

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Theoretical based**

##### **2.1.1 Restaurant Operational**

Basically, restaurant operation is divided into 2 parts which are back house and front house. Back of the house including the purchasing, receiving, storage, issuing, food preparation, dishwashing area, sanitation, accounting, budgeting, and control (Wiley, 2014). Meanwhile front of the house is refers to personals who interact with the customer directly. Front of the house generally are restaurant manager, host and servers. Both parts in the restaurant have to team up while planning and making decision in order to run the operation successfully and smoothly.

In general, back of the house is the center of the operation so they must be run properly to produce and excellent product to satisfy the customer taste by ensure the quality, flavor, presentation and also meeting the costing goals (Wiley,2014). Meanwhile, the front of the house is often called the face of the operation. Those who are in the front of the house, have to make sure to give an excellent dining experience for their customer by having a well-planned management of the operation flow and share a continuous information to back of the house.

##### **2.1.2 Menu Management**

To produce a well-designed and interesting menu, a series of processes carried out in menu management must be taken carefully and full of consideration. As outlined by Caliskan and Ozdemir (2014) menu planning, menu pricing, menu designing, menu operating, menu development has such a crucial involvement. The description of each step is shown in table 1. The concept of menu management that much related to the menu changing appear in the first step on the process.

Table 2.1 Conceptual structure of menu management

<b>Management issue</b>	<b>Short description</b>	<b>Outcome</b>	<b>Relevant variables</b>
Menu Planning	Process of generating an optimal menu content	Menu content	Menu item selection criteria, menu changes and variety, menu item innovation
Menu Pricing	Formulation of menu item prices	Menu item prices	Pricing methods, Price perception of customers, psychological pricing
Menu Design	Designing menu display	Menu display	Menu characteristic, item layout, description and item label
Menu Operating	Developing and implementing the standard and procedures regarding to quality, hygiene and cost	Operation	Budgeting, assuring food safety, controlling cost, standard operational
Menu Development	Analyzing performance of menu items and improving the performance imperfections	Menu item performance and improvements	Analysis methods, improvements strategies

Source: Ozdemir & Caliskan (2014)

### **a. Menu Planning**

As shown from the table above menu planning has variable including the menu changes and innovation, menu innovation and menu item selection criteria which are correspond to the managerial and operation activity in a restaurant. Morrison (1996) research has revealed that the consideration and criteria taken on process of designing the dishes to appear on the menu are the ability and skill of staff, availability of material, equipment and space as well as profitability analysis where the restaurant business operation and menu item category are included.

Without staff, the restaurant could not even run the business. There are production staff who produce the product and handle the dishes and service staff who delivered the dishes and has direct interaction with the customers. Generally, the research majorly show that skill of production staff is very important as how good they are to handle the dish by its complexity (Walker, 2014). In the other side service staff has to has a well knowledge on the menu produce by kitchen staff in order to communicate and giving the right information to the customers who have many differences preference while choosing what they eat. One of element while interacting with the customer is the product interaction element (Stein, A. and Ramaseshan, B. 2016). Both staff in two areas are important in this case, besides the skill level, menu planning can lead the executive chef and restaurant manager to plan on staffing pattern regarding to the style of menu and restaurant (Walker, 2014).

Furthermore, process of selecting menu items require innovation based on the criteria mentioned by Morrison (1996) which are profitability analysis and also the customer preferences (Breinstein et al, 2008). Menu innovation could direct to menu changing based on existing condition in the restaurant, whether the material available in the restaurant changes or the demand of the item is lower by the time and not given a profit for the business. Recent studies found that many restaurants in the USA has changes their menu item considering a healthier menu item in their menu choices (Glanz, 2007). Changing a menu item or having many variety of menu items can affect the

staff working performance (Wiley, 2007). A specific requirement on handling the ingredients and to become a fantastic dish is needed, moreover it could enhance the knowledge of staff both kitchen staff and service staff.

### **b. Menu Pricing**

Determining the pricing strategy is as important as planning the menu. Often, the customer's perception of the price they pay for the products in line with the quality of product they received or in the restaurant case how do they received a service and the meals. Many businesses recently using a psychological pricing in the business pricing strategy. Pride and Ferrell (1997) describe psychological pricing strategy as a structure and presenting price that appear to appeal consumer's feeling and influence the decision-making process. This psychological pricing sometimes plays more than the actual price to influence the customer. The example of psychological number is for instance, the actual price of an item in the menu is € 18, to influence the consumer the price is presented lower than the actual price for instance € 17,50 or often set as € 17,90.

Besides, there are several others pricing strategy such as uniform pricing or dynamic pricing (Nazari, 2012). Uniform pricing strategy is the price of an item that fix and stay overtime regardless any changes in the environment and inventory level (Farahmand and Chatterjee, 2008) in Narazi (2012). Contrary, they also cite the dynamic pricing as a way of making the price changing regard to the environment changes, demands and any other factors.

