

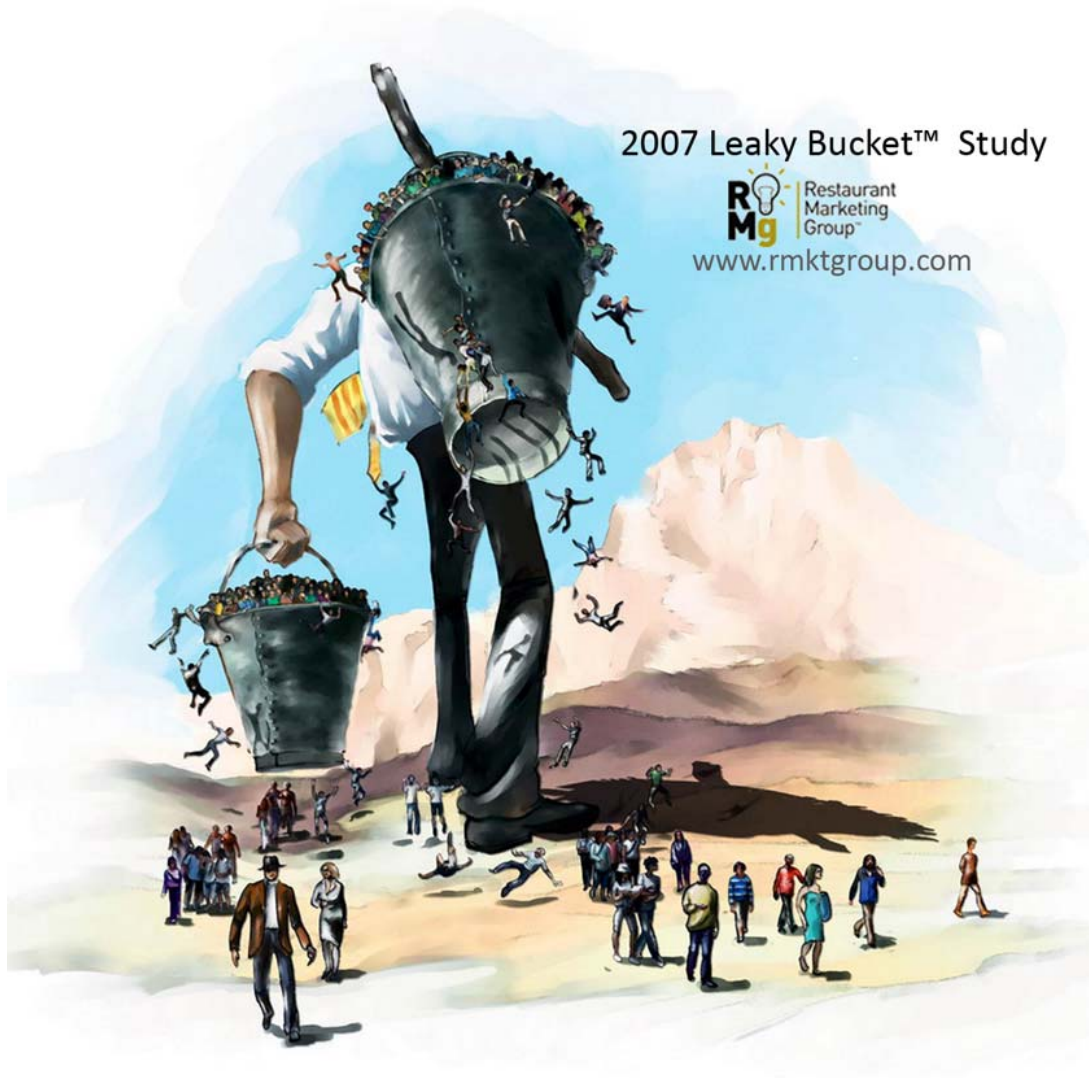
STUDY OUTLINE

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2007 Leaky Bucket™ Study



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2007 Restaurant Marketing Group Leaky Bucket™ Study

Background:

Restaurant Marketing Group™ (www.rmktgroup.com) partners with national and regional restaurants (Quick Serve, Fast Casual and Midscale) to optimize marketing, operations and customer retention programs.

A brand's Leaky Bucket™ is a measure of what percentage of the brand's customer base is not likely to return to the brand. For most brands who offer 'Guest Experience' nearly 30% of the customers fall in the Leaky Bucket™. Another 30% are fence-sitters. In order to meet company goals a brand needs to target a larger percentage of customers to allow for the leak.

