Calculating Menu Item Performance

Before you make changes to your menu it is important to understand how individual items are performing. To evaluate the performance of your menu items:

- Make sure that you are performing the analysis individually for each category on your menu (versus all of the items on the entire menu averaged together).
- You need to have at least 4 items in a category for the analysis to work well. You may need to combine similar categories if you have too few items in a category. Combine menu categories that guests consume in a similar way. For example, you should combine soup and salad categories if there are less than four items in either category separately.

To calculate menu item performance:

1. **Calculate the Average Contribution Margin amount for the category:**
   a. Calculate your Gross Profit for the category

   Gross Profit = Total Sales – COGS

   b. Calculate the total direct operating expenses for the category

   Total Direct Operating Expense = Number of items sold x DOE Per Order

   c. Calculate the Contribution Margin Amount for the category

   Contribution Margin Amount = Gross Profit - Total DOE

   d. Calculate the Average Contribution Margin for the Category

   Average Contribution Margin = Contribution Margin amount for category/# Items sold in the category

2. **Calculate the average popularity of the items in the category**

   Average Popularity = Total items sold in category / # Items in the category

3. **Calculate the individual contribution margin for each item within the category**
   a. Calculate the gross profit percentage for each item

   Gross Profit % = 100% - COGS% for item

   b. Calculate the gross profit amount for each item

   Gross Profit Amount = Selling price x Gross Profit %

   c. Subtract the direct operating expenses from the gross profit amount to calculate the contribution margin for the item

   Contribution Margin = Gross Profit Amount – DOE per order

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4. Calculate the popularity of each individual item (How many of each item was sold).
5. Compare the item to the averages in the category
    - Is the contribution margin for the item higher or lower than the average for the category?
    - Is the item popularity higher or lower than the average for the category?
6. Classify each Item:

- **Stars** are menu items that are both popular and profitable when compared to the category averages.
- **Ploughhorses** are more popular but less profitable than category averages.
- **Puzzles** are less popular and more profitable than category averages.
- **Dogs** are less popular and less profitable than category averages.

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