### **c. Menu Design**

Bowen and Morris (1995) emphasize that menu is part of restaurant personality. The layout of menu items in the menu very depends on the restaurant concept and profile. A well-design menu that meet customer expectation can encourage the customer to begin their transaction. Menu presentation, design and description have their contribution to meet customer expectation (Jones, 2002).

Menu structure is designed according to the type of service and restaurant concept. According to Jones and Mifflin (2001), basically there are

only 2 types of menu i.e *table d'hôte* and *à la carte*. The characteristic of both type of menu is pointed out as follows:

Table d'hôte menu:

- A fixed pack price (usually contain 2 – 4 courses)
- Limited menu choices within each course
- Offering less number of courses (starter, main course, dessert)
- All dishes are ready at a set time

*Menu du jour* is one of *Table d'hôte* menu which offer on one fix price for 3 courses meals which usually use in lunch or dinner time. This type of menu is easier to handle for both employee and customer.

Meanwhile, *À la carte* menu :

- Offering larger selections of menu
- All menu is prepared to order
- The price is determined for each dish
- Generally, more expensive

In the *à la carte* menu, greater selections such as seafood and meats could be categorized as a part of courses. Images graphic and icons can be attractive to increase the sale (Walker, 2014) as well as the size of the paper, the focal point of the menu influence the customers.

The accuracy in the menu also empower the influence to the customer while reading the menu. This accuracy in designing a menu is one of the technique that also mostly used in the restaurant by providing the correct and proper description of ingredients used in the menu (Ozdemir and Nebioglu, 2018) can help the customer to know exactly what they are going to take and also helps the staff waiters to explain and give a suggestion for customer efficiently and saving time. Bowen and Moris (1995) found that placing an item in suggestion areas on the menu can influence the sale of selected items, while still the most influencer of guest purchase decision is the staff.

#### **d. Menu Operating**

According to Linassi et al (2015) there is two technique uses in menu planning operation which are activity-based costing and menu engineering costing. Activity-based costing is a costing methodology on menu that point out the activities related to the resources consuming not by the product its produce (Kaplan and Cooper, 1998). And so, the Menu engineering is a tool of menu management to assess the potential profitability of menu regarding to the production aspect. The menu engineering technique could address a future projection for analyzing the menu item. Menu engineering can be assessed based on its profitability which first introduced by Miller (1980) and then modified by Kassavana and Smith (1982) to analyze the menu by its popularity. (Ozdemir and Caliskan (2014) stated that those activities and production process are expected to be considered by restaurant manager who in charge in menu management to be able to controlling the cost, forecasting the demand of a menu item, minimizing the failure in the service process and assuring the hygiene and food safety. Therefore, a restaurant firm is highly required to implement HACCP system in their restaurant to ensure the food safety (Eve and Dervisi, 2005).

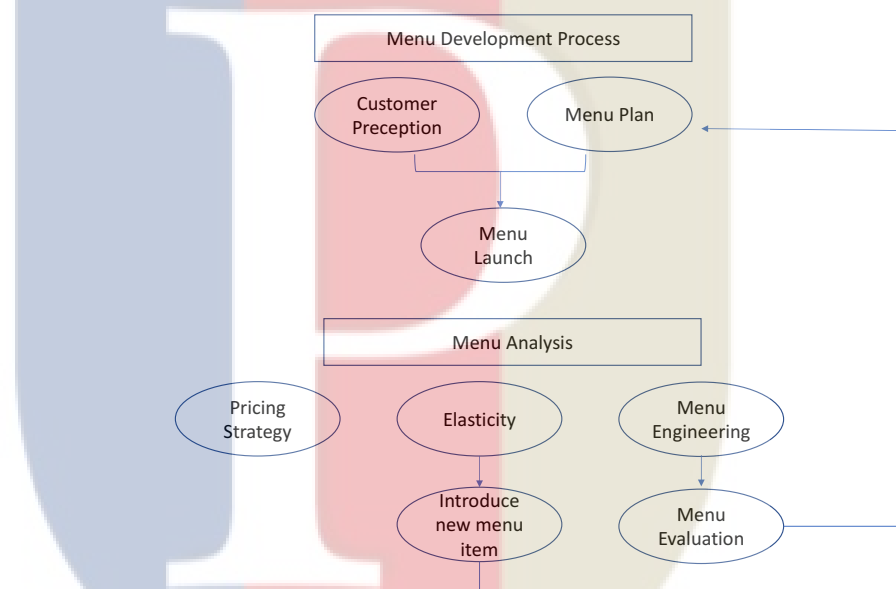
Regarding to the hygiene and food safety, producing a menu item according to the standard and recipes is very important to control the quality of food (Jones and Mifli, 2001) as well as the sustaining the cost. Restaurant customer are aware about how the food is process and handling to serve into their table. Therefore, the production staff have to take a proper attention to every step in the process of producing a food from receiving as well as service staff that educate-well about the menu process and serving. The serving process in the sequence in the operational which sometimes can be failed in any step and interfering the operational hours.

