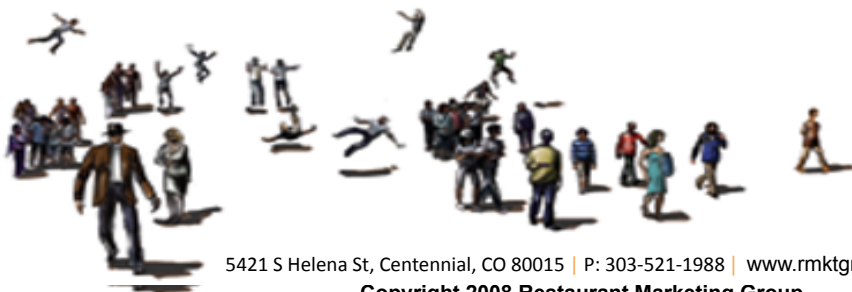




## FREQUENTLY ASKED QUESTIONS



## LEAKY BUCKET® Frequently Asked Questions

### Question: What does the Leaky Bucket® size mean?

#### Answer:

The Leaky Bucket® Study measures the size of a brand's customer base who are unlikely to return and drills down to specific reasons for each customer leak.

In the restaurant industry, the main long term performance indicator for a brand is its traffic (or transaction) count. Traffic count can be maintained only by high customer retention since a restaurant cannot relocate frequently to acquire new customers.

Restaurant Marketing Group (RMG) classifies a brand's Leaky Bucket® size on the percent of their customer base who are less than 50% sure they will return. The following is RMG's classification of that group:

- **Moderate Leak:** <20% of total customer base leaking
- **Big Leak:** 20-30% of total customer base leaking
- **Extreme Leak:** >30% of total customer base leaking

At any given point in time, a brand should aspire to have a lower leak size. Lower leak scores indicate fewer customers are unsure of returning to the brand.



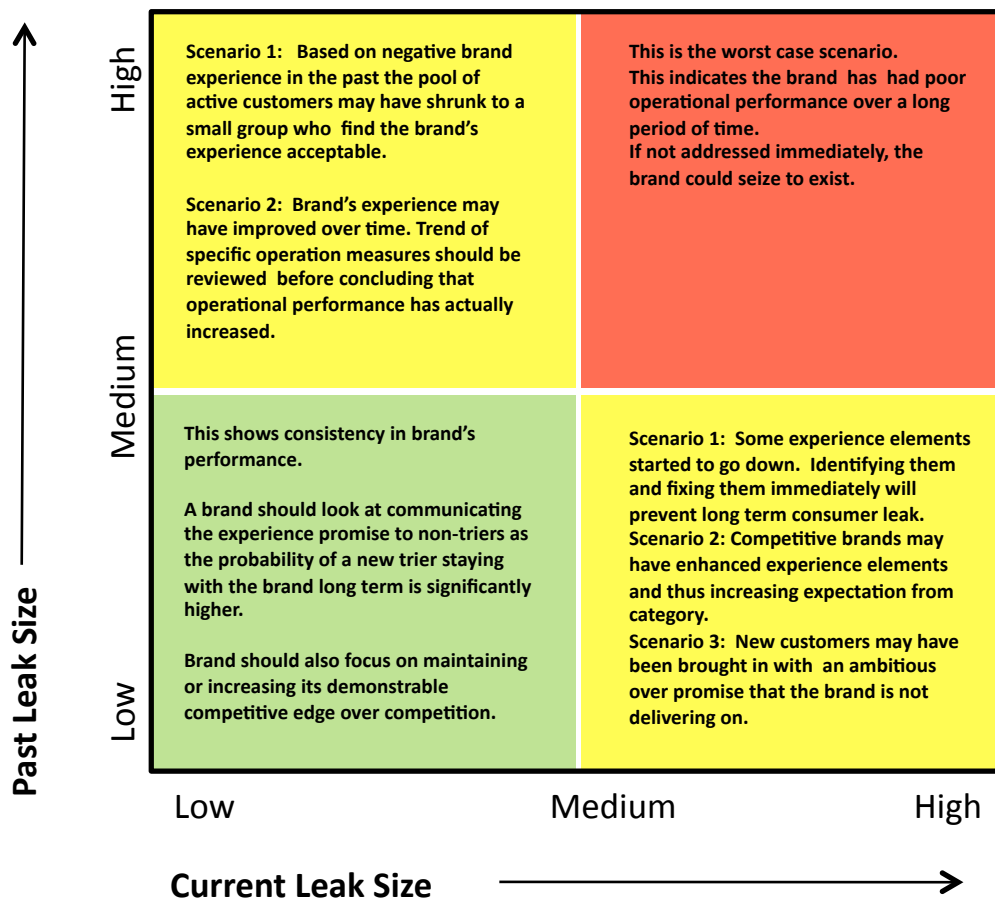
## LEAKY BUCKET® Frequently Asked Questions

### Question: Does lower 'leak size' mean the brand is performing better?

#### Answer:

In most cases, higher leak size means a large group of brand triers are unsure of coming back. But lower leak size does not guarantee the brand's operational success. Before using 'low leak size' as an indicator of a brand's operational experience, it is important to explore whether the leak size for the brand has changed over time.

