

# *Chapter 1*

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## Institutional, Industrial, and Commercial Menus



To plan a profitable menu in the foodservice industry, the menu planner must be knowledgeable about foods, management, and financing. This chapter discusses facts and practical work experience that are essential in planning a profitable menu in the institutional, industrial, and commercial segments of the foodservice industry.



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## *Objectives*

1. To give the student an understanding of the knowledge that a menu planner must have in order to prepare menus in each of the three foodservice segments
2. To help the student effectively apply the knowledge of planning menus to writing menus
3. To identify special characteristics in each of the foodservice segments

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## *Background of a Menu Planner*

Who can plan a menu? Anyone can plan a menu in its simplest form. The definition of a **menu** is simply “a listing of foods.” If people are hungry, they can mentally plan a menu by choosing the foods they would like to eat. To plan a simple menu does not take years of experience and education. On the other hand, planning a successful and profitable menu for a commercial foodservice operation does take foodservice experience and a culinary education.

Menus planned for a commercial foodservice operation are different from those planned for an institutional or industrial foodservice opera-

tion. The person planning menus for an institutional, industrial, or commercial foodservice operation must be knowledgeable about a number of aspects of the foodservice industry. A **professional menu planner** must be knowledgeable about food, finances, and management. The menu planner must have a good understanding of all three of these areas in order to be able to plan a profitable menu. For a person to acquire enough knowledge in these three areas requires a combination of educational theory (know-how) and practical working experience (how-to) in each area.

When planning a menu, it is helpful and important for the menu planner to categorize the information into two categories: (1) necessary information and (2) helpful information. Information that is not necessary in menu planning for a commercial foodservice operation might be very necessary in menu planning for an institutional foodservice operation. For example, it is not essential to know the sodium dietary needs of customers when planning a menu for a commercial foodservice operation. Yet, this information would be necessary when planning a menu for a patient in an institutional foodservice operation.

In addition to knowing the type of **market** (customer) that will be patronizing the foodservice operation, the menu planner needs to have a knowledge of food, finances, and management when planning a menu.

## *Food*

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In the area of food, the menu planner must know the following:

1. The customer's likes and dislikes regarding food. Knowing which foods are preferred definitely helps the saleability of a product.
2. How to identify the various food products that are available in the markets.
3. How to explain the different criteria that establish the quality grades of food products.
4. The availability of the food products. Knowing when a food product is available helps keep food costs down and profits up.
5. How the food items are prepared, produced, plated, served, and consumed by the guest. This information allows the menu planner to specify the type of equipment necessary to produce the food product. This knowledge also will indicate the level of skill necessary for the cooks.
6. How the food product is packaged, shipped, received, and stored, as well as the shelf life of the product. This information helps

the menu planner to establish a quality menu for the foodservice operation.

7. Which foods are complementary to one another for the proper garnishing of dishes and for achieving an aesthetic and nutritionally balanced menu.
8. The yields of food products, which will help in setting up recipes.
9. How to do recipe conversions, how to merchandise, and how to market the food product.
10. How to cross-utilize products. Cross-utilization refers to using a menu product in more than one menu or in more than one product. For example, if a chef placed baked scallops with buttered bread crumbs on the menu, scallops should also appear in at least one or two more entrées, such as fried scallops or scallops in a casserole with cheese sauce. Just having scallops listed once on the menu would present product and cost problems, unless scallops were extremely popular and the amount purchased was used for only one entrée selection. Cross-utilization should be followed throughout the menu, not just in entrées. Most institutional menus use cross-utilization of food products exceptionally well.

## *Finances*

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The menu planner must understand the relationship between food costs and other expenses, such as labor and overhead.\* The menu planner must be able to produce a menu that is profitable. Thus, the menu planner must understand how the portion cost affects the selling price. The prices on the menu must be appealing to the consumer, yet still allow the foodservice operation to make a profit.

