

Episode 2:

Innovating menu engineering for profit

[00:00:00] **Voiceover:** You're listening to the Fáilte Ireland inside tourism business podcast. The definitive podcast for tourism operators, bringing you expert advice, insights and practical tools to help you navigate the challenges your business is facing.

[00:00:20] **Ruth Hegarty:** My name is Ruth Hegarty and I'm your host for the first series of Fáilte Ireland's new podcast, where we delve inside food examining trends, innovations and tackling costs to help you run a leaner more successful food operation.

[00:00:36] Welcome back to the Inside Tourism Business podcast. In our first episode of the inside food series, we looked at consumer trends. Today in episode two we will discuss the practice of menu engineering and examine how businesses can innovate their menus for profit. Chef and food consultant Niall Hill of Niall Hill foods is back with us in this episode to offer his expert advice on the science of menu engineering.

[00:00:58] And Niall is joined by Fergus O'Halloran managing director of Galway's award-winning Twelve Hotel, who's kindly agreed to share his experiences. Hi Niall, Fergus, thanks for being with us today.

[00:01:08] **Niall Hill:** Hi Ruth, hi Fergus

[00:01:10] **Fergus O'Halloran:** Ruth, Niall good to see you.

[00:01:11] As I said Niall last week, we spoke about the trends that have emerged and I suppose the changes in consumer behaviour that we've seen from COVID on how businesses need to be aware of those trends and need to adapt to them.

[00:01:25] And so one of the areas that we're going to dive into in a bit more detail now is focusing on menu design and menu engineering with the view to really, I suppose increasing efficiency and profitability. So, to kick us off can you kind of fill us in on, I suppose what exactly is menu engineering?

[00:01:45] **Niall Hill:** Yeah, sure Ruth. I guess what it is really it's a tool that businesses use and, the main aim of menu engineering is to maximize a business profitability, by subconsciously encouraging customers to buy what they want them to buy, in the area of high profit dishes on the menu and the ones that have the best contribution margin.

[00:02:02] So it's a real, it's really kind of selling what you want to sell, so those hero dishes that, you know, you're selling volume and you're also getting a really high margin. So, in the terms of profitability menu engineering could make the difference between a business becoming one that fails or one that grows from strength to strength.

[00:02:20] And it's kind of broken down into kind of four different areas, so you'd look at you know, high volume, high margin, so they're the dishes that you want to keep on your menu, and they are they're strategically put on the menu in the sweet spot, so that you encourage customers to buy them.

[00:02:33] Then you got high volume and low margin, so these are dishes that are telling you that need to be almost redeveloped. So why is it not achieving that margin? Then you've got low volume and high margin, so these are particularly dishes that, you know they're not selling well, but they have a good margin.

[00:02:48] So, you know, it's having a look at maybe a re-change, a re-change of the name or an ingredient. And then you've got low margin and low volume, and these are areas for innovation. So, this is telling you where you need to do new product development and de-list these dishes, so that's it in a nutshell.

[00:03:06] **Ruth Hegarty:** Okay, so the, the concept of menu engineering, is quite different from menu development then.

[00:03:13] **Niall Hill:** Absolutely, if you have a look at a menu engineering there's more of a scientific approach to the design that drives better sales. So, you know, from a visual perception it's linked to how customers read a menu, so the concept is that the customers are most likely to read the first and last thing they see on the menu.

[00:03:29] So the strategic placement of items is referred to the menu sweet spots. So, this can vary with your menu set up, so I'm not sure what your menu is set up Fergus, is it a single menu? Is it a bifold or a threefold? So, there is sweet spots and the menu engineering, it's, there's a term called golden triangle and it's, you know, customers look at the top left, top right and the centre.

[00:03:52] So these are areas that you want to strategically put your bestselling high profit main menu items in. And then from a menu development point of view like this is your new product development. So, when you have a look at and analyse your menu from a re-engineering point of view, it's telling you the dishes that need to be de-listed, and this is where you keep on developing your dishes. And this can be from name changes to really totally revamping the menu so that's, that's the main difference eh Ruth.