For example, if marketing wants to increase sales by 5% then they must target 35% to allow for the 30% that is leaking.

Restaurant Marketing Group™ (RMG) classifies a brand's customer on how sure they are of returning to the brand. The following is RMG's classification:

Active customers:	More than 90% sure
Fence Sitters:	Between 50% to 90% sure
Leaky Bucket™:	Less than 50% sure

Reason for Identifying and Fixing Leaks:

Over the years, Restaurant Marketing Group has identified the following three reasons why customer retention is critical for a brands' ongoing success:

- **Better ROI of Retention:** For a fast food restaurant, a customer needs to come back at least 3.6 times before a brand can recover the acquisition cost. It costs 5 to 10 times more to get a new customer than to retain one.
- **Costs More the Second Time:** It takes nearly twice as much resource (time, effort and money) to make a lapsed customer to come back.
- **Retention Pays:** Super Heavy users are worth at least double that of a heavy user. Using a pizza restaurant as an example, a super heavy customer is worth nearly \$2500 / year, 220% of that of heavy users and 420% of that of a medium user. Similar numbers are true for all brands.



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Methodology

The Leaky Bucket™ is an online study completed among 1,500 adults between 18 and 55 years old. Each brand in the study was measured only among respondents who had tried the brand. Customers who fall in the Leaky Bucket™ of a brand – i.e. stated they would not return – are asked which areas (Food, Menu, Atmosphere, Price/Value, Location, Service and Family Friendly) are the primary drivers in their reason not to return.

The following brands were included in the main section of the 2007 study.

Burger Category

McDonald's, Burger King, Wendy's and In-N-Out Burgers

Pizza Category

Pizza Hut, Domino's, Papa John's and Papa Murphy's

Sub/Sandwich Category

Subway, Quiznos and Panera Bread

Mexican Fast Food Category

Taco Bell and Del Taco

Chicken and Seafood Fast Food Category

KFC, Popeye's Chicken and Long John Silver

Mexican Fast Casual Category

Chipotle Mexican Grill, Qdoba Mexican Grill and Baja Fresh Mexican Grill

Coffee Category

Starbucks

Midscale Category

Applebee's, Chili's, P.F. Chang's and California Pizza Kitchen

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Detailed Report Outline:

1. Three Steps of Leaky Bucket Research Analysis

This section of the report will take a reader through the concept of using the leaky bucket as developed by Restaurant Marketing Group (RMG). The three main steps discussed are:

- a. Measuring Leak by brand
- b. Identifying areas of leak
 - i. Tier 1 Areas: Food, Menu, Atmosphere, Price/Value, Location, Service and Family Friendly
 - ii. Tier 2 Areas: Each of the above areas is probed using RMG's proprietary methodology. That is NOT INCLUDED in the initial study. Tier 2 probing can be implemented for a brand at the request of the brand.
- c. Identifying critical few areas the brand must impact

2. The 4 Main AH-HA'S from the 2007 Leaky Bucket™ Study

The study discusses in detail the following four key ah-ha's:

- #1: If you solve for inefficiency in a category, you will be rewarded.
- #2: Brand that gain customers primarily by promotions, has to continue the same to make customers come back.
- #3: All brands must address price-value on its own terms.
- #4: Location-Location-Location: It's importance in Restaurant Business.

3. Leak and Tier 1 Leak by Category

In this section the report discusses, in detail, the magnitude of leak by brand for each of the categories in the research. The research also defines what % of the leak can be attributed to each of the Tier 1 reasons (Food, Menu, Atmosphere, Price/Value, Location, Service and Family Friendly)

- Burger Category
- Pizza Category
- Sub/Sandwich Category
- Fast Food Mexican Category
- Fast Food Chicken and Fish Category
- Fast Casual Mexican Category
- Coffee Category
- Midscale Category

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Cost:

Cost of the study: \$6,000* (available 3/16/2007)
PDF Report includes
Leaks by brand
Tier 1 reasons for leak

Cost of further identifying the reasons for leak (tier 2 attributes) \$35,000 to \$45,000**

*This is a custom study that is implemented for each brand. The actual cost depends on the incidence of the brand and the geographical location of the study.

*The purchase allows a brand/company/organization to use the data/information for internal use only. It cannot be shared with any other organizations outside its corporation. Restaurant Marketing Group is the sole owner of the information in the report. None of the report information, in whole or in part, can be used in any communications, marketing materials without Restaurant Marketing Group's written consent.

