

LAVU

Point of Sale

How to Create a Successful Restaurant Menu

No matter how someone describes it, menu engineering, menu psychology, or menu pricing, creating a successful menu can mean the difference between lasting years in the business and not surviving past the first year. Your restaurant's menu should inform customers about what you are selling, how much it costs, and - most importantly - why they should buy it. Follow this guide to learn how to create a successful menu for your restaurant.



Menu Mastery

In a restaurant menu, each category impacts the others, and when done right, allows you to influence a customer's decision. The importance of this potential influence should not be understated. When creating your restaurant's menu, make sure to pay special attention to each component, including pricing, design and descriptions.

How To Create A Better Menu

Your menu should be more than a list of what food and drinks you offer. Consider your menu the most powerful selling tool you have. It should help describe who you are, what you do best, and subtly affirm the customer's decision to dine at your establishment.

Pricing

Allot the proper time to calculate your menu prices. If your prices are too low, you won't make enough money to cover costs. If your prices are too high, customers will choose to go elsewhere. The key to correctly pricing your menu is to understand your costs, competitors, and customers.



Calculating Costs

The first step in creating menu prices is finding how much money you spend to make and serve your food. This includes the cost of the food itself, and operating costs such as rent and labor.

Food Cost

To determine what your price should be, you have to know exactly what your food cost is. Most dishes on your menu will include many ingredients. To calculate an accurate food cost you must first measure the quantity of each ingredient used in every dish you serve. Certain ingredients will be obvious, such as an 8 oz portion of steak or a half-pound burger. However, to determine a truly accurate food cost you must include everything that goes onto the plate. For instance, be sure to include garnishes such as lemon wedges and parsley sprigs when determining the dish's quantity.

Once you've determined ingredient quantities, use an invoice from your food distributor to find the cost of each ingredient. To calculate the cost-per-serving of each ingredient, divide the total cost for each ingredient by the portion-per-serving you calculated above. Follow this calculation for each ingredient in the dish and you will arrive at the total food cost per dish. Be sure to follow this calculation for all dishes on your menu.

Formula: $\text{invoice cost of bulk food} \div \text{portion-per-serving} = \text{cost-per-serving}$

Example: $5 \text{ lbs of potatoes for } \$9.99 \div \frac{1}{4} \text{ lbs of potatoes per serving} = \$2.50/\text{serving}$

Although time consuming, this process is vital to the success of your restaurant. As food prices frequently change, you should constantly be evaluating your costs per dish. Software can be purchased to help you create and manage a pricing sheet that's easily updated. However, you can create a pricing sheet that is just as functional (and far more affordable) using Excel.

Operating Cost

The list below encompasses the recurring expense involved with running your business. These costs should be totaled for each month and will inform how much revenue your location must generate to cover your costs. In the process of determining dish prices, operating costs should guide your pricing decisions, and should be taken into consideration when calculating menu item profit margins.



Rent & Utilities

One of your largest expenses will be your monthly rent or mortgage payment. Make sure to include utilities such as gas and electric, as well as taxes and insurance, into your operating cost total.

Equipment & Supplies

Essential restaurant equipment like refrigerators and dishwashers have maintenance schedules that should be included in your cost calculations. Consumables such as napkins, mints, and printer paper are easily overlooked, but crucial to an accurate operating cost.

Labor Costs

Calculating your labor cost can be difficult as the number of employees working at one time fluctuates greatly. Restaurants in seasonal vacation destinations will have widely varying monthly labor costs. Use your payroll data to average out weekly or monthly labor costs.

Merchant Processor

In order to accept credit card payments you have to sign up with a merchant processor who will receive a percentage of each credit card purchase. Percentages are often negotiable and fall in the range of 1.5% to 3.0%. Keep your processor charges in mind when calculating how much revenue is needed to cover costs.

It's Now Time To Price Your Dishes

We know that considering all your costs can be a grueling process. However, this process will reward you with an accurate description of what every dish costs, and how to obtain a desirable profit margin.

Food Cost Percentage

Once you've calculated your food cost per dish, work backwards to find a ballpark price to charge. Although food cost percentages will vary dish to dish, an average in the 30% range is considered a good food cost percentage to shoot for.

Formula to Use:

food cost ÷ ideal food cost percentage = price

Example:

If a plate of spaghetti cost you \$3.05 to make and you want your food cost percentage to be 32, you need to charge \$9.53.