[00:04:21] **Ruth Hegarty:** Okay, so I suppose looking at that kind of scientific approach to your engineering then you can as you said you can drive profitability, but you can kind of, can you also kind of incorporate driving efficiencies? And I suppose how do you meet consumer demands at the, at the same time?

[00:04:38] **Niall Hill:** I guess it can do yeah and I think what the trends are at the moment, you're seeing a lot more chefs, eh, supporting the local supplier. So, you know, from an innovation point of view, like if you're calling your local supplier or a farmer and saying, okay, well, what ingredients do you have at the moment?

[00:04:52] How can I, how can I help you to help me? it creates innovation because, if you're cooking seasonal and you're not depending on imports it drives you in your innovation. And I think innovation is key, but what it also does is it drives efficiencies because you can prepare ingredients that can be used cross functional throughout your menu. So that automatically drives efficiencies and especially in around labour costs.

[00:05:16] **Ruth Hegarty:** All right that's really, really interesting and so I'm fascinated with what you're telling us about, you know the, the first and last thing on the menu and this concept of the golden triangle. So, talk a little bit more about the importance of menu layout and design and how that can be done to optimize sales.

[00:05:33] **Niall Hill:** Yeah, I guess when you have a look at colour and there's been a lot of science put behind this is that people respond emotionally to colour. So, they, so I would say, you know, if you're a restaurant and you're a seafood restaurant, then you know a light blue in your menu design and even in your menu content itself reinforces what you do.

[00:05:51] Like the likes of bright colours like red, yellow, and orange like they capture the attention and trigger appetite. and then you can also match that colour scheme to your restaurant. but the likes of green and tan and brown you know that's more organic and that can be linked to farm and table.

[00:06:04] So if your concept is a farm and table, so you can all, you can automatically link it to that and then as far as the likes of your say your dessert menu, so, you know, there's a lot of science out there saying that you should always offer a separate dessert menu because people are more likely to skip a starter, because the first thing they see is desert so they'll have a main course and dessert. So, you're not optimizing your sales that way, so it's always better from a design and layout point of view to offer a menu, and don't offer your dessert menu at the start so they don't see that and it's a separate menu.

[00:06:34] **Ruth Hegarty:** So, Fergus to come to you, I think that your breakfast menu is yellow is it? So, you must be doing something right.

[00:06:41] **Fergus O'Halloran:** Yeah, oh, look, I love this stuff, and like layout to me just to kind of, I guess, put The Twelve in perspective, I mean there's a lot of moving parts here so anybody who's not familiar, we have West Restaurant and there's The Pins Gastro Bar there's Pizza Dozzina.

[00:06:56] There's our bakery shop, we've got our Twelve at Home drive through offering now as well as the online shop. So, like it's vital that we get it right, because that's gonna impact greatly on our profit margin. So, like, be it stationary or be it digital collateral we're presenting up to like 14 different menus visually to our guests.

[00:07:17] You know, and all of these they're printed in house so that we can, you know, straightaway change our menus we have to get it right. So, like I've always been a strong proponent of the whole psychology aspect behind the menu engineering and just the layout of the menu, like the golden triangle that Niall's talking about.

[00:07:33] It is yeah, it's applied to our breakfast mat, while for instance then on our other menus which are presented horizontally or vertically, we'll indicate what we call the, the stars or the puzzles at the top of the menu, or perhaps at the bottom of the menu, like these are the high profits, high selling items or the high profit that perhaps there are lower selling items.

[00:07:54] You know, in the vertical layout, it's harder to do, but that's in theme with our restaurants. So, the breakfast mat is nice in the sense that it's casual and it suits breakfast time, but then when our dinner menus and all the menus come into play, we can't really use the golden triangle. But you know, I work with the metric that a guest, when they come in, they're going to decide pretty well within two minutes what it is they're going to choose. So, like our top performers have to stand out on the menu the design itself...

