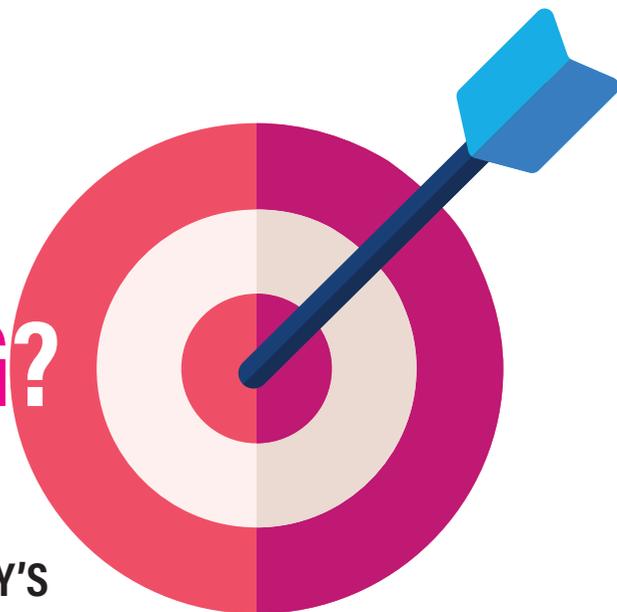


**MARKETING STRATEGIES
FOR SUCCESS IN YOUR
HOSPITALITY BUSINESS**



MARKETING STRATEGIES BROUGHT TO YOU BY STURDY FOODS

WHY CONSIDER IMPROVING YOUR MARKETING?



BECAUSE JUST OPENING THE DOORS TO YOUR VENUE IS OFTEN NOT ENOUGH IN TODAY'S ULTRA-COMPETITIVE HOSPITALITY MARKET! THOUSANDS OF RESTAURANTS, PUBS AND OTHER HOSPITALITY BUSINESSES FAIL EACH YEAR AND WITH THE MARKET SET TO BECOME EVEN MORE COMPETITIVE, LET'S LOOK AT HOW YOU CAN AVOID BECOMING ANOTHER FAILED BUSINESS?

Having a proactive (not reactive) approach to getting new customers is certainly part of the answer. Customers have many options when choosing where to eat and many more reasons not to go out (increased home entertainment, higher cost of living and more).

So we need to be more proactive in

persuading them to come out and enjoy themselves. Hospitality is an industry which creates great experiences and memories and we should ensure we put as much thought into doing this as possible to attract customers.

To run a successful hospitality business, there are many areas to consider and we are assuming that you

are already offering great service and food. If not, then this needs to be fixed before any attempt to bring in new customers or it will risk further damaging the business.

The overall aim should be to WOW your customers every time they visit and get them to return as many times as possible.

So how do we go about marketing my business and serving more customers?

Firstly, let's start with an important question. **Who do we want to come and visit our establishments?** If we've not already defined this in detail, this is the first step.

ISN'T ANYONE WHO VISITS MY BUSINESS AND SPENDS MONEY A GOOD CUSTOMER?

Well, simply put, no. All customers are not equal! There are great customers and there are bad ones. So it would make sense to say we want to serve as many good ones and as few bad ones as possible?

Now let's ask another question. Who is the ideal customer you'd like to have in your establishment night after night? You've probably got some in mind. They come in regularly, they love your food and service, they treat your staff well, they spend plenty of money, don't find reasons to complain unnecessarily and furthermore, they rave about you to friends and family, who then visit.

What if you only ever served this type of customer? What would happen to your business? Would it be easier to manage, make more money and be less stressful?

So let's compare that with a bad customer. A bad customer comes in infrequently, is offhand with your serving staff, complains that the menu is too expensive, spends half what the previous customer spends and then finds a reason to complain about something trivial. Do we want these customers in our business? Of course not!

In reality, we can never fully control our customer demographic and we are always going to have some bad customers. But by identifying who we would ideally want to come in, we are one step closer to getting more of the good ones and less of the bad.

SO HOW DO WE DO THIS?

By doing something called a **Best Customer Assessment**. This is a relatively simple process whereby we need to create an ideal customer profile and then then think about where to find

these customers in their highest concentrations.

Where do they live? How old are they? Where do they go? What car do they drive? How often do they eat out? What are they likely to want to eat most?

Let's say we've now identified this person(s) in detail. Now to work out how to target them effectively.

We will come back to this but first let's look at the costs involved in marketing to them effectively.



ACQUISITION COST

Acquisition cost is essentially the cost we incur to obtain (or buy) new customers.