Competitor's Prices

Odds are you'll have competition in your market. In order to appropriately price your items, you have to know what your competitors are charging. This may include raising certain item's food cost percentages above your ideal range in order to compete.

Supply & Demand

The age-old law of supply and demand has a major impact on your prices. Although the market greatly influences prices, your location may justify higher prices if what you offer has above-market value. For example, customers might pay \$2 or \$3 dollars over market-price for a hamburger if it's served in a unique way, such as a themed restaurant à la Planet Hollywood. Make sure your prices are in line with the market if you don't offer high-value dishes or experience.

Make Sure the Price is Right

Once you have set your prices, you can calculate how much revenue is required to cover food and operating costs. Regularly audit your food costs as they're constantly fluctuating, which will affect profit margins.



Menu Design

When designing your menu, it is important to remember that your customers came to eat, not solve a puzzle. Because of this, make sure that your menu is clear and concise. A general rule of thumb is the more simple the menu the better.

Menu Size

The size of your menu dictates the way a customer views your menu, so your strategy of where on the page to place menu items will depend on the size. A two-page menu is widely regarded as the most efficient menu size. The simplicity of single-page menus encourages snacking which can lead to fewer entrées being ordered. Novel length menus have so much activity that it's hard to influence a customer's decision. It's important to keep this in mind when deciding the number of items to put on your menu.

Placement

Research has proven that there are certain places on a menu where a customer looks first, and also places that are routinely viewed last. The results of studies that track the eye movements of restaurant customers while reading a menu are used by restaurant owners to influence a customer's decision. The average restaurant customer looks at the top of a menu first, the bottom second, and the middle last. Place high margin items near the top of a page, and items you'd rather customers not order on the lower portion.

Shading, coloring, and bolding can be used on high-margin menu items to draw a customer's gaze and increase the odds of a certain dish being ordered. A common habit of customers is to avoid ordering the most and least expensive items on a menu. Use this knowledge to offset a profitable dish with one more expensive, and one less expensive item.

Layout

A well-categorized menu will quickly guide a customer to their selection. After splitting items into categories such as appetizers and entrees, try splitting them again into even more detailed sections such as fish entrees and beef entrees. It is important to be sure there is no overlap as this can be confusing for customers.

Menu Design con't

D&D (dollars and decimals)

A major component of menu strategy is lowering the customer's pain of payment, namely when they see the price. Here are some common do's and don'ts.

Don'ts

Avoid leading customers to the price with a line, or listing your items numerically. Both call attention to the prices and often lead to customers selecting lower priced items.

Do's

Removing dollar signs can decrease a customer's association of price with money. Feel free to leave off the decimal places as well, but only if you have rounded the prices to a whole dollar. Placing prices after item descriptions is a good way to hide a price. Including a throwaway menu item, one that is considerably more expensive and rarely ordered, helps the other dishes appear reasonable. When including cents in a price use .95 instead of whole numbers or .99.

Dish Description

A well crafted menu description can increase a guest's satisfaction with their meal, and your restaurant as a whole. Below are tips on how to use menu descriptions to increase a customer's likelihood of ordering a dish.



Description Types

According to Dr. Brian Wansink there are four types of menu descriptions. Your restaurant's identity will determine which, if any, description types will be used and how they are phrased.

Location

Try describing the dish based on the origin of the ingredients.

Example: Wisconsin Cheddar Cheese vs. Cheddar Cheese

Sentimentality

Use names to evoke a fond memory or to increase perceived value.

Example: Grandma's Original Meatloaf Recipe vs. Meatloaf

Sensory

Use adjectives to describe the item to increase its appeal.

Example: Plump gnocchi served over a rich and velvety cream sauce vs. gnocchi served over a cream sauce

Brand Name

Using a well known product's brand name to increase the appeal of your dish.

Example: Dr. Pepper BBQ Sauce vs. BBQ sauce

Don't Confuse Your Customers (most of the time)

Popular and profitable dishes should have the most emphasis and a great description. Simpler, plainer descriptions, or even no description at all, can be used to on throwaway or unprofitable items to divert attention back to your most profitable items.

You've probably seen a menu with just "American Cheeseburger" listed without a description, probably located in the middle of the page on the menu. By placing the items in a rarely viewed part of the menu with no description, the restaurant is clearly trying to get you to order something else.