

Driving one more visit:

How restaurant marketers fare in the digital age



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INTRODUCTION

Customers' interactions with restaurants are becoming more digital every day. According to the NPD Group, **the use of mobile apps, text messages, and the internet to order food grew by 18 percent from 2016 to 2017, and accounts for 1.9 billion foodservice visits.** Their research also shows that payments to restaurants by mobile app increased by 50 percent from 2017 to 2018.

This shift is necessitated by consumer wants—convenience, ease of ordering—and signals a growing need for restaurants to better understand their customers. The massive amount of data it creates (and the need to make it actionable) is a lot to process for an industry new to customer-driven marketing. The biggest challenge is that the new data is highly fragmented—often in different streams, locations, and programs. With restaurants' ultimate goal of driving one more visit, one more purchase, one more dollar on each order, how can they leverage this influx of information for better marketing?

Restaurant operators are using this information for customer identity management, email programs, loyalty strategy, digital media, and analytics to the best of their ability. But as the data is often not aligned at the person level or complemented with external data, it can't produce a unified online-and-offline view of each customer—the essential first step to building personalized experiences. There is a great opportunity for restaurants to market across channels more effectively, make their data more actionable, and ultimately drive one more visit from existing customers.

EXECUTIVE SUMMARY

Epsilon-Conversant and Informa Engage (part of *Nation's Restaurant News*) conducted a survey of restaurant owners and operators on Customer Data Acquisition and Utilization. The research uncovered operators' marketing goals, their satisfaction with their current digital efforts, and where the opportunities lie for improved and more efficient diner identification and relationship management.

Restaurant operators need to stay relevant in an increasingly digital world, but they're getting lost in the technology shuffle. The traditional ways to reach customers—through radio, television, and direct mail—are giving way to digital engagements across apps, social media (organic and paid), email marketing, and online display and video advertising. When done right, digital marketing can help brands connect with customers across online and offline channels, but this hinges on being able to see and understand the people they're interacting with. Restaurant operators need to identify their customers online and personalize their experiences based on where they are, what they've purchased in the past, and what they do online. Operators also need to maintain the utmost data integrity, to ensure its accuracy and consistency, and to respect and protect their customers' privacy.

While survey respondents are making efforts toward using more digital solutions, the vastness of the digital marketing realm is overwhelming. **Although their marketing strategies are intended to drive more visits, many of the tactics lack the sophistication required to speak to consumers on a personalized, one-to-one level.** Personalization is about identifying people wherever they are, treating them as unique individuals, engaging them in purposeful conversations, and delivering on ever-increasing expectations in real time—and the survey results show that restaurant operators have room to grow in these efforts.

Fragmentation in measurement is another big issue. Operators cite increased sales as their primary way of measuring performance, but **only 24 percent of respondents actually measure digital marketing based on online and offline sales.** They're clearly investing in digital marketing, but they're struggling to connect online actions to offline sales. Many of their primary tactics and channels aren't allowing them to get a full view of the customer or an understanding of the impact of their online marketing on in-store purchases.

KEY FINDINGS

Identifying and understanding customers is top-of-mind for restaurant operators

Operators recognize that there are specific areas where they can improve their marketing. **Only 18 percent of respondents are extremely confident in their understanding of who their customers are after they leave the restaurant**, and only 16 percent are extremely confident that their marketing is targeting real people, not cookies or bots (fig. 1). This shows that operators have some understanding of who their customers are when they see them, but little knowledge of who (or what) they're connecting with online.

Of the respondents who have the lowest confidence in their marketing approach, **"understanding who your customers actually are after they leave your restaurant" is the top priority for growth, with 71 percent saying this is extremely or very important to master** (fig. 2). In second place is a tie between "understanding if your marketing is successful at driving sales" and "the ability to provide a relevant experience to your customer across all the channels," both with 69 percent saying these are extremely or very important.

AREAS WHERE RESTAURANT OPERATORS ARE "EXTREMELY CONFIDENT" IN THEIR CURRENT APPROACH

18% Understanding of who your customers actually are after they leave your restaurant

18% Ability to provide a relevant experience to your customer across all the channels

15% Understanding if your marketing is successful at driving sales

11% Your ability to avoid redundant message delivery to each customer

16% Making sure your digital advertising is targeting real people, not cookies or bots

10% Your ability to avoid media waste across the marketing data and your technology vendors

11% Your team's expertise in the latest marketing technology and customer data innovations used to drive customers to order

11% CRM and technology infrastructure that allows you to activate cross-channel customer data to fuel your marketing programs



The challenge is not access to first-party customer information (such as transactional, website, app, or loyalty program data), but turning it into something actionable. Restaurants do have access to a large amount of customer information; they get transactional data from credit cards, the predominant way to pay for orders, with 82 percent of respondents saying less than half of their orders are paid for with cash. While restaurants do not typically own the data from third-party delivery companies (such as Grubhub or Caviar), they gather valuable information from orders placed on their own websites **(51 percent receive customer orders this way)** and apps **(44 percent)** (fig. 3).

These responses show a growing need for identity management—being able to identify real people across channels and devices in real time—in the restaurant industry. When done right, identity management allows marketers to connect online and offline customer activity in a single, unified view of each customer, and to understand who they are before, during, and after a visit to the restaurant.

