Instructor's Manual to Accompany

SUCCESSFUL RESTAURANT MANAGEMENT

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Contents

Chapter 1

Menu Design and Engineering

Chapter Overview

A restaurant's menu is the most critical link in defining its concept. The menu directs kitchen design and steers the concept. The menu design directly impacts revenue and profitability. The menu cannot be a haphazard collection of offerings, but rather a well-planned blueprint for the business. Understanding how the menu impacts all other aspects of the restaurant is vital in developing a successful restaurant.

Restaurant Development Assignment

Students should begin to develop menus for their restaurants. The menus should take into consideration the restaurant concept, price points, item placement, font size, paper color and size, as well as target market and all other details discussed in the chapter. The menus students develop through this initial exercise should not be considered final, but rather ***works in progress***.

Answers to Chapter Review Questions

1. **What is a target market?**
   A target market is the customer segment the restaurant is attempting to reach and entice to frequent the establishment.
2. **What is meant by price/value perception?**
   Price or value perception is reached when customers believe they are receiving value for the price they are paying no matter what that price is.
3. **List the five factors influencing menu pricing structure.**
   a. concept
   b. target market
   c. labor intensity of produce production
   d. volatility of raw materials cost
   e. competition
4. **List the three pricing methods presented in this chapter and briefly explain each.**
   a. Mark up pricing—This method divides the raw food cost by the food cost objective to produce the menu price.

b. Base price method—This method assigns a desired sales price to the menu and then backs into the base cost of the product to keep the food cost as low as possible.
c. Competition pricing—This method assigns a price in accordance to what the competition is charging for a similar product.

Definition of Key Terms in Chapter Review

menu engineering—The layout and organization of a menu designed to influence customer purchasing decisions and maximize profitability.

customer feedback—Constructive criticism, support, or general opinions from restaurant patrons. Customer feedback is either offered freely or solicited by management to help develop the menu offerings or pricing structure.

price/value perception—The perception by the customer that they are receiving value for the price they are paying.

target market—The specific segment of the population making similar purchasing decisions (grouped by age, income, gender, geographic location, or any other defining criteria) to which a business is designed to appeal.

mark up pricing—A basic method of menu item pricing that divides the raw food cost by the food cost objective.

menu price—A calculation that divides the raw food cost by the desired food cost percentage. (Raw food cost = $4.50. Desired food cost percentage = 30%. Menu Price = $4.50/30% or $15.00.)

concept—The theme that defines how the market views the restaurant (steakhouse, seafood, Italian). The concept will define the direction of the menu as well as influence the décor package and menu price points.

truth in menu—The concept that no menu item should be portrayed inaccurately, intentionally misleading the buying public (e.g., an item should not be labeled “homemade” if that item was purchased pre-made).

food cost objective—The desired food cost for the restaurant. This number is a management tool to control food cost and should not hold more importance than profit contribution.

branding—Building a name and image for a product or service that becomes clearly identifiable in the marketplace.

volatility of cost—The price fluctuations inherent with certain products, occurring outside the control of producers. For example, seafood may have a high volatility of cost due to fishing restrictions or inclement weather. Restaurant owners should take this variability into account prior to setting menu prices.

boxing—A way of highlighting an offering by placing it in a box on the menu. These items are frequently a high profitability item or a signature dish of the restaurant. Boxing is used sparingly to draw the eye of the reader to that part of the menu.

base price method—A method of assigning a price to a menu item. Once the price is assigned, the menu developer backs into an acceptable food cost objective. The set price may be competition or market driven.

competition pricing—Setting a price similar to other restaurants in the market.

signature items—Specialty or unique menu offerings designed to build a restaurant's reputation.

profit contribution—The difference, expressed in dollars, between sale price and cost, contributing directly to gross profit.

Quiz Questions

1. **Why is menu development so important to the rest of the planning process?**
   Everything in the restaurant stems from the menu. The menu is the common link between the concept, décor, furniture, and equipment. The design and kitchen equipment needs are directly tied to the menu, as the kitchen allows the food items to be prepared and executed according to the menu. The kitchen design will either allow the menu to evolve or limit future menu growth.

2. **If customers comment that the menu does not have enough variety, what can you do to the menu to improve the perceived perception of the variety?**
   You can develop categories to create the appearance of an expanded menu. Some items may have to be added, but this can be done by utilizing raw products already in house. An Italian restaurant is an excellent example. Many dishes use the same products, but may change the main ingredient, such as veal and chicken.

3. **Define profit contribution.**
   Profit contribution is the actual profit, expressed in dollars, that each item contributes to the restaurant's gross profit. A steak may have a 40 percent food cost but contribute $13 to the gross profit; a chicken dish may have a 30 percent food cost but contribute $11.50 to the gross profit.

4. **What is boxing? How does it help sell the menu?**
   Boxing is a method of graphically highlighting a menu item or a small category. This method makes the item or category stand out, and the customer will most likely be drawn to this area. It is used to help sell an item or category. Boxing should highlight a house specialty and sell

items that have a high profit contribution. Boxing should be used sparingly so that it does not lose its marketing effect.

5. **What is mark up pricing?**
   Mark up pricing is a method of menu pricing that accounts for the restaurant's desired food cost. If the food cost objective is 32 percent, the raw food cost is divided by 32 percent to arrive at the menu item price.

6. **Name five factors that must be taken into account when engineering and designing a menu.**
   - the physical size of the menu
   - the number of menu items
   - the color of the paper
   - the script and size of the font
   - the pricing
   - the language and descriptions
   - truth in menu

7. **What is menu engineering?**
   Menu engineering involves designing the menu in such a way that the stars are positioned in high visibility menu locations. This may help influence the customer's purchasing decisions.

