les Plats du Jour

Daily Specials

MONDAY	THURSDAY
Meatless Monday Eggplant Parmesan with Crispy Bread Crumb Topping \$14.00	Lemon Chicken Piccata with Roasted Potatoes \$18.00
TUESDAY	FRIDAY
Crispy Pork Belly with Polenta and Greens \$18.00	Filet Mignon with Creamed Spinach and Twice-Baked Potato \$26.00
WEDNESDAY	SATURDAY
Fillet of Sole with Pine Nuts and Asparagus \$21.00	Kobe Beef Burger with Sweet Potato Fries \$17.00

Du jour (doo-ZHEUR)
This is a French term that means “of the day.” This menu simply lists the menu items that are available on a particular day. In the United States, this kind of menu is often presented as a daily specials menu. It can be an insert in the standard menu, written on a blackboard, or described verbally by the service staff.

TABLE 2.1: MENU TYPES (*continued*)

CAFÉ MENU			
COFFEE		TEA	
Espresso	\$1.50	Hot tea	\$1.50
Doppio	\$2.00	Ice tea	\$1.50
Americano	\$2.50	Matcha tea latte	\$2.50
Cappuccino	\$3.50	Chai tea latte	\$2.50
Latte	\$3.50	FOOD	
Cold brew	\$2.00	Croissant	\$3.00
		Zucchini bread	\$2.50
		Lemon bread	\$2.50
		FREE WIFI!	

Fixed

This menu offers the same items every day. A particular advantage here is that guests know what to expect every time they return. Many chefs work with a fixed menu to offer guests consistency, but then supplement the fixed menu with a du jour menu to offer variety.

menu	
Main Dishes	Side Dishes
hamburger served with pickles and onions	chili cheese fries
chicken sandwich served on bed of lettuce	tator tots
	fried green beans

Limited

There are typically only a few items offered on a limited menu. Quick-service operations frequently offer a limited menu. Such a menu makes it easy to keep track of costs because there are fewer ingredients to account for, and those ingredients are usually the same through inventory cycles, making it easier to track and monitor pricing.

Boots' Diner**Boots' Diner Limited Time Offer Menu!**

Boots' Diner loves you and loves when you show us your love on social media. So as a thank-you to our followers, we're giving away FREE tableside guacamole in June!

**FREE TABLESIDE
GUACAMOLE!**



We like when you like us!

Limited time offer (LTO)

These menu items are only offered for a short period of time. LTOs are most popular with quick-service and casual-dining operations. LTOs allow for the marketing of seasonal food or introduction of new menu ideas and concepts. It is a low-risk way to test new ideas while increasing guest loyalty and keeping interest.

Sarah's Place**First Course**

Iceberg Wedge Salad
Blue Crab Cake

Second Course

Pan-Seared Chilean Sea Bass
Farmer's Pork Chop
Cornish Game Hen
Roasted Vegetable Lasagna

Third Course

Frozen Hot Chocolate
Lemon Panna Cotta
Dark Chocolate Tartufo

Prix Fixe Menu is \$50 per person.

Prix fixe (PREE FIX)

This type of menu offers guests multiple courses for a single set price. For example, a choice of appetizer, full entrée with sides, and a dessert might be offered for one price, and that price is often slightly lower than if each course or item were purchased separately. This type of menu arrangement presents a win-win for both guest and operation. The operation ensures a higher check total by bundling multiple courses together, while the guest receives a discount on that higher total. Both casual and formal operations utilize prix fixe menus.

DINNER

House Salad
Butternut Squash Soup

Roasted Chicken and Fingerling Potatoes with Wild Rice
Braised Halibut with Sugar Snap Pea Salad and Orzo

Flourless Chocolate Cake
New York Cheesecake

3 Course \$28

Table d'hôte (tah-buhl doHT)

This menu is similar to a prix fixe menu in that it bundles various elements of the menu into one package. For example, such a menu might present—in advance—four meals, and each would include a number of courses and possibly even beverages, all for one price. Banquets frequently offer such a menu.

