Chapter 2: Menu Planning as a Control Tool

Menu-Pricing Methods

Food cost percentage method

$$\text{Selling Price} = \frac{\text{Food Cost}}{\text{Desired Food Cost \%}}$$

Factor system

$$\text{Pricing Factor} = \frac{100\%}{\text{Desired Food Cost \%}}$$

Selling Price = Food Cost × Pricing Factor

Contribution margin method

Selling Price – Variable Costs = Contribution Margin

Selling Price = Product Cost + Desired Contribution Margin

Prime cost method

Prime Cost = Food Cost + Wages + Employee Benefits and Payroll Taxes

$$\text{Selling Price} = \frac{\text{Prime Cost}}{\text{Prime Cost \%}}$$

Texas Restaurant Association (TRA) Markup Method

$$\text{Selling Price} = \frac{\text{Actual Food Cost}}{\text{Desired Food Cost \%}}$$