**Menu Engineering: The Architect of Profitability**

The profit margin is a basic concept that all restaurant managers understand. Each menu item costs x to produce, and you charge more than x in order to make a profit. Some managers may hope that their customers order the menu items with higher profit margins, but what separates the rock star managers from the mediocre managers is menu engineering. Profitability of menu items is not a guessing game. It is a proven science that can be the difference between a thriving restaurant and one that just gets by.

Menu engineering entails studying the profitability and popularity of each menu item, and then taking those findings into consideration when designing the menu and determining placement. Restaurant establishments of any size or type should participate in menu engineering. It requires a lot of time and effort, and managers should be very in tune with their patrons, but the results are well worth it. Most restaurants can increase their profits 10-15%

The process has four key parts:

* Cost out each menu item.
* Analyze your sales and categorize your menu items based on popularity and profit margin.
* Design your menu layout.
* Test the new menu design compared to the current menu. Then repeat process or adjust the menu design accordingly until the desired results have been achieved.

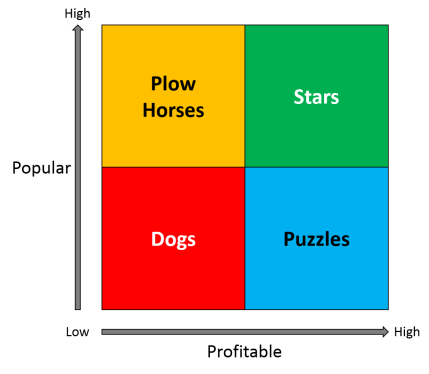
**Cost Out Each Menu Item**

Start your process by costing out each menu item. This is the most time consuming step, but is critical to the process. Each item you serve should be priced out to the penny. The entire process of menu engineering is based on menu items’ profitability, so it’s essential you know their cost. Cost out each ingredient and each portion (not including labor).

This task may sound daunting, but it sets you up for success as you continue the process. It is preferable for the manager to complete this portion of the process him or herself. Whoever completes this step will by default be much more familiar with all the figures as they complete the rest of the process. The key to menu engineering is consistency and accuracy, so it is best if one person spearheads this project.

**Categorize The Menu**

Once the cost of each menu item has been determined, divide your items into the categories and sections to which they belong. You probably already have this part done! Categories include things like “Appetizers,” “Entrees,” “Desserts,” etc. No menu items should belong to more than one category. Sections are within the categories, such as “Pasta Entrees,” “Sandwiches,” etc. Similar to the categories, no menu item should belong to more than one section. Putting each menu item into a software tool with this information can be helpful as you complete the process.

Next, each menu item should be evaluated based on its popularity and profitability. Use the cost you determined in the previous step to determine profitability, and evaluate the popularity based on your past sales. (Don’t guess—use real numbers!) Sort each menu item into one of the following categories:

* Stars: high profitability and high popularity
* Plow Horses: low profitability and high popularity
* Puzzles: high profitability and low popularity
* Dogs: low profitability and low popularity

Once you have the data, it’s time to use it!

Stars are doing great. They are popular, and they are contributing heavily to your revenue! You’ll want to highlight these items on your menu.

The Plow Horses aren’t your biggest moneymakers, but your customers clearly like them. You will want to keep these items, but try to think of ways to make them more profitable. An example of doing this would be to combine it with another item as a way to mark up the price.

Your Puzzles require a little more thought. Each item in the puzzle category should be investigated a little more thoroughly before making a decision. Determine if your servers are promoting these items, and try to get customer feedback. Do they like the taste, but think the prices are a little high? Do they like certain aspects but find the presentation unappealing? Lowering prices may turn this dish into a Plow Horse, if not a Star; reinventing the dish could turn this into a Star! No item should remain in the puzzle category for long.

Items in the Dog category should be removed from your menu. It’s simply too much time and effort to turn these items into stars, and your menu real estate can definitely be better utilized.

**Design Menu Layout**

Next is the menu design. Redesigning your menu can feel overwhelming, but with a few principles, it becomes much simpler. Don’t forget much of the legwork has been completed in the previous steps. Adapt all the principles to your own establishment. You know your customer base, and many of these tips depend on how long your customers spend looking at the menu and other factors.

You want to highlight your Star items. This can be achieved in several ways. Items can be highlighted in boxes on the menu. Photos can be included next to menu items you want to highlight. For a more elegant menu concept, asterisks can be placed next to your Star items. Other icons can indicate “Chef’s Pick” or “[Establishment Name] Favorite!”

At the same time, you don’t want to highlight so many items that your menu becomes crowded or overwhelming. When it doubt, keep it simple. Try to keep it to one highlighted item per section of the menu.

Once you know what you are highlighting, make the most out of the placement of your other menu items. Within each section, the middle items get the least amount of attention. Your first few and last items draw are looked at more by your customers.

Descriptions should be more than a list of ingredients. Use brand names when your ingredients are a well-known and respected brand. List any high quality or well-respected applicable terms. If anything is organic, locally sourced, or otherwise of special interest, include that in the description. Don’t waste a lot of real estate on your more economical options—save the longer descriptions for your high-end items. Lastly, it is beneficial to include the price at the end of the description, rather than lining up the prices on the right side of the column. When they are listed, customers can skim for the cheaper options. Managers would rather they become entranced by the description before seeing the cost!

The last part of this step isn’t in the physical menu at all. Educate your staff on this process, and communicate the priorities when recommending items to the customers. They should know several Star products to quickly and passionately recommend to inquiring patrons.

**Test the New Menu**

With all this time and effort put into this project, now comes the time to test the new menu! Replace the old menus with the new ones analyze the sales mix for several weeks, comparing the sales with the same time period with the old menu. Analyze the sales mix, and also listen to customer feedback. Continue to communicate with servers to see if they are getting the same questions repeatedly, or if customer comments have a recurring theme.

Menu engineering is never done. Good managers consistently go through this process to ensure their establishments are earning the highest profits possible. Your customers evolve, your kitchen evolves, and so will your menu. As tedious as it can be, it will be worth it. Not only will your profitability increase, but your menu and kitchen will simplify as you cut items that were doing you disservice. The more you complete the process, the more streamlined it becomes until you are always in tune with your sales mix and profit margins. This process benefits customers, too. As you highlight your Stars, they are likely to order something they are going to love, and your improved descriptions help them know exactly what they are going to get. Happy managers *and* happy customers just make for good business.