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ORGANIZING A MENU

Most menus organize food items according to the order in which they are usually eaten, as illustrated in [Figure 2.3](#), and listed below:

- 1 Appetizers
- 2 Soups
- 3 Salads
- 4 Sandwiches (sandwiches can be offered before or after salads)
- 5 Entrées
- 6 Vegetables
- 7 Desserts
- 8 Beverages

Variations in these categories depend on what an operation offers and the image that management wants to promote. For example, a restaurant that offers small plates for sharing might break the menu up by types of small plates (often cold or hot, or by type of meat or vegetable in order to encourage choosing from multiple parts of the menu.

In larger operations, chefs prepare food using a variety of cooking methods, such as poaching, roasting, grilling, frying, and baking. This results in a menu with food items that vary in taste, texture, and seasoning for the right amount of contrast to meet the tastes of a variety of guests. However, you can also find operations that focus their menus around one type of food, and therefore only the guests who want that food—for instance, an operation might have a menu based solely on fried chicken and sides that might go with fried chicken.

In a full-service operation, chefs or managers can divide entrées by categories, such as beef, pork, chicken, lamb, veal, ham, shellfish, fish, pasta, egg, cheese, and vegetarian dishes. They maintain balance through the choice of vegetables, sauces, and potatoes used to complement entrées. For example, if a menu contains ham and chicken, offering sweet potatoes or yellow winter squash is a good balance. Four to six vegetables, including potatoes, should meet most menu needs. Salads and salad dressings can also reflect balance and variety.

The number of desserts on the menu depends on guests' tastes and past sales. Some operations may need to serve only ice cream or sherbet to satisfy their guests. Others may need to combine these with a limited number of pies or cakes. And it is fairly easy to add puddings and fruit to extend dessert selections.



Figure 2.3: Sample of a menu organized in the order in which items are eaten.

KNOWLEDGE CHECK

- 1 What are the primary functions of the menu?
- 2 List the different types of menus.
- 3 How are most menus organized?

CREATING A MENU

A menu also needs to reflect a realistic understanding of what chefs are capable of producing in a cost-effective way. There are two separate steps in menu creation—planning and design.

Planning

In the planning phase, managers and chefs must think about the following:

- Physical layout of the facility
- Skill of personnel
- Availability of ingredients
- Wants and needs of the target market
- Expectations of the target market
- Profit margin

Physical Layout of the Facility

Planners must take the physical layout, or space, of the actual operation into account when they design a menu. For example, planners must take into consideration the size of storage facilities, preparation and cooking areas, and the service and dining areas. An operation's physical layout often determines the kind of menu that chefs will be most capable of producing; an operation might not succeed if planners put out a menu that the chefs cannot produce efficiently.

Skill of Personnel

Planners must also consider the staff of an operation. If management wants to offer a menu of food items that require highly skilled, delicate preparation, then they need to have cooks on staff that can fulfill those needs. On the other hand, if managers want a menu with ingredients that are easy to work with and inexpensive to produce, it would be a mistake to employ a kitchen staff that is highly trained and experienced (and, therefore, more costly). In short, the operation's personnel must fit the menu that planners create.

Availability of Ingredients

Menu planners must be aware of the price and availability of ingredients when planning menus. Today, fresh, seasonal ingredients are very popular with guests. But, a menu that consists of many high-priced ingredients might end up losing money for the operation because food costs will make the items unprofitable. Planners need to consider not only what their operation can produce well, but also how cost-efficient the items are to produce.

Wants and Needs of the Target Market

Sometimes, the personal desires of an operation's owners or managers overtake the wants and needs of the market they intend to serve. This is a mistake. The focus should always be on the desires of the guests. An example of this might be an owner who loves an expensive and hard-to-obtain type of coffee that,

once put on the menu, does not sell any better than a less-expensive, more readily available coffee.

Expectations of the Target Market

Expectations are closely related to the market's wants and needs. But the expectations of the market are more important after an operation has become established rather than before. Not meeting expectations becomes more dangerous the longer an operation exists, because management can become complacent over time. If the operation does not stay true to the needs of its guests, they might choose to spend their money elsewhere. Consistency is one of the cornerstones of success in the restaurant and foodservice industry.

