MENU ANALYSES YIELD OPPORTUNITIES

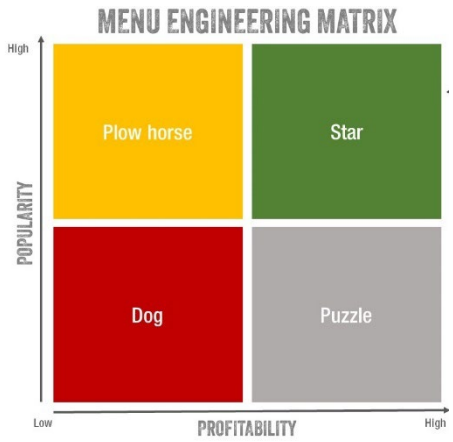
Which menu items are the biggest profit makers? If the answer doesn't come immediately to mind, restaurant operators may be missing an opportunity to maximize margins in these cost-conscious times.

Of course, most operators can readily name their best sellers. But surprisingly few go beyond that topline examination and look at the selections' contribution to profits. How much do each item's ingredients cost? And how about the time and skill required to prepare each? In an environment of relatively stable food costs, labor could be the bigger expense. Yet to manage that soaring cost, it has to be measured first. A breakdown of how much money goes into a dish can help an astute manager decide when the higher cost of a value-added product might still make it more of a profit contributor because of the labor that's saved.

Consider how much labor goes into making soups from scratch, for instance. Every component has to be sourced, prepped and cooked, meaning labor, labor and more labor. Yet today's frozen soups can often match the quality of something made from scratch, while offering huge savings in kitchen time and manpower.

Conducting a thorough menu analysis can yield potential sales gains of 27%, according to research from Toast. Determining which items generate the most profit yields insights that can help you tweak recipes, pricing and overall menu composition.

According to Toast, the three most important metrics to consider when measuring profitability are menu item food cost, food cost percentage and gross profit.



To calculate the food cost for each item, list every ingredient used and the amount each costs. Include seasonings, dressings, garnishes, etc. Then, add delivery fees, interest and other expenses that are associated with those ingredients. That total is the menu item's food cost.

The next step, according to Toast, is to divide that menu item food cost by the menu price to yield the food-cost percentage. To calculate the profit contribution from each item, simply subtract the total food cost from the menu price.

Once operators have this data, Toast suggests plotting the items on a graph based on the item's popularity combined with its profitability. Highly popular items that are high in profitability are winners, while items that are low in both profitability and popularity might be considered for removal.

Other items should be evaluated for potential price or recipe adjustments. Profitable items that don't sell well could perhaps be priced lower, for example, while popular items with low profitability should be considered for a recipe revamp.

Labor costs are another significant consideration. One way to get a better grasp of labor costs is by grouping labor costs by position or area of the restaurant—kitchen staff, front of house and management, for example—to see where there might be opportunities to reduce labor hours. Kitchen staff hours can be reduced, for example, through the use of value-added ingredients such as frozen soups.

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