The menu planner must know how to cost a recipe. Portion cost and markup must be related to volume in order to make a profit. **Recipe costing** is essentially finding a portion cost and marking it up to a selling price that the market will accept. A menu planner must have an awareness of how a sales history is developed and an understanding of

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\*Overhead refers to all costs that are not included in payroll costs or in food and beverage costs. Overhead costs include fixed expenses and variable expenses. Insurance is an example of a fixed overhead expense, because it does not fluctuate according to sales. No matter how much business a foodservice operation does, insurance costs stay the same. Equipment needs can vary with the amount of business done and would therefore be a variable overhead expense.

how to prepare a **sales mix** or a **scatter sheet**, which is used in forecasting.\* Knowing how to establish a **check average** and how to project annual sales are also essential. The menu planner must understand financing as it applies to the foodservice industry as a whole and to the menu in particular.

## *Management*

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To successfully design a profitable menu, it is important that the menu planner be aware of the foodservice owner's wants and needs. Profit, check average, type of operation, style of the menu, theme of the operation, style of service to be used, atmosphere, the mood that is to be achieved, the skill level of personnel, and the market all must be considered. The menu planner must know as much as possible about customers' food preferences and the price that customers are willing to pay in order to design the type of menu appropriate for a particular foodservice operation.

## *Institutional Foodservice*

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The institutional foodservice category is composed of

- Grade schools
- High schools
- Colleges and universities
- Private and federally funded hospitals
- Nursing homes and assisted-living facilities
- Correctional facilities
- Armed services

Each of these operations has its own dietary requirements that must be followed on the menu. The most important factor in planning an institutional menu is that the offerings must be nutritious. All institutional menus should include the five basic food groups: bread, cereal, rice and

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\*A scatter sheet is a record of the menu items that have been sold. Check average is the average amount of money that a person or a group of people will spend for a meal. Sales mix is a record of which menu items have been sold during a particular period of time.

pasta; vegetables; fruit; milk, yogurt, and cheese; meat, poultry, fish, dry beans, eggs, and nuts.

When planning a menu for any institution, the following factors should be considered:

1. The type of operation and the diet required by its patrons
2. Budget restrictions
3. Ages of the patrons
4. Food preferences of the patrons
5. Type of service needed
6. Hours of feeding
7. Storage area
8. Equipment needed to produce the menu
9. Government regulations
10. Religious and ethnic backgrounds of the patrons

## Types of Operations and Required Diets

The menu offered will depend on the type of institutional operation. In a hospital setting the menu planner must follow strict dietary regulations that have been set by the registered dietician. The five main diets used in hospitals include

1. The Regular or house diet
2. The liquid diet
3. The mechanical soft diet
4. The diabetic diet
5. The cardiac diet

It is vital that a patient's meal be planned very carefully to assist the patient in making a faster recovery. If these diets are not followed as prescribed, illness or accidental death could result. (See Chapter 3 for a description of these diets)

## Budget Restrictions

Most institutional foodservices today are operated by large foodservice companies, such as ARAMARK, ARA, Service Master, and Sodexo. The hospital, nursing home, or school will establish a *per diem* (dollar per day sum) under which the facility must operate. The menu need not

stay within this sum each day; rather, it must remain within this budget over an accounting period, thus allowing the menu planner some flexibility in meal planning.

In most cases institutional cafeterias are set up on a break-even basis or on a 1 to 2 percent profit. The institution itself is not in business for the purpose of making a large profit in the foodservice operation. Thus, many institutional facilities charge very little for their food items.

## Ages of Patrons

When a menu planner decides to plan a particular menu, the ages of the patrons who will consume the food must be considered. As we grow older our bodies require and are able to handle different foods. At infancy our digestive systems are very delicate and are able to digest only delicate foods. As our digestive systems mature, we are able to digest a much larger variety of foods. When we age, our digestive systems grow frail and we can digest a lesser variety of foods. Age has a direct effect on the items selected for a particular menu. Since hospital patients vary in age, the menu planner must have food items on the menu that appeal to all age groups, as well as making sure that these items together comprise a nutritionally balanced menu.

In an elementary or secondary school setting, the menu planner does not have to consider as many age groups as in a hospital. Planning menus for elementary and secondary school students is a much simpler task than planning menus for hospitals.

The college or university population presents more of a challenge to the menu planner. The ages of this group may vary from young adults to much older adults. College students also tend to be more demanding than young school children. Many students today are paying high tuition and room and board costs, and they expect to get adequate menu selections and quality food.