Let's go through a quick example to show how it works.

Let's say we run a marketing campaign in the local area that costs £500.

This successfully gets us 10 new customers in the weeks following the campaign.

The acquisition cost per customer was £50. (£500/10)

Let's say, that each customer spends £50. We've broken even on the investment, right? Wrong!

We have to factor in the costs of serving them. If we are running on a gross profit margin on 70% (typical for a food business) then we've actually made £35 gross profit from their visit. So we've made a £15 loss. So in this case the marketing effort wasn't worth it as it's losing money.

Or was it? Let's take this idea a stage further. So far we've gained 10 new customers and lost £150 from the campaign. (£15 per visit x 10 visits).

However, as we know, people are likely to come back to our restaurant more than once. So now let's look at the lifetime value (LTV) of that customer.

Let's say we've given each of those customers a WOW experience on their first visit. Let's assume that we've got systems to generate repeat visits from

One of the first ideas to understand in effective marketing is acquisition cost.



them along with systems to increase their referrals to friends and family (we'll come onto this later).

Eg. In the next two years, if each customer comes in to dine eight times (once every three months), let's look at the numbers now.

- Total spend per visit £50.
- Number of visits. 80 (10 new customers visiting 8 times each)
- Total spend over 2 years. £4,000.
- Gross profit at 70%. £2,800.
- Original cost of marketing campaign. £500.
- Total Gross Profit from campaign. £2,300.

So looking at the campaign in this context, we've now made it profitable. And if we kept on doing this each month, we'd be attracting new customers knowing that we are becoming more and more profitable over time.

Can you see how the goal is to think of acquisition cost in the context of a customer's lifetime value, not just their first visit?

Of course, this strategy would not work if we only get single visits to our establishment. As I'm sure you have worked out by now, the acquisition cost is far higher if we only get one visit from a customer.

So what's the answer to making this work and making the business more profitable over time?

1. Understand who the best customers are and what they want from our restaurants.
2. Put in place marketing strategies that will draw in these types customers and get them to visit our establishment.
3. Ensure that once they've become a customer that we have rock solid strategies and systems in place to get them to come back again and again. Ensuring they've had a 'WOW' experience. (increasing the lifetime value).
4. Ensure that we have great strategies and systems in place to get as many referrals as possible from them. People won't always automatically tell others about their great experience, but we can help them to do so by having referral systems and incentives in place to encourage them to do so.
5. Keep doing more of the same and keep increasing our customer base of ideal customers!

HOW MANY CUSTOMERS DO I NEED?



Another important question in considering our marketing plans is how many customers do we need to be profitable?

To work this out, we need to know the cost of operating ie our total overheads.

Let's say we add all these up (rent, rates, electricity, staff wages, telephone, internet, waste collection etc) and this comes to £3,000 per week.

Operating on a gross profit margin of 70% on food and drink.

Our average spend (net of VAT) is £30 per head. So on average we will make £21 gross profit on every customer visit.

That means to cover our overheads we must get at least 142 unique customers served each week. (£3000/£21).

If we are below this level, we are losing money! Above this level, we should make a profit.

So let's say we've done everything we can to generate repeat visits from customers and get them coming in on average once every three months. We can then ask how many individual customers we need to have to sustain the business.

...AND THE ANSWER IS?

If you said 1,846, then congratulations! 1,846 customers are required to sustain our business. 142 visits required per week x 52 week per year = 7384 visits per year. But as we have factored if each customer visits four times per year, we

divide this figure by four to get 1846. Don't forget, we are dealing with averages here, not individuals. Some customers may come in once a week, some maybe once a year. And we need to understand the average figure to come up with our marketing plan. But initially this can be estimated.

So unless we can build a customer base of 1,846 customers eating four times a year on average, we are going to be up a certain creek minus a paddle!

Back to acquisition cost; If we are to gain this number of customers, we need to spend on marketing to get them. We are of course going to have some level of natural footfall and if we are an existing business, the chances are that we already have some level of base custom.

But let's say we are starting from scratch, in this example and need to build 1,846 customers to get our business on track.

From the first marketing strategy example, we need to spend £50 to acquire each customer, then in theory we need £92,300 to get enough customers to break even!

If we identify other marketing strategies that can acquire this many customers more efficiently? Let's say our £50 strategy above was a newspaper advert. What if we identify cheaper strategies that took the

acquisition cost down to £10? We'd then need to spend £18,460 rather than £92,300 to gain our required number of customers.

So reducing acquisition cost is the name of the game. To be profitable, we need to do the following.

