

Menu Engineering

Don't be afraid of the term menu engineering – it simply refers to a process that is part art, part science, which allows you to identify and highlight the dishes that make the most money for your business.

By following the steps on this menu engineering path you will have all the tools you need to create a menu that is appealing to your diners and to your accountant.

Step 1: Food cost

You probably already know the food cost of each pizza on your menu. If you don't, get costing right away! Make sure you include the cost of every ingredient (with delivery charges etc) from the main protein down to spices, cooking oil and garnishes. You can then calculate the food cost as a percentage of the menu price.

Step 2: Contribution margin

Knowing your pizza food cost percentage is critical, but remember, you can't deposit a percentage into your bank account! Focus on the actual profit that your pizzas contribute to the business. For instance, consider a premium \$25 gourmet pizza that costs you \$10 to make. Even though the food cost percentage is 40%, the \$15 profit you make from each sale significantly boosts your bottom line. This is higher compared to a \$12 Margherita pizza which costs \$3 to make. Despite the food cost percentage being just 25%, the real profit per pizza here is only \$9. Thus, selling more of the gourmet pizzas, despite the higher food cost percentage, can help increase your overall profitability.

Step 3: Popularity

Next you need to know which are your most popular menu items. The sales report generated by your point of sale system will show the number of times a dish was sold in a certain period.

Step 4: Graph it

Now it's time for the fun part! Create a simple graph to plot each dish, using contribution margin on the Y-axis, and the amount sold on the X-axis. You can then categorise dishes as either stars, puzzles, dogs or plough horses.

Stars: high contribution margin, high popularity – your star performers!

Puzzles: high contribution, low popularity – is there a reason your diners aren't ordering this one?

Plough horses: low contribution, high popularity – can you tweak this dish to make it more profitable?

Dogs: low contribution, low popularity – either axe these ones, or change to make them more profitable and more appealing.

Guests looking at your menu are hungry and ready to buy. It makes sense to ensure the dishes they order are not only appealing to them, but also delivering the maximum dollars to your bottom line. By following these steps and reviewing your menu regularly, you'll be on the right path to a profitable business.

