

Existing customers hold key to operator survival

By Mark Brandau

CENTENNIAL, Colo. (April 7, 2009) Given vast changes in the restaurant industry's operating environment during the past year, operators now more than ever need to market to their existing customers and ensure a quality guest experience, according to Restaurant Marketing Group, based here.

The consulting firm's recently published 2009 Restaurant & Consumer Trends report established "The Four Ah-ha's of 2009," or the overarching trends identified from the online survey of more than 2,000 adults between 18 and 64 years old. The finding stressed that 1) consumers are seeking out better options, 2) more restaurants are competing for consumer visits, 3) more than half of consumers are eating out less often than they did a year ago, and 4) restaurants are pulling back on giveaways and portion sizes.

What those trends show in combination, said Arjun Sen, president of Restaurant Marketing Group, is that traditional boundaries for industry segments have disappeared, and restaurant customers know they're in a buyers' market.

"I don't know whether it started with consumers or with brands, but what we're seeing is encouraged on both sides," Sen said. "Consumers have figured out ... first, what I get right now for my money, the same thing is available somewhere else cheaper. Second, if I have to spend the same amount of money, I can get something a little better."

Sen points to McDonald's upgraded coffees, which are intended to steal share from Starbucks, and Domino's foray into the sandwich segment with its Oven Baked Sandwiches, which are designed to take on Subway and Quiznos, as signs of these blurred battle lines. Consumers have noticed, too, according to the study's data: 41 percent of respondents said the number of restaurants competing for their dollars has increased.

"Now restaurants see categories shrinking, and every brand is competing hard for customers," Sen said. "It's better to go outside the category for somebody with a similar need. Domino's realized that the sandwich category is booming, and that toasted sandwiches are better, and the only thing customers don't have is a toasted sandwich that they can get delivered to their homes."

Also, because many consumers are eating out less frequently, and because more restaurants are transcending industry categories to reach them, it's imperative for all restaurants to appeal to their existing customers with aggressive local-store and in-store marketing, Sen said.

"We use a quote from 'Pretty Woman' to explain this: 'I'm going to treat you so nice that you won't want to let me go,'" Sen said. "If you starting looking with that mindset and subscribe to the hypothesis that every time a guest comes to you, he is making the revisit decision before he leaves, all I need to do is get my future-dollar decisions made by guests in my store, where I should have every advantage."

But make sure store-level promotions and offerings don't give the perception of cutting corners, Sen said, because customers are savvy enough to know when portion sizes are cut significantly. In fact, 37 percent of the survey's respondents said the amount of food they received for the money they spend has decreased in the past year.

"Consumers are seeing that restaurants are trying to hold back," he says. "If you start holding back on one thing, like the fries or the cornbread, I'll ask what else are you doing that I can't see."

Restaurants can make very direct, honest and rational decisions about freebies or reduced portions, Sen said, like Applebee's and other casual-dining chains, which pair reduced portions with reduced prices.

Ultimately, Sen said, all this competition and increased interest from guests will be good for the industry, especially smaller chains and independents.

"This is an engaging moment for the industry," he said. "If I were a small chain, I'd be excited. Consumers outside my segment are looking for options. I can compete with anyone right now, because consumers are giving me that power. If consumers are paying the same \$10, but want something better, they'd rather spend it where an operator knows them than somewhere taking them for granted."

Contact Mark Brandau at mbrandau@nrn.com.