[00:08:23] **Niall Hill:** So, Fergus just a quick question, so your top performers how do you, how do you kind of how do you draw your guest's attention to them, is it, are they boxed in in any way? Are they in bold, like, you know, what's your strategy when you're looking for the sweet spot on your menu?

[00:08:39] **Fergus O'Halloran:** Yeah well, it's identifying I guess firstly, it's measuring, measuring so identifying what our top performers are, so we have to know the food cost of each item its contribution margin the overall food cost and decide where it is, who those dishes are where, where they'll be presented in terms of boxing.

[00:08:59] Yes, we will use some bolding, we will place them on the top, they'll perhaps be described as signature dishes. they'll be given an extra flourish, perhaps over other dishes on the menu that, you know someone is attracted to them, but it's also crucial that our, our servers cause at the end of the day, all the work that I put in behind the scenes into, into analysing that has to be conveyed to the whole team.

[00:09:24] They have to understand the methodology behind it as well, because they're ultimately going to be the measure of the success of the work that I do.

[00:09:32] **Ruth Hegarty:** So, we're supposed to take that, that kind of approach to menu, menu engineering and think about some of the things we spoke about in the last episode around the, the emerging trends, I suppose first of all just the impact of, of COVID-19 in general Niall do you think that it has changed the or the approach to menu engineering needs to change as a result?

[00:09:53] **Niall Hill:** Yeah, I think you know, historically it's been about maximizing your profitability, but there's so much more to it now and it's taking into context customer's preference while, you know, while also considering you know the amount of menus that you have now. So, does it, you know it's really kind of looking at cross-functional menus.

[00:10:12] So, you could have, you know dine-in, you could have outdoor, you could have to go and then you could have delivery. So, you know, these, you can put so much pressure onto a kitchen to develop so many different menus, so you're really looking at approaching it from a strategic point of view as well as well as the profitability.

[00:10:29] So, you know driving that efficiencies throughout your business, because you know, we also have to mind our labour costs as well and we have to make things that that are efficient within the kitchen, so you want to keep the quality. So, you don't want a huge range, so you've got to tighten that up.

[00:10:45] And Fergus you will probably understand that with w with having 14 menus that you have to offer that; you know there is an element of dishes that you develop that are cross-functional that can go right through the business. And even base recipes that are a part of so many different dishes, so you're making it once.

[00:11:01] Um, and then it's taking it into consideration eh the different services like, you know dining in is slightly different to your to go and even to your delivery. So, delivery really you have to be designing dishes that have scalability that you can do on scale.

[00:11:15] **Ruth Hegarty:** Yeah, absolutely and like Fergus you mentioned earlier that the range of different offerings that you have at The Twelve in terms of your different, your different restaurant formats and the food that you do and then of course the additions that came into that during the COVID period and some that you've kept on and maybe possibly will continue.

[00:11:34] So maybe talk us a little bit through that on how that has impacted how you've kind of approached menu engineering as like Niall spoke about, have you had to really think a lot more about the kind of cross-functionality of some of your, your dishes or ingredients just to reflect the ability to deliver all of that and the labour available in the kitchen and so on?

[00:11:56] **Fergus O'Halloran:** Well yeah God, it's hard to believe coming up on a year now, but it was like March the 18th I guess that we decided we'd close the restaurants and overnight then we, we switched to the takeout as a drive through function on the Thursday after that like our immediate focus really at that time was to keep a core team employed, you know, to use up all the stock that we had in the hotel, because we didn't know where this was going, you know, and really to keep everyone safe at the same time.

[00:12:23] So that's really how the drive through developed you know, we, we had to still keep offering what not no matter what it was what we did, it had to be on par with our brand, so with that in mind after the first week of sales when, when we're able to kind of analyse how things were going, we realized we really had something that was sustainable, that we could grow it.