Profit Margin

No business can survive if it is not producing at profitable levels. Planners must create the menu with profitability in mind throughout the entire process. **Profit** is defined as the amount of money remaining for an operation after expenses, or costs, are paid. So, for restaurant and foodservice operations, this is the amount of money left over from the sale of food and beverages after the cost of preparing them and paying for other overhead expenses, like rent and heat. This difference is also called the **margin**; most restaurant and foodservice operations set a **target margin**—the margin they aim to meet—for their operation.



TECHNOLOGY

In-House Menu Printing

Restaurants and other foodservice operations can use in-house menu printing software to plan and print daily menus. MenuPro is an example of menu printing software. It offers 175 different menu styles that are interchangeable, 1,500 different backgrounds and images, and a variety of fonts. Restaurants can upload their own logos and photos too. To create a menu, you simply drag and drop items onto the menu. The software keeps a database of all of your food and prices, which can be updated and modified easily. This type of software often saves money on design and printing fees.

Designing

Once chefs and managers have decided on the items that will be included on a menu, the design phase can begin. Well-designed menus are pleasing to read, easy to understand, and clearly express the identity and character of the operation as a whole. But how do designers actually accomplish this? Designers must consider the following elements when laying out a menu:

- Medium (materials and method)
- Layout (how it is arranged)
- Color
- Font
- Art

Medium

An operation's menu can be presented in a number of ways. Most operations use some sort of paper with the menu items printed on it. The paper stock that designers use can help to express the identity of the operation. Thicker paper stock is more expensive and durable, whereas thinner stock is less durable and more casual. Additionally, many menus are laminated. This is done to save the menu, ensure its durability, and make it easier to keep clean. Sometimes, an operation may opt to put its menu on a different medium altogether. For example, a menu can be written with chalk on a blackboard (see [Figure 2.4](#)) that is visible to all the patrons in a dining room, or even on a wall in the



Figure 2.4: A menu written in chalk on a blackboard.

dining room. These types of menus are called **menu boards**. Finally, at some operations, the servers memorize the menu and relay it verbally to the guests. This is called a **spoken menu**, and it can help personalize the menu and create a more intimate feel for the operation as a whole.

Layout

How the menu is categorized and sequenced adds to the identity of an operation. Is everything on one page, or are items spaced out over multiple pages? Are items crammed together in a busy, hectic way, or are they spaced wide apart in a calmer, more subdued manner? All of this can say a lot about an operation's personality. In addition, the layout can help emphasize items on the menu that management wants guests to order most frequently.

Color

Color is obviously very important to any visual presentation. The colors chosen by an operation could be the difference between being considered romantic or rowdy, sophisticated or casual, expensive or inexpensive. Sometimes the color can even signal to patrons what type of food will be served. For example, various blue tones could signal seafood, while a blend of orange and red may signal a spicier cuisine, such as Cajun food. When planning the colors of a menu, designers should think about the feeling they want guests to get when considering the operation. Figure 2.5 shows one menu's color schemes.

Font

Like many elements of design, fonts can work in different ways. A font can, of course, highlight certain elements on the menu. Italic or bold fonts will stand out on the page and draw guests' attention. A large, dark font might be helpful for an operation catering to segments of the market who might appreciate easy-to-read print, and sometimes using italics helps provide contrast between the name of the menu item and its description. Fonts can also signal the personality of an operation. For example, flowing, bubbly fonts might be appropriate for a kids' menu (see Figure 2.6). Scripted fonts create a classical feel, while clean, rigid lines speak to a more modern approach. Menu designers must be careful when choosing a font for all of these reasons.

Art

Finally, the art on a menu can say a lot about an operation. Illustrations say "kid-friendly" to many people, while no art at all might say the opposite. A picture of an old 1950s car will say "diner" to some guests, while a chili pepper will say "spicy cuisine" to others. The borders that divide various segments of the menu also fall under the category of art. What kinds of lines are incorporated in the menu? Straight lines with lots of angles give off a different vibe than borders with more arcs and curves.



