The Menu Engineering Pivot

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Prior to the pandemic, it was well known that being in the restaurant industry was one of the most difficult businesses to be in. There is so much to consider and manage on an constant basis. After the pandemic, however, it can be stated that the restaurant business is definitely the most difficult to be in. Cost increases are affecting every aspect of the business: ingredients, labor, and overhead. To add to the cost issues, supply chain issues are something that we will all experience that won't end anytime soon. Knowing this, the owner and operator need to rethink how the menu engineering process and the business needs to pivot to account for all the constant change they experience.

Menu Engineering Timeline. Traditionally, most operators review and plan menu changes on a quarterly basis to incorporate seasonal menu items and to review overall performance and profitability of the menu items currently in print. Post pandemic, those days are gone. Instead of a well planned and scheduled quarterly menu change process, it has now a incredibly reduced timeframe. Commodity cost changes can happen in some cases multiple times in the same week. The menu engineering process needs to be reviewed constantly on a weekly basis. The business model we once knew now needs to react and respond much quicker. If your business or operation is not able to react weekly to possible menu changes, you will find yourself potentially becoming a statistic no one wants to hear: a business failure.

Menu Rationalization. The strategy of menu rationalization is to reduce the size of the menu to give the business increased efficiency. In today's environment, we all need to do this. The number of menu items that you offer translates directly to your inventory level, production practices, quality, consistency, and labor costs. It is so critical to ensure that the menu is executable on a consistent basis. Restaurant with large menu offerings tend to have higher inventory levels, more waste, and inefficiencies tied to labor costs as a result. One method to

implement is to simply count the number of menu items that are in print. A menu that has 25 menu items is in a much better position than one that has 80 menu items. A smaller offering in this case, is better.

Commodity Cost Increases. Whether you are utilize a spreadsheet or if you have software, it is imperative that you understand how food commodity cost increase affect your profitability. Sometimes within the same week, food commodity costs increase. When those cost increases happen, do you know what the immediate impact is to your profitability? As an operator, we need to understand this nearly real time. If you are using a spreadsheet, you need to enter the new purchase price/cost and immediately be able to see what the impact to menu items is. If you cannot see the impact for each menu item, then you need to review how the spreadsheet is structured. In many cases with software, the processing of invoices is automated and costs are updated quickly to allow you to review what the impact is. Method to react to those changes are now more than important that ever.

Labor and Overhead Cost Impact. Although as an industry, direct labor is not part of our practice, post pandemic, it should be. We should understand the impact not only of the commodities, but also how labor and overhead costs increases are affecting our menu items. By doing this, we not only know our ingredient costs, but our prime and total costs. When we conduct a make versus buy analysis, it is the only way to truly make the proper decision. In order to do this, prep times (labor standards) need to be loaded on all of the recipes. Most companies do not look at labor and overhead costs as part of the recipe, but should. It is a huge missed opportunity to be more methodical on managing not only our ingredient costs, but all costs.

Menu Engineering Decisions. Many upper management personnel sometime immediately think that the best method to combat commodity cost increases is to immediately raise price. Today, we need to be careful about taking price. There is a value perception that we want to secure as well and there are limitations on what consumers will be willing to pay for certain items. Implementing a menu engineering process that also looks at alternative ingredients, portion sizes, and make versus buy decisions should also be implemented. A combination of price increases and reengineering the menu items is probably the best approach.

Economic Pressures. With the consistent inflation occurring, increased fuel costs, and a possible recession, all restaurant owners and operators need to be more methodical about their menu than ever before. The menu is what you are all about. It drives revenue, reputation, and profits. Why would you not want to ensure that all three of those are part of your future? The changes in this article lays out could be the keys to ensuring that you survive should economic events worsen. If you are not looking at revenue, cost, and profitability to assist in making decisions, you could be negatively affecting your company's future. Placing processes and systems in place to allow you to methodically respond in a quick way will now be required. Ensure that your company is in a position to do so. It may be the difference in growing, surviving, or failing.

Mark Kelnhofer is the President and CEO to **Return On Ingredients LLC** and **Restaurant Institute LLC**. He has been in the industry for over 20 years specializing in recipe documentation, recipe costing, menu engineering, performance benchmarking, and cost control systems. Mark is also a Lecture for **The Ohio State University**'s Hospitality Management program as well as an Adjunct Lecturer for **Georgetown University**'s Global Hospitality Leadership (GHL) program. He is an international speaker on those topics as well as an author of several books and many articles related to the topics. Mark can be reached at mark@returnoningredients.com or 614-558-2239.