[00:12:43] You know then we kind of changed to our impetus change now it's okay. How can we support our suppliers more? so the menu evolved around those principles of engineering. Um, you know, we still had to cost every dish, we had to now add the cost of the containers that they were going into we had to look at every menu item, uh, so, and ensure that when it went up on the pass on the kitchen pass that by the time, we got to somebody's home that it was still high quality.

[00:13:11] So, the dishes had to be deliverable. so that was exciting it was, it was challenging you know, it's, it forced us to really dig deep. But like as the weeks, as the weeks kind of went on and all the data started coming through on what it was that was selling and what people were enjoying. We started to ask our guests, you know, what they would like to see and, you know this was new to us, but we listened to them and that became kind of how we develop the menus going forward.

[00:13:39] But then again, you know, the stars and the puzzles all of that was intrinsic to I guess keeping our profit margins because there was no, no point in just being busy at the end of the day, like turnover is vanity and profit a sanity so we've motored on from there like fast forward I guess then this week, you know, we've got a five course menu offering going out from West Restaurant.

[00:14:02] We've stress tested that for profits, for its deliverability of each of the dishes, the presentation we've sourced special boxes to present it in. we've put a cap on the numbers to be sold. So that helps us with the amount of produce that we're ordering in plus it also creates that need from a guest to order it now because it's in limited supply. and you know we can only hope that it sells out this weekend, but it's looking good.

[00:14:29] **Ruth Hegarty:** Are you doing some outdoor dining during the summer? And how did you kind of adapt for that? Or how well did that work for you in terms of, did you need to change your approach to menu items or?

[00:14:41] **Fergus O'Halloran:** Yeah, well, we, we opened up what we call Noon last July and there we wanted to kind of create a kind of a Parisian feel around our courtyard and effectively gained back the tables that we'd lost due to social distancing inside the Pins Gastro bar. So, you know, that went very well but you know we learned as well from it because initially we created a kind of a micro menu again another kind of a micro menu with a lighter style kind of afternoon style light dishes.

[00:15:09] But after a short while Ruth it became evident that all the guests that were out on our courtyard, they wanted to dine from the main menu in the gastro bar. so yeah, we changed, but the beauty of it as well was that all of our menus now were linked electronically via QR codes, so for me, it was very easy.

[00:15:30] I wasn't bound by the size of paper anymore by, by the stationary collateral, so I could create any style of menu I wanted digitally, and people would link to that. So therefore, again I guess I was given the opportunity to highlight my, my stars, you know.

[00:15:46] **Ruth Hegarty:** And Niall would you consider that there's particular things that need to be taken into consideration for outdoor dining in, in your engineering of your menus?

[00:15:56] **Niall Hill:** Yeah, I believe there is Ruth I think you know, it's kind of touching on what Fergus was saying is, you know what he has learned over the Summer is, is that, you know, people wanted what was on the other menu. And I think, you know if you can kind of link your menus together it does drive efficiencies, but if you simplify it for, for outdoor dining as well.

[00:16:15] And there's also, you know, you can take into consideration you know, barbecuing in the summer outside. You know, it you know, you can have chefs actually cooking and serving as well. So, it creates a real live theatre, towards outdoor dining.

[00:16:26] And I agree with you Fergus I think is going to be on the increase.

[00:16:30] **Ruth Hegarty:** So, to come to a kind of I suppose a key meal and a key dining opportunity for hotel's breakfast and Fergus the Twelve is a hotel, so obviously breakfast is a big element. And you do, I think some things that are quite unique with breakfast, but I mean it's been probably one of the biggest areas of change for hotels with the COVID restrictions obviously the breakfast buffet has gone by the board.

[00:16:55] From the, from your point of view at The Twelve did you have to make changes to your breakfast offering and how did that impact on you and what, how did you approach it?