Figure 2.5: A menu with vivid color schemes.



Figure 2.6: A sample children's menu.

TECHNOLOGY

Tablet Menus

Electronic tablets are becoming more and more popular for restaurants to use as menus. The benefit of putting the menu on an electronic tablet is that it allows the guests to choose their menu items and have the order sent directly back to the kitchen, thus increasing speed of service. And as an added bonus, it is fun for guests to play with technology!

ESSENTIAL SKILLS PLANNING A MENU

Planning a menu is not as easy as simply listing all your favorite dishes or all the dishes that you find easy to cook. It takes thought and planning to ensure that you are presenting the right mix of food to the desired guests. Here is a process that can help you develop a successful menu:

- 1 List all the menu items that you think might be successful. Take into account guest preferences, goods available from your suppliers and their prices, the time of year, and any other factors that you think could be important. See [Figure 2.7a](#).
- 2 Eliminate items from the list that might not work on the finished menu. For instance, look for garnishes that take too long to prepare or multiple dishes featuring the same main item. Unless your operation is a steak house, how many steaks do you really need on the menu?
- 3 Fine-tune the remaining items to fit your restaurant. [Figure 2.7b](#) shows a menu in the fine-tuning phase. For example, if your operation has an Italian theme, then your award-winning chili really does not belong on the menu.
- 4 Make sure that all the items can be successfully prepared within your existing structure at an appropriate cost. No matter how elegant and delicious your potato tuiles may be, if it takes one chef two hours each day to make them and you only have two other chefs, the tuiles might be too expensive for your menu. Save special presentations like this for major events, such as wine dinners or private parties.
- 5 Identify the winning selections and create your menu. If these items are new to your restaurant, or you have hired new staff who have not prepared or seen any of these dishes, make sure to build some training time into your schedule. Plan both to teach the cooks how to make the items and to teach the service staff how to describe them properly.
- 6 Save the documents you have created when coming up with the final menu. It may be that a dish that would be unsuccessful now will be a hit in a year or two. Do not waste all your work.
- 7 Once you have fully planned out the content of your menu, it is time to design it!



Figure 2.7a: The initial stage of planning a menu.



Figure 2.7b: Fine-tuning the menu.

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MENU SALES MIX ANALYSIS

Managers need to monitor the effectiveness of menu items to maximize profits. A method called the sales mix analysis helps do that. A **sales mix analysis** is an analysis of the popularity and profitability of a group of menu items. To effectively do this, the analysis should be done at least four times per year. The analysis includes determining which menu items are most popular and which contribute the most money to expenses and profit. Basically, you compare menu items in terms of sales and profitability. The results of this analysis determine whether managers need to make changes in menu pricing, content, or design.

While there are several methods available to do menu analysis, one of the most popular is **menu engineering**. It systematically breaks down a menu's components to analyze which items are making money and which items are selling. Then, managers know which menu items to leave alone, which need to have an increase or decrease in price, which to promote, and which to eliminate.

Managers can determine the sales performance of each menu item after the restaurant has been open for some time and they have enough sales data to analyze. Gathering information for three months or longer provides more useful results than data from a shorter time period.

You start to gauge performance by looking at **sales volume**. The sales volume of a menu item is the number of times the item is sold in a time period. Generally, managers sort the sales of items by category (appetizers, entrées, etc.). The quantity of each item sold can be recorded by hand or by a point-of-sale (POS) system. Managers can also use sales volume information to compare the number of each menu item sold to the total number of items sold on the entire menu in the same time period. So, each menu item's sales can be expressed as a percentage of total sales. This is called the **sales volume percentage**.

PRICING THE MENU

Pricing the menu is a critical process for any operation. Price serves two main purposes—it provides information to guests, and it determines profitability.

The price of items on a menu indicates the market category in which the restaurant falls. This, in turn, sets guests' expectations as to the quality of the food, level of service, atmosphere to expect, etc. Guests, for example, will expect more by way of service, quality, and atmosphere for a \$50 steak than for a \$10 steak. With increased guest expectations comes the need to execute all levels of food preparation and service on a higher level as well. Management needs to make sure that pricing aligns with the goals of the operation and the skill level of the staff.

