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RESTAURANT MARKETING 101

Restaurant marketing is both an art and a science that is shrouded in mystery for far too many restaurant owners. This guide outlines restaurant marketing techniques and principles that we've found to work in successful restaurants around the country. Let's get started with some of the most frequently asked questions restaurant owners ask when seeking a better way to market their restaurants:

Q: WHAT ARE THE KEYS TO GREAT RESTAURANT MARKETING?

A: There are several components to successful restaurant marketing. This isn't an all-inclusive list, but the more common strategic marketing actions include:

DUE DILIGENCE:

Restaurant marketing doesn't happen in a vacuum. Effective restaurant marketing must be built on a foundation of facts and knowledge about the market, your competition, your customers, your internal customers, financial history, marketing history, the industry, and outside forces that will impact your business. It's a lot to worry about, but restaurant marketing has to factor these considerations into the overall strategy. Not even Coca-Cola can afford to market to everyone all the time, so effective market research and due diligence can help you be more effective in your restaurant marketing efforts.

MENU MIX:

Every 6-12 months, you'll want to conduct an analysis of your menu. This will include profitability analysis and competitive menu analysis. To keep your menu fresh, relevant, and profitable, you'll need to know specifically how each item on your menu is performing and also how it stacks up next to your top competition. Think of each item on your menu as a tenant leasing space that has to earn its right to the space you've granted it.

BRANDING:

There has been lots of hype over the last few years about branding. We're all being told we need to do more branding and a better job of branding, but no one has really stopped to explain what a brand is and how you build it. A brand is a promise. It's what customers, employees (internal customers), vendors, the media, and all other key constituents come to expect in dealing with your restaurant. Brand-building is closing the gap between what you promise and what you deliver. A strong brand is one that has alignment between the promise and execution. It's not something that happens when you advertise, and it's not that people recognize your logo or recall your advertising.

POSITIONING:

Positioning is an under-leveraged restaurant marketing component. Positioning is the place you hold in the customer's or prospect's mind relative to the competition (the cheaper choice, the higher quality choice, et cetera). Effective positioning involves incorporation of your Unique Selling Proposition (USP). The USP is the one thing that only you can claim. It's a point of differentiation that the competition either cannot or does not claim.

TRAINING:

Marketing, human resources, operations, and training are inextricably connected. You've heard before that great marketing will just kill a bad operation faster. That's because if you send people into an operation that is performing at a B- level or below, people will have a bad experience and your money would be better spent on operations improvement rather than marketing. Training is a vital component of restaurant marketing for this reason. Your training will have to go beyond just employee orientation. You'll need an ongoing program that constantly improves and evolves your staff competencies. It's also a good idea to include a restaurant marketing component in your training program so that you have a staff of ambassadors to help your sales-building efforts.

Q: HOW CAN WE INCREASE SALES FOR OUR RESTAURANT?

A. Sales-building is so much easier when you know how it works. Fortunately, the methodology is much easier with the following definitions. Every effort you can make to build sales falls into one of just four categories. Every promotion, advertisement, or offer will push one of the following four buttons:

NEW BUSINESS:

These are first-time guests buying from you for the first time. They will establish their opinion of your restaurant during this first purchase and decide what percentage mind-share to award you in the future. New business is the most expensive of the four sales-builders, as acquisition costs are typically 7-10 times costlier to execute than the other sales builders. However, it is impossible to increase frequency, check average, or party size without customers to start with. After a customer base has been established, however, it is advisable to focus considerable efforts on the sales-builders listed below.

FREQUENCY:

This is how often existing customers return to you for future purchases. Frequency is generated by developing enduring relationships and loyalty among customers. While it is rare to disagree that frequency is important, an alarming number of businesses fail to appropriate the needed mind-share and resources to developing successful programs. Consider that the average Pizza Hut loyalist purchases a pizza every 30 days. If Pizza Hut can get this group to purchase just one more pizza in those 30 days, they'd double their sales. So why do they blast the airwaves versus developing more successful frequency programs, such as bounce-backs, loyalty programs, and the like?

CHECK AVERAGE:

Check average often refers to the total purchase for each transaction. In this instance, however, we are referring primarily to per-person check average—the amount each guest or customer spends at purchase. Check averages can be built through price increases, suggestive selling programs, effective internal merchandising, and through add-ons or upgrades, to name but a few techniques. You'll want to make sure that the increase in check average remains consistent with your overall positioning strategy.

PARTY SIZE:

As the name would suggest, party size refers to the number of people in each party. Do customers primarily visit alone, in groups of two, groups of five or more? Whatever the number, you'll want to devise programs that encourage customers to bring more of their friends with them for each visit. Examples of programs include bus drivers eat free, birthday clubs, and refer-a-friend tactics. Encouraging party size turns customers into advocates and enlists them as part of your sales-building team.

Q: HOW MUCH SHOULD WE SPEND ON MARKETING OUR RESTAURANT?