1. Reduce (or eliminate) acquisition cost.
2. Increase lifetime value. (make sure our hard-won customers come back over time).

If you're really on the ball, you've probably realised something. What is going to be the cheapest way to get new customers and minimise acquisition cost?

REFERRALS

People trust their friends and family when they recommend goods and services. If we can encourage existing customers to sing our praises and get us more customers like them, what would that do to our acquisition cost? If we're clever, it can massively reduce it and gain us more great customers.

So if our strategy is based on getting new customers through the most efficient and cost effective means along with encouraging our existing customers to refer more customers just like them, then we are well on our way to a great business!

DISCOUNTING VERSUS FREE; WHICH IS A BETTER STRATEGY?



Many a food business has fallen into the trap of trying to encourage more customer visits through discounting, either on certain nights or simply because sales are not high enough. This is one strategy, but is it a good one? What could the downsides be of such a strategy?

LET'S HAVE A LOOK AT SOME FIGURES.

Sales are slow, we decide to offer 25% discount on all food orders to generate more sales.

Working on a 70% margin, if we discount by 25%, we need 40% more customers to make the same profit. That's a lot of extra customers!

What's more, in the mind of the customer, their perception of value has now shifted. If they now perceive our food as 25% cheaper, are they then likely to want to pay full price again? Furthermore, by attracting customers through discounting, what type of customer are we attracting? Remember, we are looking as much as possible at attracting the best customers, not bad ones! Is discounting going to appeal to the best type of customer? Or is it more likely to bring in poorer quality customers who add less value to us over time?

Now let's look at an alternative strategy. Giving things away for free!

'DON'T USE THE 'F' WORD' I HEAR YOU CRY!

On the face of it, why would we give things away to our customers? Are we not just giving money away?

There's lots of evidence that suggests people get addicted to discounts over time. But they don't get addicted to Free! Giving something away for free is psychologically very different to offering a discount. Free doesn't come with a future expectation and is generally seen as a one-off gesture. Furthermore, most people have a strong 'reciprocity' instinct. If someone gives you something, most people will work to give something back, either at the time or at some later date. In other words, by giving things away, you are putting emotional credit in your customer's bank account which is likely to make them want to give you something back, making them more likely to come and return to your establishment!

So, instead of driving sales through discounting on a regular basis, have a strategy to identify and market to the best quality of customer by offering some kind of freebie to draw them in. Would this pay off longer term better than discounts or expensive marketing? Remember by discounting, we might need to find 40% MORE customers. And how much might this cost in extra marketing?

Some examples of what we could offer as low cost freebies on a first visit.

1. Free first round of drinks on us.
2. Free desserts with your visit.
3. Free kids meals (especially if your ideal customer profile is families).

MARKETING STRATEGIES

DIRECT MAIL

Local leaflet drops in your area to get customers is a strong strategy. People receive less mail nowadays and direct mail can be very effective. Use great images and a bold, eye-catching headline, making sure it uses the top third of your flyer.

EXAMPLES...

'Are you ready for an evening you won't forget?'

Use images of happy people eating in your restaurant. Get a photo of whoever fits your customer profile best; images of people sell better than images of just food. Sell the idea of a great evening with great food. Even worse is no images at all!

Don't use too many words and focus on the customer benefits. Don't talk about how great YOU are, talk about the great time THEY are going to have by coming to you. But keep it brief, it should build

interest but not be too long.

Finally, have a strong call to action. This should be the offer. FREE drinks, FREE desserts etc. Make it unconditional and generous. Remember if you've got the right strategy and target the best customers, you can afford to be generous. Make sure it's obvious what they need to do, to take you up on the offer.

▼▼▼▼▼
'To book the evening you've been waiting for, call us NOW on... Don't forget to bring this flyer with you. We can't wait to welcome you and give you a fantastic experience!'

SOCIAL MEDIA

Another great strategy is social media advertising. This can be low cost and targeted to your demographic in your local area. Facebook adverts can prove cost effective and could prove a great way to get people in. Just ensure you're able to market to the right type of customer. Follow the same principles as above to create your advert and try testing out



various different adverts to see what works best. You might want to use a different offer code on your online advert than your print advert to ensure you know where your leads are really coming from.

LOCAL PAPERS AND NEWSLETTERS

This can work but it's essential to have a strong offer and call to action in any print advertising. Simply putting your restaurant name and contact details in an

Low cost, high perceived value ideas to improve your customers' experience

1. Birthdays. Have a system to check. Check if it is anyone's birthday in any parties that visit. If so, what can you do to ensure they and everybody else in their party will always come to you on their birthday?