## Food Preferences

Although, in many cases, institutions such as hospitals and schools are under strict dietary regulations or government regulations, the menu planner must take a careful look at what the patient or patron wants to eat within the institution. This process can be accomplished by a number of different methods.

A survey might be taken to determine which foods are popular or to determine which foods patrons hope to see on the menu in the future. The menu planner can review the surveys and make important

evaluations that can help improve future menus. If possible, the menu planner should eliminate those foods that prove to be unpopular.

Another method of determining food preferences is to put suggestion boxes in the cafeteria. This idea does not work as well as the food survey. People will usually take a survey more seriously than placing suggestions in a box. At times an employer will make it mandatory for employees to fill out the survey, whereas suggestions in a suggestion box are entirely optional.

## Type of Service Needed

In most institutional settings, the service is cafeteria style, which utilizes a tray line. Another popular service system is the **scatter system**. This system allows a large volume of people to move quickly, bypassing food stations from which they do not wish to select food. This system allows for much more customer involvement.

It is important to serve food that has good holding qualities, both hot and cold. In many institutions, hot food is served in steam tables and is allowed to continue to cook or to evaporate excess moisture. Stews, casseroles, and quiches are good examples of foods that have good holding qualities and that do not become overcooked or dried out if the temperature is properly set at a steam table. Items such as fried fish or roast beef can be served on a steam table, but only a few orders can be cooked or sliced at a time. Fried fish becomes soggy on the line if a cover is put over it. Roast beef tends to dry out and shrink when a cover is left on for a long period of time.

Cold items placed on a cafeteria service line should be placed on a bed of ice. Salads and dairy desserts require refrigeration units. It would be unwise to serve oysters or clams on the half shell because of their poor holding qualities; they lose their freshness when they are served at room temperature.

In a hospital, food is cooked and plated in the kitchen, placed in a refrigerated or heated cart, and transported to the patients' rooms. Another method of serving hot foods is to precook the food in the kitchen and to finish cooking it in a prep kitchen on the individual floor. In a hospital, it is very important to be accurate about serving foods at their proper temperatures in order to avoid the development of foodborne diseases, such as salmonella.

*Note:* Overall, when planning menus for institutional foodservice operations, the menu planner must look at the type of service to be used in order to maintain a quality food product.



## Hours of Feeding

Within the institutional framework, hours of feeding will help determine the types of items that will be offered on the menu. If the hours of feeding are from 8 A.M. to 4 P.M., the menu planner must plan menus for breakfast and lunch. If an institution is operating a 24-hour feeding system, then breakfast, lunch, and dinner menus have to be planned.

## Storage Area

In an institutional setting, the storage area that is available helps to determine the type of food that will be offered on the menu. In many cases, institutions have limited walk-in freezer space. Limited freezer space indicates that many items on the menu must either be fresh foods that require refrigerated space or canned foods that require storeroom facilities. The menu planner must take into consideration the amount and type of storage area available and balance the variety of food products on the menu accordingly.

## Equipment Needs

Many institutions purchase their equipment first and then set up the menu. It is only afterward that management may realize that some of the equipment that it has procured is not necessary for the production of the menu. Always plan the menu first; then analyze it to decide the type of equipment needed to produce the menu. This part of the planning process is called a **foodservice equipment analysis**.

Most institutions have limited equipment because of budget restrictions. This fact makes menu planning even more important in the institutional setting.

## Government Stipulations

In most institutional facilities, the government plays an important role in menu planning. In elementary and secondary schools, the foodservice systems must follow the school lunch requirements set up by the U.S. Department of Agriculture (USDA).

All branches of the armed services and veterans hospitals fall under strict government stipulations as well. It is important to keep abreast of the laws enacted by our governments (state and federal) that set dietary guidelines. Government financial aid may be suspended if laws or regulations are not followed when planning menus for government-funded institutions.

## Religious and Ethnic Backgrounds

In institutional foodservice operations, religious and ethnic backgrounds of the people being served play an important role in the planning of menus. For example, in a Jewish hospital, strict cultural dietary requirements must be followed: dairy and meat products cannot be mixed and have to be kept in separate reach-ins; yet, eggs, fish, and vegetables, which are considered pareve, can be used with dairy or meat meals; lard or any other animal fat cannot be used, but soybean, palm, or vegetable oils are acceptable.