Price also determines profitability by ensuring that an operation is bringing in more money than it spends for the product or service. The price of a menu item must account for all of the costs involved in producing that item for the guest. This includes food costs, labor costs, and overhead costs. Then, management must add in the amount of money it wants, and can reasonably get, in profit. An item that is overpriced in a particular market will likely not sell enough to be profitable. In contrast, an item that is underpriced may sell well, but it will lose money because it costs the operation more than it is bringing in. Striking the right balance requires careful planning and consideration.

Classifying Menu Items

There are four key categories of menu classification—stars, plow horses, puzzles, and dogs. After grouping all the menu items into one of those four key categories, it is time to make decisions. When making decisions, refer to how close on the graph an item is to the next category (see [Figure 2.8](#)). For example, an item that falls into the puzzle category but has a popularity number very close to the star category should be handled differently than one that has a popularity number far below the star category. The following explains the four categories:

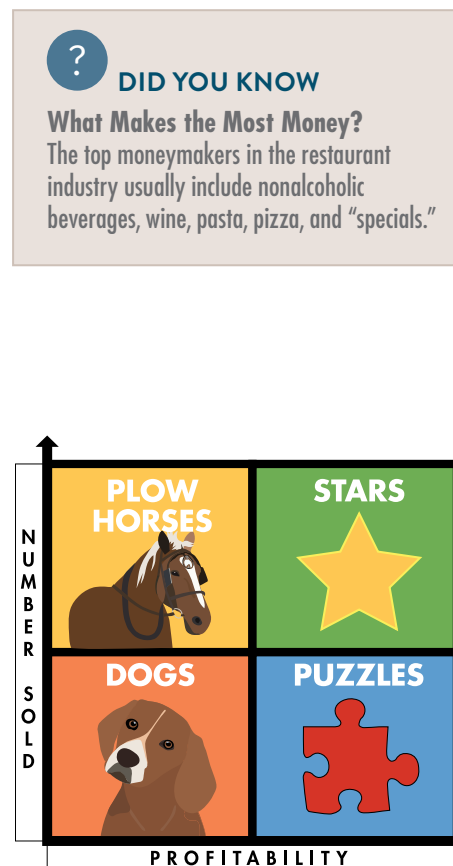


Figure 2.8: Menu classification graph.



VIDEO

Classifying Menu Items

For a video on classifying menu items, please go to:
Textbooks.Restaurant.org/Videos.

- **Stars:** These items are both popular and profitable. For the most part, stars should be left alone. Locate them in a highly visible position on the menu. Test them occasionally for price rigidity—that is, are guests willing to pay more for these items and still buy them in significant quantity? If so, these items may be able to carry a larger portion of any increase in cost of food and labor. They are the celebrities of the menu, the highest-priced stars, and they may be less price sensitive than any other items on the menu.
- **Plow horses:** These items are popular, but less profitable. These items are often an important reason for a restaurant's popularity. Because they are less profitable, one option may be to increase their price. However, this should be done very carefully. If a plow horse is highly price sensitive—that is, if guests see it as a good price-value and that is the reason they come to your restaurant—then try to pass on only the food-cost increases of the item to the menu price. If it is only marginally profitable (close to the dog on the graph), drop it from the menu and make a substitution for it.

When increasing the price, always test for a negative effect on sales. Make any price increase in stages (e.g., from \$4.55 to \$4.75, then \$4.95). If the item is an image maker or signature item, hold its current price as long as possible. On the other hand, if the listing is a non-signature item with a low contribution margin, move the plow horse to a lower-profile position on the menu. Attempt to shift demand to more profitable items through merchandising and menu positioning. Another solution might be to reduce the item's standard portion without making the difference noticeable. Also, try adding value to the item through menu packaging. In other words, merchandise the plow horse by packaging it with side items to increase its contribution margin.