A Leaky Bucket® score should not be used as a long term strategic number by itself, but must be used and compared with past data to determine company trends. If a brand has a low leak size over time, it is a proof of its operational consistency or excellence. If a brand had a high leak size in the past and a lower leak size currently, it may indicate a sizable group of triers has stopped using the brand and fallen in the lapsed category. As a smaller percentage of triers choose to return to the brand, their expectation of the brand may be low and they have thus decided to 'settle' with the brand's experience.

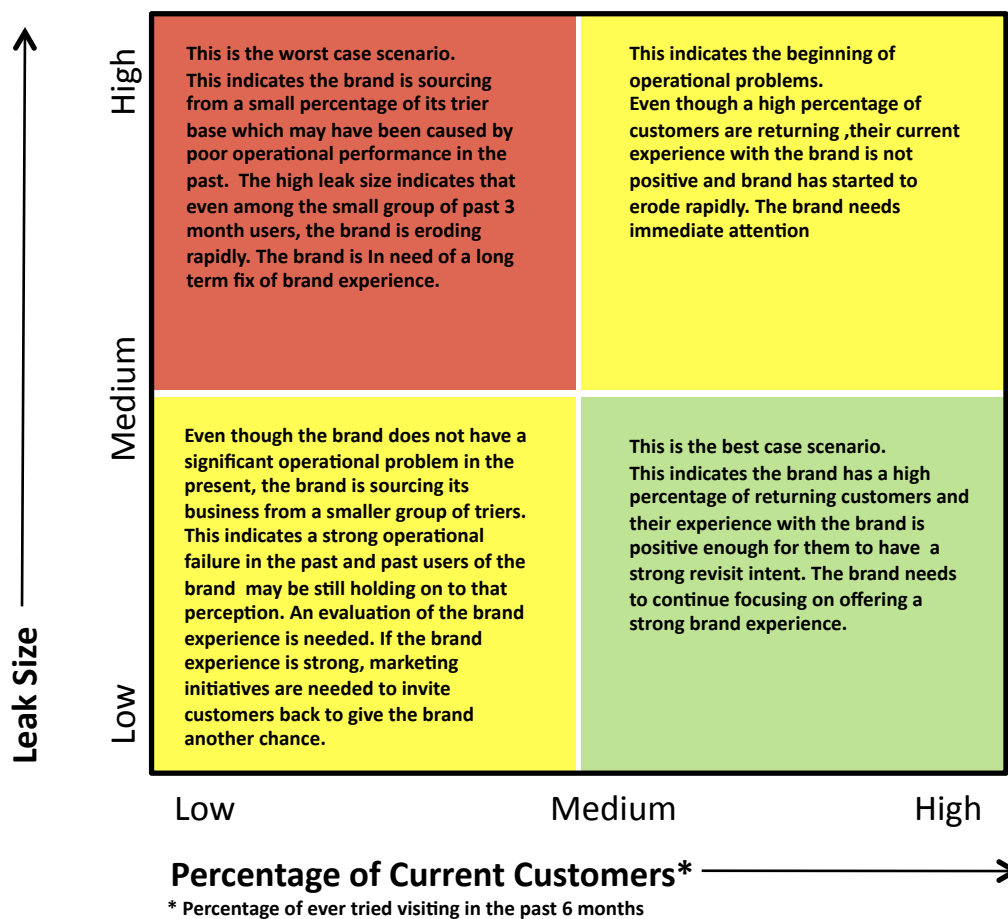


## LEAKY BUCKET® Frequently Asked Questions

**Question: Does lower 'leak size' mean the brand is performing better?  
(CONTINUED)**

**Answer:**

In the absence of historic Leaky Bucket® data, Restaurant Marketing Group recommends looking at past operational measures including the percentage of ever tried and the percentage of past six month users.