2. Repeat their order back to them. Studies have shown that having a server repeat a customer's order back to them after taking it increases rapport and makes customer feel more valued. So rather than them saying 'no problem' or 'sure' after an order, have a system to repeat the customer's order back to them as they have said it.

EG. Customer. "I'll have the rib eye steak please."

Server. "So that's one rib eye steak!"

An incredibly simple technique that has been shown to increase customer satisfaction and increase the likelihood of tipping.

3. Offer to take photos for customers. Servers can offer to take pictures of customers on their mobile phones for them. A significant proportion of customers will take them up on the offer. And I am sure you can guess what they will probably do? Yes, that's right. Put the picture on social media showing where they are - Your restaurant!

This is completely FREE advertising and even if they don't post it on social media, it's a great way to make them feel more valued at no extra cost.



These are just a few ideas about how to attract and retain the best customers. But there are many more things that can be done to ensure you get the best customers and keep them coming back. A lot of your competition will never do any of the things in this guide. That creates a great opportunity for you to be ahead of the game and see your business thrive.

advert will not attract customers in any numbers. You MUST stand out in any print advertising and ensure there's a reason to take action.

PR

What story can you tell about your restaurant that will attract local or regional press? Can you become known for something in particular, set a new record, get behind a local



charity or do something else to keep your name out there in your local community?

E-MAIL MARKETING

Ensure you have a system to build a database of existing customers. You can use this to send offers and news. Ensure there is a data capture system in place that is kept up-to-date in a CRM or spreadsheet. Systems such as Mail Chimp or Omnisend are an easy, cost effective way to market to a

customer database by email.

REFERRALS

The cheapest and most effective way to get new customers. Get existing ones to recommend you. Can you incentivise existing customers to recommend you to their friends, or bring more of their friends with them next time they visit?



THE RED, GREEN, BLUE NAPKIN STRATEGY

A Las Vegas restaurant had enormous success in attracting and retaining new customers with the following 'Freebie' based strategy.

When booking, customers would be asked whether they had eaten at the restaurant before. If they hadn't, when they arrived, a system of colour coded napkins was in place to identify new and returning customers. New customers would have red napkins at their table. Each server was trained to understand that this meant this was a new customer and they should be welcomed to the restaurant and told how much they were welcome as a first-time customer. When they had finished their meal, they would be handed a 'second visit' card which entitled them to a free round of drinks on their next visit.

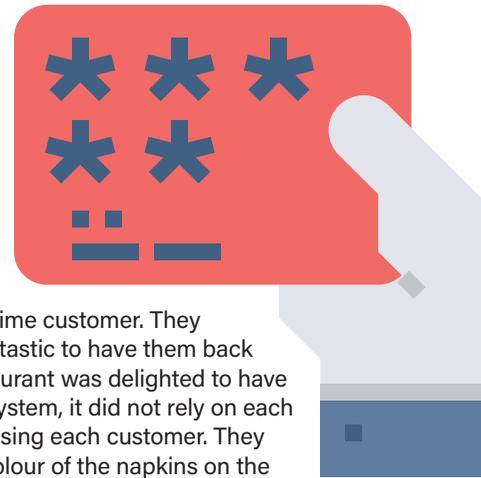
When they returned a second time and went to the bar to order their round of drinks, the server would ensure that they were given green napkins on the table. This meant that this was a second time customer. They would be told it was fantastic to have them back again and that the restaurant was delighted to have them return. With this system, it did not rely on each member of staff recognising each customer. They knew instantly by the colour of the napkins on the table that this was a second time returning customer.

Once this meal was over, they would be given a 'third visit' card offering them free desserts on their third visit.

From then on, they would be given blue napkins as any other customer but would be warmly welcomed back for their third visit.

Statistics show that if we give a customer three 'WOW' experiences in a row, they are very likely to become a lifetime customer. So by making the small investment in a few free drinks and desserts on the first few visits, this restaurant succeeded in wowing its customers on the first three crucial visits and very successfully converted them into 'raving fans' of its business.

Remember, it is six times cheaper to serve an existing customer than it is to gain a new one. So lifetime value is worth investing in. Delighting the customer on their first few visits is a great way to improve the likelihood of getting a larger lifetime value from each customer.



We hope this guide has been useful and that it helps you start to think of some new ideas to take your marketing to the next level.

To find out how we could potentially help you attract more customers or for any other queries related to this guide, call us on 01765 641 200 or email info@sturdyfoods.co.uk

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