All nationalities have their own favorite foods. The Italian culture offers a variety of sausages, pasta products, and pastry products. The Irish culture offers a variety of stews, sauces and dessert coffees. It is important to offer employees or patients their preferred food items on the menu.

## *Industrial Foodservice*

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The industrial segment of the foodservice industry is composed of

- Corporations
- Companies
- Factories

and any other type of business that employs enough people to warrant the need for an in-plant foodservice operation.

For the menu planner to plan a successful menu within the industrial segment of the foodservice industry, the following factors must be taken into consideration:

1. Management's reasons for having a foodservice operation in-house
2. The food preferences of the employees to be fed
3. The type of work the employees are doing
4. The time allotted for meals
5. The amount of money the employees have to spend on meals

## Profit

Management will spend money to make money. How does an industrial foodservice operation make a profit for management? It does so by keeping employees at or near their working stations during their meal

period. Most employees are given a half-hour or an hour for their meal period. Employees will slow down or quit production five to ten minutes before eating, and many workers are five to ten minutes late in returning from eating when a business does not have a cafeteria or a food-service operation in-house. Keeping the employees on the grounds of the business for meals helps to reduce the number of workers who return late from lunch, which increases production and, in turn, increases profits.

## Operating Methods

The two methods of operating an industrial foodservice operation are for management to contract with a professional foodservice company to manage the operation or to take full responsibility of controlling the feeding system as a part of the business.

Contracting an outside professional foodservice company to handle the responsibility of feeding employees is popular and, in most cases, a profitable choice. There are several methods of feeding employees for which management may contract:

1. Computerized vending units
2. Full table service
3. Cafeteria service
4. Coffee-deli shops
5. Fast-food service

The two most important factors in choosing industrial foodservice establishments are offering fast service and providing menus that fit the needs of the employees.

## Pricing

When pricing an industrial foodservice menu, management has a choice of setting the price in one of three ways:

1. Setting a large profit percentage (10 to 15 percent)
2. Setting a small profit percentage (1 to 2 percent)
3. Setting a break-even price (food is sold at a price that covers only the cost of the food, labor, and overhead, and the company does not make a profit)

## Food Preferences

The menu planner must be familiar with employee food preferences in order to be able to plan a successful menu. A food survey should be conducted to determine employees' preferences in foods. Some employees may prefer a nutritional menu that includes poultry, fish, salads, fruits, and vegetables rather than a menu that includes hamburgers, hot dogs, sandwiches, and French fries. The survey should be conducted every three months in order to accommodate employee turnover and also because attitudes and tastes can change over time.

## Type of Work

The menu planner needs to know the type of work that employees do. Are employees involved in physical activity, or are they sitting at their desks all day? This information helps to determine food portions, the amount and variety of foods to offer, and whether the items should be hearty and of a heavy calorie count. With jobs that require physical labor, employees are burning large amounts of calories, so the menu should offer a selection of foods that will replace lost calories. When employees do limited physical work, the menu selections should be light in calories and smaller in portion size.

## Time

Knowing the amount of time allotted for the meal period is an important consideration. Food items that take a long time to prepare should not be included on the menu. Most employees are given only a half-hour or an hour to eat. If an item takes too long to produce, employees will not have enough time to finish their meals and will feel rushed. Thus, employees will be dissatisfied with the foodservice operation.

## Price

The amount of disposable income that an employee has or is willing to spend for a meal on a daily basis may be limited. **Disposable income** is income that is available for the employee's use after federal, state, and city taxes, and personal bills have been paid. The menu planner should not select foods that have a high food cost and offer them at an even higher cost, because the average employee cannot afford to buy that product on a daily basis. The average employee does not want to spend more than \$5 on each meal. The menu planner needs to offer food items that are of good quality and that are reasonably priced.

