

## OPINION

# Focus on retaining loyal guests instead of fighting for new ones

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Traditional mass marketing depended on interrupting customers with repeated broadcast messages. Mass marketers relied on “bribes” to sell products when using discount offers. These were the ways to leverage TV, radio, newspapers and other forms of mass media: trumpet a one-size-fits-all message and coax consumers to buy products with coupons.

Today, leading restaurants are shifting the way they reach their guests and reaping the benefits. By leveraging one-to-one marketing tools, restaurants are directly connecting with their customers to build loyalty that measurably increases sales — profitably.

### Changing the profitability equation

The restaurant industry’s current marketing migration is driven by decreasing profits. The industry

now numbers more than 950,000 locations. Overexpansion has led to sales deterioration as guest count increases became a zero-sum game.

Traditional marketing produced hazy results at best. Today, the evolution of capabilities has enabled marketers to target their marketing dollars on programs that demonstrate a measurable ROI.

Smart marketers are changing the equation. Instead of luring customers into the restaurant with a single-use coupon, they are building loyalty with their guests and providing rewards after multiple visits.

This shift from “bribes” to “rewards” constitutes a profound change. Bribes push consumers to make a single purchase. Once the coupon is redeemed, the incentive to return and buy more evaporates. This approach trains customers to wait for the next coupon.

In contrast, rewards create incentives that pull guests into your restaurants multiple times. A loyalty

program initiates a relationship with guests and encourages multiple visits by promising a benefit after a string of purchases. Customers have a choice, and they choose to be loyal because they receive ongoing value with each visit, not just a few cents off, and elect to work toward a reward they value.

Customers are fighting back against interruption marketing. Although broadcast media still command large audiences, they are losing their punch. Tivo makes skipping television commercials commonplace. Radio audiences increasingly tune to commercial-free satellite stations or plug in their iPods.

Most marketing budgets spend more than 90 percent of advertising dollars on acquisition and the remainder on retention of guests. We suggest that there should be a shift to allocate more to retention spending. Leading researchers agree. In their report, “Trends 2009: Customer Relationship Mar-

keting,” Forrester Research, Inc., noted that “customer loyalty will trump customer acquisition,” particularly in a down economy. It is far less expensive to “remind” a guest who has previously been to your restaurant than it is to “steal” one away from a competitor.

### Three reasons to adopt a one-to-one marketing strategy:

Shifting to a one-to-one marketing strategy benefits your restaurants in several ways. It gives you a more effective way to reach your guests, allows for a more personal guest experience and generates a solid return on investment.

#### 1. Reach and resonate with your target audience.

Opt-in, permission marketing allows you to cut through mass-media clutter to reach your target audience. Directly connect with customers who want to hear from you and are inclined to respond.

Unlike mass media, with one-to-one strategies you gain the flexibility to tie specific messages to distinct audience segments. Different offers resonate with different audiences. One-to-one messaging allows you to segment your customers and send offers more likely to generate the desired spending behaviors.

For instance, you may like to encourage your loyal lunch guests to try your breakfast menu. Or perhaps a local community event presents an attractive opportunity for one of your locations. The ability to identify these guest segments and send them a specific, timely offer provides a distinct advantage that you just can’t get with mass media.

It pays off. A quick-service restaurant recently found that customers it directly contacted were 97 percent more likely to respond to a promotional offer than the loyal customers it did not contact.

One-to-one strategies ensure



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you reach the right audience with promotions that resonate and motivate spending at your restaurants. Plus, communicating relevant, valuable messages inspires loyalty and builds trust in your brand.

Many companies overlook the emotional connection that their guests have with their brand. Restaurants sell memories as much as they serve food.

## 2. Create targeted promotions and deliver a better guest experience.

Mass-media promotions require lengthy lead times for production and scheduling. Planning happens weeks or months in advance. Then after the promotion, the results are difficult to discern.

One-to-one marketing allows you to be far more nimble and responsive to the real needs of your customers. Electronic solutions provide a couple of potent advantages: speed and insight.

An e-mail can be created right on your computer, bypassing the long and expensive production process of mass-media campaigns. Identify the audience, create a tar-

geted offer, and click the "send" button. Send the promotion when the timing is right and be assured that your target audience will receive your message.

In addition, one-to-one marketing strategies give you insight into customer behavior that you just can't get from mass-media campaigns. Because your one-to-one offers are targeted, easy to generate and readily modified, you can

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run tests and quickly learn what influences customer buying behavior. Ultimately, delivering relevant offers to your customers strengthens your brand and boosts your sales.

Traditional paper-based loyalty cards can't deliver this insight. Paper punch cards provide no guest information and usually fail to engage large segments of your customer base. Plus manual paper

systems are subject to serious fraud problems that strip away the financial benefits.

Now consider the redemption experience. Traditionally, a customer will need to clip a coupon and bring it in to one of your locations. The staff will then inspect the coupon, read it for instructions and expiration, and then figure out how to key it into the register. Both the customer and staff lament the

hassle and the lost time devoted to receiving the discount.

By contrast, redeeming a targeted offer requires just a swipe of the customer's rewards card. The offer is integrated to the restaurant's POS system so the staff sees a message with any instructions. The guest gets the record of the discount on their receipt. It's fast and convenient. More importantly, the restaurant can track the im-

port of promotion and analyze response and purchasing behaviors electronically.

## 3. Get out of the black box. Know your marketing ROI.

Targeted, permission marketing makes sense financially. Dedicating a portion of your marketing budget for one-to-one programs provides relief from the weight of mass-media spending.

An electronic direct-marketing piece can be produced from your desktop or in conjunction with your design team and then sent almost immediately through your e-mail provider. It's fast and targeted so you don't pay for sending your message to people who aren't interested. From a cost perspective, permission marketing provides a tremendous bargain.

More importantly, your brand image is enhanced in a way that is difficult to do in mass media. Why? Because you are speaking to a guest who is predisposed to listening to you. They have asked to hear from you directly. This emotional connection is powerful and

represents a valuable asset to your business.

Mass-media marketing blitzes only permit a view to gross-level results. When audiences consist of entire metropolitan areas or geographic regions, the link to customer response and actual purchase behavior is impossible to trace. Measurement is limited to high-level revenues or visit numbers. Broadcast media permits only a murky view to the impact of your spending.

Gain control of your budget. One-to-one electronic-marketing campaigns enable detailed results tracking. You can see the impact of each promotion and measure the return on investment.

Measuring the "eat-through rate" provides actionable insight. You understand what motivates different guest segments and can create targeted promotions that will resonate. ■

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