- **Puzzles:** These items are unpopular, but very profitable. As a result, the number of puzzles on a menu should be limited. One of the best solutions to helping out a puzzle is to decrease its price. While this may appear counterproductive to making a profit, consider that the guest may not perceive it as a fair value. If an item is not selling, no profit is being made anyway. Another option is to leave its price alone and reposition it on the menu, perhaps featuring it in a more popular location. Additionally, try to advertise it by using table tents, chalkboards, or suggestive selling. Or, you can rename it. A puzzle's popularity can be affected by what it is called, especially if it is unfamiliar to guests. Remember that even if a puzzle is not selling well, it can make a lot of money, relatively speaking. If sales can be substantially increased without decreasing the price, the item could easily become a star.

- **Dogs:** These items are unpopular and unprofitable. Eliminate all dog items if possible. Replace them with more popular items. Take advantage of hot, trendy, or cutting-edge listings. Restaurant and foodservice operations are sometimes intimidated by influential guests who want managers to continue carrying a dog item on the menu. The way to solve this problem is to carry the item in inventory (assuming it has a shelf life), but not on the menu. Offer the special guest the opportunity to have the item made to order on request. You can charge extra for this service. This would raise the dog's price to puzzle status.

Some items in the dog category may have market potential. These tend to be the more popular dogs, and may be converted to puzzles by increasing prices. Another detail to consider is that the menu may have too many items. It is not unusual to discover a number of highly unpopular menu listings that have little, if any, relation to other more popular and profitable items held in inventory. Do not be afraid to eliminate dogs, especially when demand is not satisfactory.

Pricing Menu Items

There are many methods of pricing menu items. Here, two main methods are compared: the food cost percentage method and the contribution margin method:

- **Food cost percentage method:** Set the percentage of the menu price that the food cost must be, and then calculate the price that will provide this percentage using the following formula:

$$\text{Item food cost} \div \text{Food cost percentage} = \text{Menu price}$$

Because food cost percentage is dependent on the costs of the food and its preparation within the restaurant or foodservice operation, an accurate food cost percentage will be different for each menu category: appetizers, salads, entrées, signature dishes, specials, desserts, beverages, etc.

- **Contribution margin method:** This is a pricing method that works for à la carte menu items as well as menu items that comprise a meal (soup, salad, entrée, etc.). This method uses operation-wide data to determine a dollar amount that must be added to each major menu item's food cost. The managers of a restaurant or foodservice operation can use the same contribution margin for all menu items, or they can calculate separate contribution margins for different menu categories. There are two steps to the formula:

$$(\text{Total nonfood cost} + \text{Target profit}) \div \text{Number of guests} = \text{Contribution margin}$$

$$\text{Contribution margin} + \text{Food cost} = \text{Menu price}$$



INDUSTRY

Nutrition: Calories on Menus

The U.S. Food and Drug Administration (FDA) requires a restaurant or other foodservice operation that is part of a chain with 20 or more locations to list accurate, clear, and consistent nutrition information, including the calorie content of the food on the menu. This information must be made available to guests in a direct and accessible manner to give them the opportunity to make informed and healthy choices.



VIDEO

Pricing Menu Items

For a video on the major methods for pricing menu items, please go to: Textbooks.Restaurant.org/Videos.

In addition to these methods, there are two other methods that an operation can use, but only for major menu items. These methods are the set dollar amount markup and the set percentage increase method:

- **Set dollar amount markup:** This method simply adds a fixed dollar amount to the food cost of an item. In order to utilize this method, you must know the food cost and the dollar amount of the markup. The equation works as follows:

$$\text{Food cost} + \text{Markup} = \text{Menu price}$$

The markup is calculated based on the following:

$$\frac{\text{Profit per menu item}}{\text{menu item}} + \frac{\text{Labor cost per menu item}}{\text{menu item}} + \frac{\text{Operating cost per menu item}}{\text{per menu item}} = \text{Markup}$$

- **Set percentage increase method:** This method builds on the set dollar amount markup method and takes it a step further. Basically, managers calculate the markup as described for the set dollar amount markup for one or several menu items. Then they determine what the percentage markup is in comparison to the items' food costs.

$$\text{Food cost} \times \text{Percentage} = \text{Markup}$$

$$\text{Markup} \div \text{Food cost} = \text{Percentage}$$

Using the markup and food costs from the set dollar amount markup method allows managers to calculate a percentage markup for all menu items.