## LEAKY BUCKET® Frequently Asked Questions

**Question: “Areas we always saw as our strengths show up here as main reasons for our leak. How can that happen?”**

**Answer:**

Before discussing this, RMG wants to emphasize that consumers never lie. Hence it is very important to put into perspective what consumers are saying. A brand's Leaky Bucket® measures a customer's surety to visit a brand in the future within a fixed period of time. Hence it is not a rejection. As Leaky Bucket® does not measure rejection and instead is a measure of lapsed /churned customers, the reasons for leak may not sync with areas in the customer complaint line. If an area jumps up as a reason for leak it means the following:

A brand's performance in those areas fell short of consumers' expectations. The shortfall was significant enough for the consumer to be unsure about returning to the brand. The higher consumer expectation could be driven by:

1. Past performance of the brand
2. Increased level of brands in the area that consumers consider to be in the 'choice set'.



## LEAKY BUCKET® Frequently Asked Questions

### Question: What actions can a brand take to use Leaky Bucket® results?

#### Answer:

RMG recommends a one day review of the Leaky Bucket® report and a brainstorming session with the management team. The review and the brainstorming should involve the following three fundamental steps to action.

1. **Learn:** We share the Leaky Bucket® report with a detailed analysis of the tier 1 reasons for leak (Food, Menu, Atmosphere, Price/Value, Location, Service, Family Friendly, and Other). This analysis includes a detailed understanding of the primary drivers for customers' decisions not to return to a brand. The brainstorming session includes:
  - a. Deep dive into each of the reasons for Leak (e.g. if Food is a reason for leak, we identify what about food is the reason for the leak).
  - b. Benchmarking information from within and outside of the category to identify best practices.
  
2. **Plan:** RMG believes relevant knowledge needs to be followed by plan development. RMG suggests the following three step planning process:
  - a. Accept / acknowledge the opportunities.
  - b. Prioritize what 'critical few' to work on.
  - c. Determine the vision of success.
  
3. **Act:** RMG believes once a plan is set in place, taking immediate action is crucial. RMG suggests the following:
  - a. Identify current training elements that reinforce the areas shortlisted.
  - b. Implement /roll-out with a vision for guest experience.
  - c. Measure and celebrate progress.

**(Continued on next page)**



## LEAKY BUCKET® Frequently Asked Questions

### Question: What actions can a brand take to use Leaky Bucket® results? (CONTINUED)

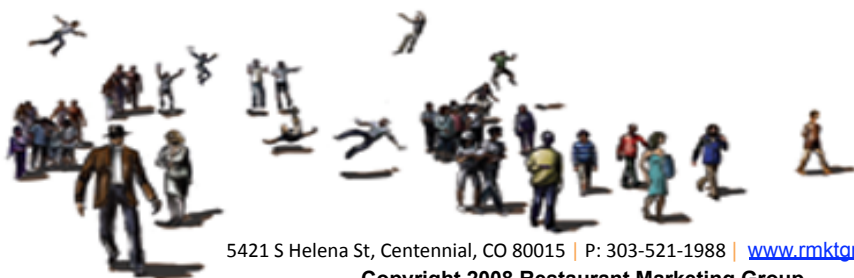
#### Answer:

The following is an example of prioritized actions a hypothetical brand can take:

Functional Area	Need to Develop Short Term Action Plan for These Issues	Immediate Tactics	Longer Term Threats
<b>Conceptual Elements and Functional Areas</b>	High leak for “availability of low prices” but a low leak for “what you get for what you pay”.	No immediate tactic.	Customers are willing to pay for what they’re getting. If competitors enter the market with a similar product at a lower cost, it may be a viable substitute.
	Perception that the brand doesn’t provide freshness (cues, products, etc.).	No immediate tactic.	Brand communication has to be reevaluated.
<b>Operations</b>	Employees not attentive/ disorganized. Employees don’t care.	Revisit team member training elements.	Review hiring practices.
	Menu too complicated / ordering process confusing (not clear where to order, issue with the menu board).	No immediate tactic.	Menu development to make ordering experience easier.
<b>Marketing/ Branding</b>	Not enough combo meals. Cannot feed a group without paying too much.	Menu mix & ticket average analysis and going forward recommendation.	How can we reduce total cost that is too high.
	Taste is not different than competitive offerings.	No immediate tactic.	Brand differentiation strategy.
<b>Restaurant Development and Design</b>	Seating not good for groups.	No immediate tactic.	Store redesign (medium level of intensity).



“Leaky Bucket® provides information that can change a business trajectory. As a marketer, understanding why consumers are leaving the brand is as important as why they are coming. Stemming the flow of defectors creates a strong ROI on all efforts.” Trey Hall, Former Chief Marketing Officer of Boston Market and Quiznos.



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