[00:17:04] **Fergus O'Halloran:** Yeah, well look, I mean breakfast has always been our most important meal of the day. it's part of our brand. So, like from, from day one, we, we offered an à-la-carte cooked to order breakfast Ruth for all of our guests staying in the hotel plus we were also open to the public for breakfast. So, you know, in terms of menu engineering all of these considerations were taken into place.

[00:17:25] When the breakfast offering had to change due to COVID, the only changes we really had to make was our continental offering which was laid out on long tables and there you had all the usual bakery, pastries, juices, cereals, etc. Um, we decided, okay, how can we now present this to the guests at the table?

[00:17:44] So we sourced a nice little presentation stand and created a smaller offering that was brought to every table that helped us greatly because firstly I guess the amount of food waste that we're always very conscious of was instantly diminished. and we even asked people at the table if they'd like to have that offering.

[00:18:06] So some actually refused and said no we're fine we'll just have the cooked breakfast. So there again, profits help went up. the next change we made was that we closed to the public because we had to be very mindful now of social distancing and we had to ensure that the guests staying with us were going to have a safe environment.

[00:18:23] So, we also required all of our guests who were joining us to actually book their table for breakfast prior to the arrival in the hotel. So now we were able to spread breakfast out over the three hours of service that we would normally have offered to where everybody comes down at the last moment where you've got a hundred people coming in at whatever 10:30 to have breakfast.

[00:18:43] Now they were spread out from eight o'clock to 11, and that helped us greatly then in terms of productivity in terms of staffing it ensured a far better guest experience it helped the kitchen in terms of being able to really focus on putting out wonderful dishes. It took all the stress out of the kitchen.

[00:19:01] So yeah, the, the beauty of it was that our flow through to the bottom line over breakfast was increased, guests had a better experience and staff morale went up. We'll open again the same way you know we won't make any changes to that; we'll just keep on trying to do it better.

[00:19:20] **Ruth Hegarty:** Okay, we'll be right back to the conversation. After a short break,

[00:19:24] **Voiceover:** Fáilte Ireland's new breakfast toolkit contains expert advice and practical tools that are applicable to all areas of food and service. You can find the breakfast toolkit and more helpful supports and guidance on the operational performance section under Strategic F&B Operations on our COVID-19 business support hub at failteireland.ie.

[00:19:44] **Ruth Hegarty:** Yeah, Niall people are staying much more local obviously well they have to do at the moment and. you know there's people are, people are going to be vacationing at home and restaurants and hotels are likely to have much more local custom, if you want to get, keep people Coming in regularly really do you need to be changing in your menus a lot more often don't you?

[00:20:05] **Niall Hill:** For sure yeah. I think probably a great way in doing that is having really fantastic core base recipes that can evolve all the time. So, you know when I develop a recipe, I develop with it in mind that it's going to change throughout the season.

[00:20:21] Throughout the seasons and but the core is there, so your core food cost is done for that, but you might be only changing one ingredient. And I think, that's key and I also find that when you're developing menus, if you're evolving them all the time it's so much easier to be innovative than if you were to change them like twice a year or three times a year.

[00:20:40] **Fergus O'Halloran:** Yeah, it becomes a big chore then.

[00:20:43] It does yeah and, and it's never done properly, it's never thought out, but I think as menus evolve and the small changes and there's an ingredient change, and somethings out of season and you replace it with something else. I think it's just a natural flow and it takes so much pressure off the kitchen, but your menus are continuously evolving, but your core base costs are there, you know, your costs.

[00:21:05] And, you know it's like, you know you change an ingredient and it's maybe a slightly cheaper food costs, because the ingredient and it's always best to work within the seasons. But my, I guess for me it would be really developing your core base recipes that really work and that have been costed and you're evolving them all the time.

[00:21:23] **Ruth Hegarty:** Niall I suppose just on the takeaway topic is there anything in particular to bear in mind in terms of engineering menus for, for takeaway and delivery?