VIDEO

Methods for Pricing Major Menu Items

For a video on the methods for pricing major menu items, please go to: Textbooks.Restaurant.org/Videos.



ESSENTIAL SKILLS PRICING THE EXTRAS

To determine accurate pricing and food costs, restaurant and foodservice operations must take into account not just the food the guests order, but the food that the guests do not order but receive anyway: the salt and pepper on the table, the bread and butter or olive oil provided, the amuse-bouche or pre-dessert, the ketchup, the jelly packets—the list is long. And all of those little things can add up quickly. The total cost of these items is often called the **Q factor** and is usually factored into the cost of each entrée on the menu. Here is how to calculate the Q factor:

- 1 List all the possible food that you may provide guests for “free.” In addition to the items already mentioned, include half-and-half, sugar cubes, sliced lemon, and so on.
- 2 Determine how much of each item would be used by a typical consumer (for instance, 1 ounce of butter or $\frac{1}{8}$ teaspoon of salt). An easy way to do this is to keep track of how much of each item is served over a period of time, and then divide by the number of entrées sold during this period. For instance, if you serve 800 entrées in a two-week period and you use 100 lemons during this time, placing a half-slice of lemon in each glass of water served, you would divide 100 lemons by 800 entrées to obtain 0.125 (or $\frac{1}{8}$) lemons served per entrée.
- 3 Calculate the cost of each item based on the average portion used. If each lemon costs \$0.10, then the cost of each serving of lemon is \$0.0125.
- 4 Once you determine the cost of each serving of each item, add them all together. This total is your Q factor.
- 5 When costing your entrées, add the Q factor as an ingredient in each.

Using the Q factor is the most efficient and accurate way to determine your costs and prices. Otherwise, you will be basing your prices on incorrect costs and are likely to lose profits.

KNOWLEDGE CHECK

- 1 When creating a menu, what elements of planning and design should be considered?
- 2 What is menu engineering?
- 3 What are the four menu item categories derived from menu engineering?

SUMMARY

In this chapter, you learned the following:

- The menu serves two purposes: planning and communication. For the planning function, the menu gives an operation an end goal to work toward. Using the menu as a planning tool helps a manager stay focused on all the behind-the-scenes work and how to best accomplish an operation's goals.
- As a marketing tool, the menu informs the market about what the operation offers, sells products, and creates identity.
- There are many types of menu, including à la carte, du jour, cyclical, limited, limited time offer (LTO), fixed, California, prix fixe, and table d'hôte.
- Most menus organize food items according to the order in which they are eaten: appetizers, soups, salads, sandwiches, entrées, vegetables, desserts, and beverages.
- The two steps in menu creation are planning and design. Planning includes consideration of the physical layout of the facility, skill of personnel, availability of ingredients, target market's wants and needs, target market's expectations, and profit margin. When designing a menu, consider the layout, color, font, and art.
- It is critical to the success of an operation that management have the knowledge and means to analyze how well items on its menu are performing. Menu engineering is the most popular method, as it systematically breaks down a menu's components to analyze which items are making money and which items are not.
- Pricing on the menu provides information to guests and determines profitability.
- The classifications that come from menu engineering are star, plow horse, puzzle, and dog.
- The food cost percentage method, contribution margin method, straight markup method, average check method, set dollar amount method, and set percentage increase method are all ways to price menu items.

 Taqueria			
À La Carte Menu			
TACOS (1)		SIDES	
Chicken or beef	\$2.50	Refried beans	\$1.00
		Rice	\$1.00
BURRITOS (1)		Chips and salsa	\$1.50
Vegetarian (bean & cheese)	\$4.00	Chips and guacamole	\$2.00
Beef	\$4.25		
Carnitas (pork)	\$4.25	DRINKS	
Chicken	\$4.25	Horchata	\$1.75
		Fountain drinks	\$1.50



CASE STUDY FOLLOW-UP

Refer back to the unit-opening case study, and answer these questions.