# *Commercial Foodservice*

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The commercial segment of the foodservice industry includes

- Hotels
- Restaurants
- Clubs
- Diners
- Fast-food operations
- Specialty shops
- Cafeterias
- Catering businesses
- Vending businesses
- Dinner theaters
- Delicatessens

In each of these foodservice operations, the menu planner must know management's point of view on the following:

1. How the operation is run
2. The type of clientele that management would like to attract (also known as the market)
3. Check average
4. Decor
5. Profit margin
6. Competition
7. Market trends

## **How the Operation Is to Run**

Although there are many philosophies on how to operate a foodservice operation, there are three basic approaches: fast food, family, and fine dining. Management must recognize and have a full understanding of an operation's philosophy in order to achieve a maximum profit. Management must be completely dedicated to the philosophy selected and should avoid mixing different philosophies that would only serve to confuse the market.

**Fast-Food Operation.** Characteristics of the fast-food philosophy and operation are as follows:

- Low check average: \$4 to \$8
- High turnover of capacity and high volume of sales: the National Restaurant Association indicates a \$1,000 to \$5,000 sales amount per hour as high volume
- Limited square footage per person for dining: 7 to 9 square feet
- Bright lights: almost a shadowless lighting scheme
- The use of bold, bright, and loud primary colors: red, blue, and yellow
- Rapid employee movement, which tends to affect the customer's pace
- Limited seat comfort: the use of plastic nonmoveable seats provides less comfort than a cushioned, unfixed seat
- High noise (decibel) level: the use of nonacoustic materials (made from a hard substance, such as stone, brick, ceramic tile, or stainless steel)
- The use of styrofoam cups and plates, and paper napkins
- Limited menu: the selection of food items on the menu is limited to no more than 30 items, to reduce the time it takes for customers to read the menu and to decide on their orders

With this philosophy, the goal is to create an atmosphere that will allow the customer to eat and leave the foodservice operation as quickly as possible, usually within a 30-minute time period. Management must design the entire building (interior and exterior), in order to allow for rapid movement (flow) of customers. Every detail is geared toward getting the customer in and out of the foodservice operation as quickly as possible, without making the dining experience an uncomfortable, rushed, or negative one for the customer.

**Family Operation.** The objective of the family philosophy is designed to appeal to the market that falls between the fast-food and the fine-dining market. The term “family” indicates that management must take into consideration the desires of a wide range of customers—from grandchildren to grandparents. Characteristics of the family philosophy are as follows:

- Moderate check average: \$8 to \$15 per person
- Moderate turnover rate: one-and-a-half to two-and-a-half times per hour with a 100-seat capacity

- Square footage per person: 12 to 14 square feet
- Illumination (lighting) level: balanced, not dim or bright, but adequate
- Color scheme that incorporates a blend of pastel and bright colors
- Employee movement: prompt, not slow or too rapid
- Seating that is moderately comfortable; good quality chairs used
- Noise (decibel) level: ranges from 60 decibels (calm conversation) to 90 decibels (a loud argument), with a balanced use of acoustic and nonacoustic material
- Menu selections include 45 to 150 items: of all the types of menus, this type of menu takes the longest time to read, because graphics (such as photographs) accompany the description of the food products

This philosophy incorporates objectives from both the fast-food and fine-dining philosophies. The objective of not rushing customers is borrowed from the fine-dining philosophy, while the goal of not allowing the customer to take two hours to dine stems from the fast-food philosophy.

**Fine Dining.** The fine-dining philosophy is, in many ways, the opposite of the fast-food philosophy. The objective of the fine-dining philosophy is to provide the customer with a relaxing and pleasant dining experience. Characteristics of this philosophy include

- High check average: \$45 to \$100 per person
- A low turnover rate: a 100-seat capacity foodservice operation will have a three-quarter to one-and-a-half turnover capacity
- Square footage per person: 24 to 30 square feet to provide greater room and privacy, which allows the customer to be more relaxed
- Illumination level (lighting): low
- Colors selected are relaxing: pastel and earth-tone colors, such as tan and beige
- Employee movement in the dining room is not so rapid as to give a rushed impression and not so slow as to suggest indifference
- Seating is very comfortable: the use of fabric-padded seats provides more comfort
- Noise (decibel) level: a quiet, relaxing level of 30 to 70 decibels, facilitated by the use of soft acoustic material (wood, plants, carpets, fabric wallpaper, or other materials that absorb sound waves)

- Menu selections that are extensive (60 to 125 items) or limited (20 to 45 items), with more of a description accompanying the food items so as to enhance a person's appetite (when done correctly)
- High-quality interior decor: an atmosphere that encourages customers to relax, enjoy themselves, and spend money

It is important that a foodservice operation select only one philosophy. A combination of two or three philosophies during various hours of operation will only serve to confuse the customers and to deter them from identifying who you are and what you are all about. Very few foodservice operations can successfully combine philosophies and achieve a profitable margin.