#### **e. Menu Analysis**

Menu analyzing is the step of menu management which elaborate the menu items to be examined one by one in order to see the performance and contribution of each items to restaurant operation and profitability that approached by Bayou and Bennett (1992) in Walker (2014). Ojugo, Clement

(2010) in his book also cite that menu analysis is the process of evaluation the menu cost and sales in order to identify customer's perception and need and how to improve the performance of the menu which useful for making a decision for marketing and operation in the restaurant.

This step is an important to in the whole process of menu management especially when the restaurant plan to change the menu and doing a development on the menu. The process of menu analyzing including the steps before which are considering the menu pricing strategy and the menu engineering. Clement Ojugo (2010) also make a diagram on how these menu analysis process and effectiveness as shown down below:



Source: Clement Ojugo, 2010

Figure 2.1 Menu analysis process

In regards to menu analysis, revenue and profitability have taken a part in the process of evaluating. There is no doubt that business owner wants to increase the revenue and earn as much as profit they can. Revenue and profit is depended on the pricing strategy applied on each item as well as their performance that shown in menu engineering. The demands of menu item also determined the menu analysis, should or not an item continue to be sale in the menu. If it is not continued, there must be a problem or failed in the menu which address the manager or executive chef would take a step to either

modified or change the menu into new menu item. If so, the process will be back to menu planning and development process.

## 2.2 Conceptual framework of study

The *Le Bistrot du Potager #2* has frequently change the menu items in their menu management process. The change of the menu items might have the impact to the business operation in every level of position. The analysis of the impact of menu changing is shown in the diagram down below:

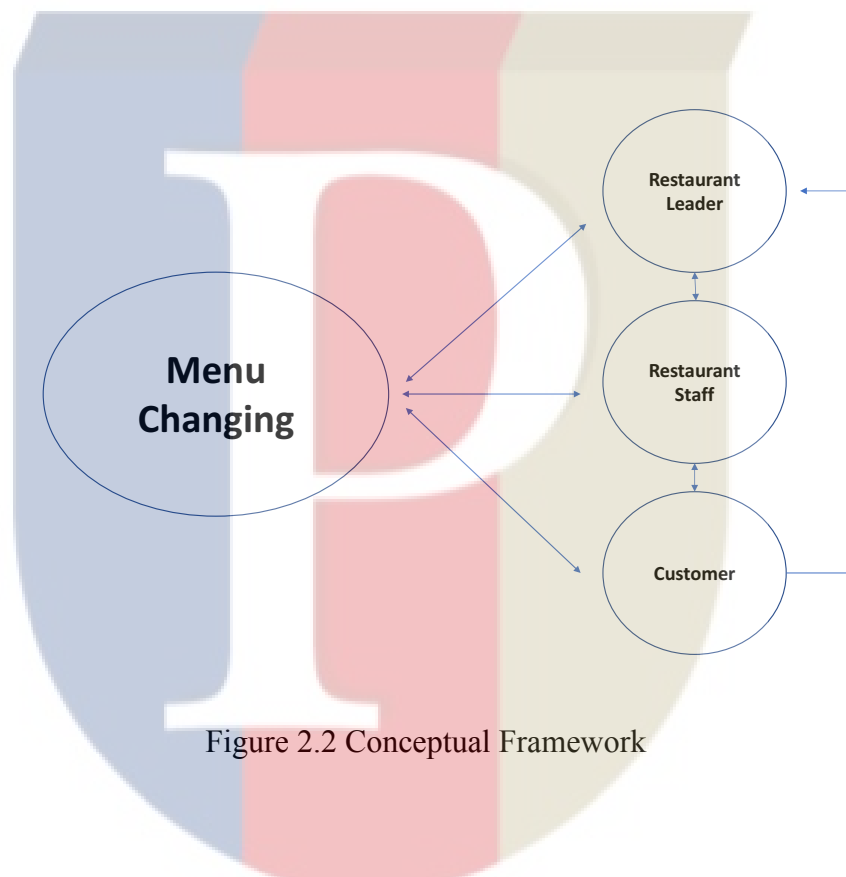


Figure 2.2 Conceptual Framework

The research framework in this research included the level of leadership level which are the restaurant manager and executive chef who plan and make the concept of the menu. Those are the people who keep the details information in the process of planning until analyzing. However, in order to do the analyzing of menu process, the leadership level need to get the information and perception from the staff level who produce the food and execute the menu item and deliver it to the customer. Nevertheless, customers perception is very important to be considered. The impact of the menu changing into customer experience and reaction. Contrariwise, how the customer reaction can change the menu item in a restaurant.