Question 1: In their new restaurant, Carl and Leo want to start with a limited menu but want to be profitable. How can menu analysis help maximize their chances for a profitable limited menu?

Question 2: How can Carl and Leo's menu serve as a marketing tool? Give examples.

CHAPTER ACTIVITIES

Language Arts: Lots of Menus

Imagine that you could open any type of restaurant in the world. Identify three different types of menus you would use at your restaurant. Write a one-page typed paper describing the three types of menus you would select, and identify how you would use them in your operation. Be prepared to share your paper with the class.

Science: Making Money

There are many types of commercial cooking equipment available. If you could plan the kitchen layout of your dream restaurant, what type of equipment would you include? Would you include a convection oven or conventional oven? Would you use gas-powered burners, or electric induction cooktops? Write a one-page paper answering the previous questions. Explain how your decision will impact menu planning and profitability in the restaurant.

Math: Can You Make a Profit?

Create a 10-item menu of your own. Research food costs for your ingredients at your local grocer or online. Using the food cost percentage method, figure out your menu item prices. Be prepared to present to the class and show your estimated food cost research and the math you did to come up with your menu prices.

Food cost percentage method: $\text{Item food cost} \div \text{Food cost percentage} = \text{Menu price}$

Collaboration: Targeting Teens

Working with two or three other students and using poster board, create and design a menu that appeals to the teenage target market. Make sure to include at least eight menu items.

Career Readiness: How Do You Do It All?

Phone the manager of your favorite white-tablecloth restaurant and ask if you could schedule some time to interview him/her over the phone. Tell the person you are a student who would like to ask some questions about menu planning and food costing. What type of menu is used? Are seasonal ingredients offered? What methods are used to price menu items? How are nonalcoholic beverages marked up? Who is the target market? Develop a list of 10 questions relating to how the management plans menus. Organize your thoughts and answers into a one- or two-page typed paper that you can share with the class.

Critical Thinking: Making a Case

Bobo's Bistro recently changed its menu and pricing. Sales seem to be decreasing rather quickly. Along with this, a lot of food is being thrown out because it is going bad before it is used. Guests are not ordering the favorites as much as they used to. As the manager, what do you need to do? What do you need to look at? Do you consider one factor or multiple factors? How should this be solved? Write out a proposal explaining what needs to be done and what you plan to do to fix it.

EXAM PREP QUESTIONS

- 1 A menu that prices all items separately is called
 - A limited.
 - B prix fixe.
 - C á la carte.
 - D California.
- 2 Which menu item classification has a low menu mix percentage and a low contribution margin?
 - A Dog
 - B Star
 - C Puzzle
 - D Plow horse
- 3 What type of menu lists the menu items that are available on a particular day?
 - A Fixed
 - B Du jour
 - C Limited
 - D Prix fixe
- 4 The menu price minus the food cost equals the
 - A menu mix.
 - B standard food cost.
 - C food cost percentage.
 - D contribution margin.
- 5 One of the most important marketing tools a restaurant has is
 - A the prep cooks.
 - B the assistant manager.
 - C the menu.
 - D coupons.
- 6 One of the most common ways a restaurant organizes the food on its menu is
 - A alphabetically.
 - B highest-priced items first.
 - C lowest-priced items first.
 - D in the order in which the food is eaten.
- 7 When designing a menu, the term “medium” is best explained as what?
 - A The physical way the menu is presented
 - B The font styles used in printing
 - C Where the photos are placed
 - D Colors used in printing
- 8 This is an analysis of the popularity and the profitability of a group of menu items.
 - A Sales volume
 - B Menu engineering
 - C Contribution margin
 - D Sales mix analysis
- 9 The amount of money remaining for an operation after expenses, or costs, are paid is
 - A profitability.
 - B market analysis.
 - C sales.
 - D straight markup.
- 10 The menu similar to a prix fixe menu that bundles various elements into one package is called
 - A fixed.
 - B adjusted.
 - C California.
 - D table d’hôte.