8. **Even though it was only mentioned briefly in the chapter, what is the prime cost method?**
   Prime cost takes into account the raw food product cost and the product's labor intensity to determine the menu item price. Though it may not be utilized extensively, it is important to understand the labor cost when developing a menu.

9. **What is a prix fixe menu?**
   A prix fixe menu offers the customer a limited selection of appetizers, entrées, and desserts at a preset price. This may be offered when a large group of people may arrive at the same time and are under time constraints, such as people who are attending a theater show.

Recommended Assignment

Have each group collect four to five menus from different restaurants (some chains and some independent local restaurants). Ask the students to develop a presentation of the menus, pointing out the positive and negative aspects of the menus and ways that they would improve them.

CHAPTER **2**

Marketing: Research Analysis and Building a Customer Base

Chapter Overview

To be successful in business, an entrepreneur must provide a service or have a product to sell, be able to reach customers who are willing to exchange money for that product or service, and be able to control the cost of doing business so that revenue exceeds cost, thus producing a profit. This chapter gives an understanding how to define the desired market and how to reach that market.

Restaurant Development Assignment

Using the material presented in this chapter, students should conduct marketing studies for their restaurants and develop marketing plans based upon their findings. The students should conduct their marketing studies within a 5-mile radius of the school.

Answers to Chapter Review Questions

1. **What are the two purposes of market research?**
   - To develop an understanding of the target market (potential customer) and the market segments (a market segment is a smaller, more specific group within a specific target market)
   - To formulate a plan to attract the target market to the restaurant and then meet or exceed customer expectations so that the customer returns to make future purchases.

2. **What is meant by frequency of visits?**
   Frequency of visits refers to how often a customer visits the restaurant in a given time frame, which is a vital part of any marketing plan. Advertising in any form can only bring the customer through the door. Once the consumer tries your restaurant, it is the management's and staff's responsibility to deliver on or exceed the customers' expectations once they are in the building. This is known as "customer delight."

3. **How does market segmentation differ from target market?**
   Market segmentation is a specific group of individuals within a target market with even more specific needs. Market segmentation develops a deeper understanding of each group or market segment by studying buying patterns and dining patterns.

4. **Explain a strategic business unit.**
   A strategic business unit (SBU) is a revenue generator within the restaurant. This could include breakfast, lunch, dinner, banquets, off-premise catering, and retail. Each one of these areas generates business in a unique way. For example, lunch clientele may be from nearby office buildings and may be a different clientele than those the restaurant attracts for dinner or socializing after work. Restaurateurs must recognize the different clientele and approach marketing to these groups differently.

5. **List some of the forms of impersonal advertising.**
   - newspapers
   - radio and television
   - mass mailings
   - coupon books
   - Web advertising

Definition of Key Terms in Chapter Review

focus group—A small group of people representing a cross-section of the population brought together to provide feedback on a specific subject.

market research—The process of learning what drives a particular market.

strategic business unit (SBU)—A revenue generator within the restaurant.

geographic market area—The acceptable distance to a restaurant that people would travel to dine at that restaurant.

word-of-mouth advertising—The expectation that customers, having dined at a restaurant, will share their experiences with other potential customers. This is the most effective form of advertising since no cost is involved.

standard operating procedure—Acceptable staff actions and behavior in the completion of various tasks.

market segment—A subsection of the target market with specific purchasing needs.

customer sensitivity—The attitude management and staff take in understanding and responding to customer needs.

round table—Similar to a focus group, a group of people brought together to discuss a particular subject offering management insight.

feedback loop—The cycle of information from customer to decision makers.

Quiz Questions

1. **What is meant by frequency of visits and why is it important?**
   Frequency of visits is the number of times a customer frequents the restaurant in a given time frame. This frequency offers an owner valuable information to evaluate their operation. In a fine dining establishment, special occasion frequency (birthdays, anniversaries, Mother's Day, or dining a couple times of year) may be acceptable and expected due to the price points. However, a casual or family establishment may need frequency to be weekly. These establishments have lower price points and will not generate the same profit contribution from each customer. Therefore, greater frequency is critical to their long-term success.
2. **What is a theme?**
   A restaurant's theme is the package that the public will recognize. It is the thread that ties the entire package—the name, the image, the brand, and the concept—together.
3. **Discuss the difference between kid-friendly and kid-tolerant.**
   Kid-friendly restaurants base their themes and their success on attracting children. They develop their concepts around children and make their restaurants places where parents can bring their children for entertainment as well as a meal.

   Kid-tolerant restaurants are normally casual dining concepts that develop their menus for adults, but they are aware that many adult markets have children. Kid-tolerant restaurants do not want to lose that adult market segment. This type of restaurant would be developed around adults but would ensure that children are accepted and tended to.
4. **What are some of the pitfalls of trying to fill seats at any expense?**
   - losing focus on the core target market
   - alienating original customers, thus driving them away—the "regulars" may develop a dislike for the changes.
5. **What is an SBU?**
   An SBU is a strategic business unit. When developing a marketing plan, an owner must recognize that driving lunch sales is different than driving dinner sales. By dividing the restaurant into SBUs, an owner can place the proper focus on driving sales for that end of the business.

Recommended Assignment

Arrange with the general manager at a nearby mall for your students to be allowed to conduct a small, controlled survey of mall customers. Develop a questionnaire to discover dining patterns of people interviewed. From the questionnaire, ask the student groups to develop a profile of dining customers.