[00:21:32] **Niall Hill:** I guess there is, stay true to your brand and because your, your, your customers and guests are going to want the same experience at home. And so, you gotta be true to what you guys do,

[00:21:43] But I guess it's the first of all, this is, is really kind of looking at the demand of what the demand is and do your market research behind that. Also have a look at dishes that are that have that scalability so that you can scale them up. So, you're again it goes back to, to driving efficiencies within, within the kitchen.

[00:22:00] And then thirdly, it's having to look at if those dishes are deliverable, how do they reheat? So, you know, product testing I think is crucial. And you know, I would always say that you, your chefs take home the product and test it in a domestic oven, because you gotta be, you gotta remember it's, you're in somebody's house with this food, you know?

[00:22:20] So you know, I think, you know when you're writing up the instructions, you're reheating instructions or if it's a finishing instruction that this is done from home and it's tested from home and then that way, then there's no surprises, you know? So, they'd probably be the three areas that I'd have a look at.

[00:22:35] **Ruth Hegarty:** Okay guys so to wrap up from all of your experience and considering everything that we've been talking about, can you give me quickly your top tips for every business listening? What do they need to be thinking about? What do they need to be implementing?

[00:22:49] **Fergus O'Halloran:** I'll go first. Measure, measure, measure, measure, try, try things measure, and then if it's not working cut without mercy to do this, you need to be able to pull your weekly and monthly menu item reports.

[00:23:01] **Niall Hill:** For me information is key, just like, you know that that's where you're going to be able to react. So, know your costs, so know your true cost of your dishes and that way then you can really kind of focus on what needs to be done.

[00:23:12] **Fergus O'Halloran:** Yeah, and like you need to involve then your restaurant manager, your chef, your waiters, because ultimately these are the people who are going to be presenting, whatever, all the work that you're doing to the guests on the menu.

[00:23:23] **Niall Hill:** Knowing your market is key, knowing where the demand is and really focus on, on giving the customer what they want.

[00:23:30] **Fergus O'Halloran:** Yeah, know your contribution margin of every item or your overall food cost, you know these are the key things that are going to make or break you.

[00:23:38] **Niall Hill:** And invest your time in upskilling your staff. Train them, give them the tools to be able to do the job properly.

[00:23:44] **Fergus O'Halloran:** Yeah, look at the work that Niall has done. Know your stars, your puzzles, your plow horses, your dogs, all of these things on your menu are crucial to your success.

[00:23:55] **Niall Hill:** And have scheduled sessions in menu engineering. Put this in the calendar where all your chefs sit down together as a team and analyse.

[00:24:03] **Fergus O'Halloran:** Yep, share, share all the information with your team ultimately these are the people who are going to be using it.

[00:24:08] **Ruth Hegarty:** Brilliant thank you so much. That's absolutely just really fascinating insights there and thank you so much Fergus for coming along and sharing your experiences and Niall as always thank you for your expertise.

[00:24:21] Um, that brings us to the end of episode two of Fáilte Irelands Inside Tourism Business podcast. You'll find many of the tools referenced throughout this discussion in the operational performance section of Fáilte Ireland's COVID-19 business support hub on [Fáilte ireland.ie](https://www.failteireland.ie). We're back next time with more expert advice and insights on how to run an efficient food operation when we will take a fresh look at food costs.

[00:24:44] Niall will be joining us once again, along with Mark Anderson, Culinary Director of Gather and Gather. Thanks again to Niall and Fergus for joining us today and for sharing their insights and thanks to you for listening in, goodbye.

[00:24:55] **Niall Hill:** Thank you.

[00:24:56] **Fergus O'Halloran:** Pleasure, honour, stay safe.

[00:24:59] **Voiceover:** The Inside Tourism Business podcast is brought to you by Fáilte Ireland, the national tourism development authority.

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