A: There are several rules of thumb and ratios in the restaurant industry and there are some for restaurant marketing as well. A typical restaurant should allocate 3%-6% of sales to marketing. It's also a good idea to allocate this money proportionally to your sales volume. Meaning, if July is your busiest month, you should spend a proportionate amount on your restaurant's marketing budget in that month.

Some restaurant owners look at slow periods and think that's when they need to spend money to drive sales, so they spend a big chunk of cash trying to build a happy-hour business and forgo building on top of their busy periods. Fact is, there is a reason people aren't coming in from 4 p.m.-6 p.m., and you'll be sending valuable marketing dollars down a black hole if you try to build this period. There are nearly one million restaurants in the United States, and probably only 2% of them are busy from 4 p.m.-6 p.m. Marketing can't change behavior; it can only influence existing behaviors. Spend your marketing dollar where it will have the best return for your restaurant.



Q: HOW DO MOST RESTAURANTS MARKET THEMSELVES?

A: Approximately 80%-90% of restaurant marketing budgets are spent against new business—getting new guests to visit for the first time. This is the least effective place to spend your money. The majority of new-business efforts are spent against mass-media advertising, which is costly and has dismal return on investment. The fact is, new customer acquisition is 7-10 times more expensive than building restaurant sales through increased frequency, check average, and party size.



Q: WHAT ARE SOME EXAMPLES OF GREAT RESTAURANT MARKETING THAT WORKS?

A: There are several examples of companies large and small that are doing a great job. On the larger side, Starbucks is doing an awesome job. They spend more money on training than they do on advertising. They do a great job with their internal merchandising and their menu is very focused. They don't spend money on mass media and instead focus on a core product line and flawless execution. They are now the fastest-growing takeout operation in history.

A great example of a regional chain that's doing an impressive job with marketing their restaurants is Firehouse Subs. They have strong internal merchandizing, training, and culture programs. They also have a very impressive direct mail program. They send out quarterly saturation mailers offering a free sandwich with no strings attached. The mailers draw double-digit responses and drive equally impressive, comparable store-sales improvements. Research showed that 70% of the people that redeemed the cards became loyal customers visiting with a much higher frequency than the industry average. Examples of successful independent restaurant marketing abound. Charlie Trotters is world-renowned, but you've probably never seen a billboard or television spot for them. Charlie Trotters does an incredible job with promotion and positioning the namesake chef as a culinary expert. When you visit Chicago, you want to go to his restaurant just for that reason—not because of any advertising he has done.



Q: WHAT ARE SOME EXAMPLES OF GOOD RESTAURANT MARKETING TACTICS?

A: There are literally thousands and thousands of marketing tactics that you could employ to lift sales at your restaurant. However, there is no silver bullet. One-hit wonders may be out there to give you a big spike in sales, but those are rarely sustainable over time. Great marketing is about solid operational execution, effective positioning, and the cumulative results of marketing inside the four walls of your restaurant and in the immediate trading area—not taking over the airwaves.

That being said, some good examples of successful restaurant marketing tactics are email marketing, social media marketing, bounce-backs, affinity marketing programs, local search marketing, publicity through event marketing, partnerships with other local retailers, and, of course, internal merchandising, such as bathroom signage and menu merchandising.

Q: HOW DO I MEASURE THE EFFECTIVENESS OF OUR RESTAURANT MARKETING?

A: If you cannot prove the dollars you spend persuade people to do business with you, you should not advertise. If you can't see a direct relationship between marketing and increased sales, your marketing isn't working. One piece of analysis we have conducted for clients is to compare the variances, period over period, for sales and marketing expenses. We look to determine a correlation. It's amazing how frequently we find that there is absolutely no correlation between sales and marketing.



Q: WHAT IS LOCAL STORE MARKETING AND NEIGHBORHOOD MARKETING AND DOES IT WORK FOR RESTAURANTS?

A: Local store marketing and neighborhood marketing are basically the same thing. It's a marketing philosophy that seeks to build competitor-proof relationships with customers and employees without a reliance on mass-media advertising. It's about all of the elements we've discussed so far in this special report plus a whole lot more.

Simple fact is unless you're one of those 100 restaurant companies that's doing hundreds of millions of dollars in sales per year, you can't afford to not focus on local store marketing over advertising. The competitive advantage is found in the fact that many of your competitors are not running effective local store marketing for their restaurant. Local store marketing and neighborhood marketing are potent tools in a variety of retail business arenas, and the restaurant business is definitely an environment for which it's well suited.

The fact that marketing is not easy is part of its competitive advantage:

Effective restaurant marketing isn't easy. It takes a lot of careful research, analysis, and testing. It's also ever-evolving, which makes it even more difficult to master. The most difficult part is that restaurant owners are in the restaurant business, not professional marketers. But don't be discouraged. Effective restaurant marketing is difficult to master; this is what gives you the competitive advantage. Resist the temptation to change everything at once or to go it all alone. You can start small and build your marketing competencies over time. In the beginning, do simple programs so you can execute them well and measure the results. And if you're not sure if your current marketing is working, save your money until you can prove the dollars invested persuade customers to buy more and buy more often.