## Clientele

It is critical that the menu planner know the type of clientele for whom the menu is being planned. In the commercial segment, the primary motive for going into business is profit. To generate a maximum profit, the menu must satisfy the clientele.

The menu is one of management's ways of meeting the demands of the clientele. The menu needs to reflect these demands through food selections, price, and creativity.

## Check Average

The *check average* is used to indicate the amount of money that people are spending. Foodservice managers use this information to evaluate and to set financial goals. If a foodservice operation sets a \$12.50 check average per person as a goal prior to opening and is achieving only a \$9.50 check average per person after it has opened, this information allows management to analyze why the check average is \$3 short and to make the necessary changes. If management does not use this information, it will fall short of its financial goals, which could lead to indebtedness or failure.

## Decor

The decor, or decoration, of a foodservice establishment should project an image with which the market can identify. All of the exterior and interior design (such as landscaping, painting of the building, color of the menu, the type of artwork, the wallpaper, the style of windows, the size and shape of the parking lot) must be done to accommodate the taste and style of the market. The first impression of the interior is derived



from the appearance of the exterior of a property. A littered parking lot reflects a negative image—one of messiness and filth that is certainly not appealing or attractive to the customer who has never been to the establishment. To know what the market is looking for, you must do a market survey (see Chapter 2).

## Profit Margin

**Profit margin** is the amount of money made on a food or beverage product. All food and beverage products generally have different profit margins, even if they have the same food cost percentage.

The profit margin is calculated when the food and beverage product is marked up from a preliminary selling price to a final selling price. For example, a slice of apple pie may cost \$.35 to make. To make a profit, the slice of pie is sold for \$1.75. The difference between \$.35 and \$1.75 is \$1.40, which will pay for the ingredients, the cost of labor, the cost of the equipment, and the energy to make the pie, and will also contain a percentage for profit. When the price of the pie is increased to \$2.25, the true margin of profit increases. If the price is lowered to \$1.50, the margin of profit is lowered.

Management will always make a profit on the piece of apple pie if it is priced correctly. The question is, how much profit? The answer is determined by how much the market is willing to pay for the slice of pie. If the market will pay \$3.50 for the slice of apple pie, then management can price it at \$3.50 on the menu. (This topic is discussed further in Chapter 7.)

## Competition

Competition in the foodservice industry, as in all business endeavors, keeps operations at a competitive edge. Management must keep its standards high or the customer will go elsewhere. Competition does the following:

1. It keeps the prices of menu items under control and competitive. A food operation will not overprice a product such as coffee, which is common among all operations.
2. It decreases advertising costs. If an independent foodservice operation locates next to a national foodservice chain organization, the independent operation can reduce spending on advertising, since the chain operation brings customers into and next to the independent foodservice operation.

## Market Trends

The market is always changing. To be successful, the menu in a commercial foodservice operation needs to keep pace with the changes in the market. The menu planner and management must accurately forecast the demands of the market. This task is not simple. The following items must be considered: (1) new developments in food products, menu styles, decor concepts, as well as a variety of other trends occurring in the foodservice industry; (2) the economy and how it is affecting the market; and (3) the social needs of the market.



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## Review Questions

1. What is the most important factor in planning a menu for an institution?
2. List three major areas with which a menu planner must be familiar in order to plan any type of menu.
3. Explain how foodservice managers will use the check average to determine financial goals?
4. List five elements that a menu planner must take into consideration when planning a menu for a commercial foodservice operation.
5. To accurately forecast changes within the market, which three areas must the menu planner and management recognize?



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## Additional Readings

“A Road Map for 2000,” *Restaurant Institution*, 1 January 2000, 66–74.

Wallace L. Rande, *Introduction to Professional Foodservice* (New York: John Wiley & Sons, 1996).