Building these profiles over time leads to increased customer knowledge and the ability to initiate the right interactions with each person at any given time.

When done right, identity management allows marketers to connect online and offline customer activity in a single, unified view of each customer.

Operators know they have more work to do to integrate CRM data with marketing strategy

Only **29 percent** of respondents were extremely or very confident that their CRM and technology infrastructure could allow them to “activate cross-channel customer data” to fuel their marketing programs (fig. 1). True omni-channel marketing requires activating CRM data across marketing tactics and knowing each consumer as one single individual.

Respondents who don't have sophisticated in-house technology lean on outside partners. Nineteen percent say they rely on a provider for their CRM platform, and **only 9 percent** say they work with external partners to match their CRM data with online IDs (fig. 5), extending the reach of their first-party data.

CRM data combined with third-party data is powerful, as it gives brands a unified customer view that can be used across marketing



tactics. Operators who integrate this with other information, such as third-party data and advertising technology providers, can better understand who their customers are and how to get them to purchase more.

29% of respondents were confident that their CRM and technology infrastructure could allow them to activate cross-channel customer data for marketing purposes.

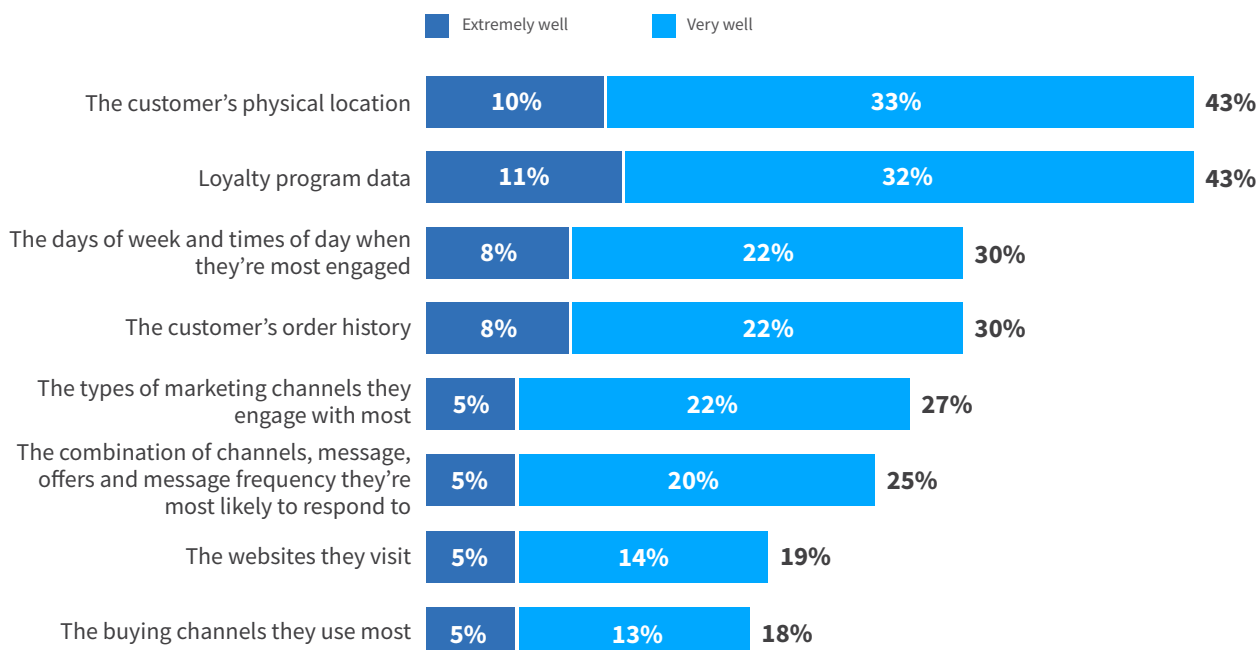
Operators recognize the importance of personalization but are only adept at base-level techniques

Operators' limitations with identity management and CRM activation make true personalization challenging, and operators acknowledge they have room to improve in this area. **Seventy percent of respondents say personalization in marketing messaging is extremely or very important** (fig. 6), but fewer than half, **43 percent, say they personalize based on loyalty program data extremely or very well** (fig. 7). The same percentage say they personalize based on customers' physical locations (for instance, sending an offer to people who are near the

restaurant, or even a competitive restaurant) extremely or very well.

While these variations can be effective, **smaller percentages of operators say they personalize extremely or very well based on more complex customer data** (fig. 7), such as the buying channels they use most (18 percent), the websites they visit (19 percent) and—the most complex—the combination of channels, messages, offers, and message frequency they're most likely to respond to (25 percent).

WHERE RESTAURANTS EXCEL IN MARKETING PERSONALIZATION





While loyalty programs provide one source of data, more complex levels of personalization require buttoned-up data on current and potential customers, their preferences and past purchases—with the restaurant and with other brands. Combining first-party data with third-party purchases helps to identify potential customers based on spending habits; for example,

if a person buys luxury handbags, they're likely interested in high-end restaurants.

This level of personalization is harder to coordinate across data sources, channels, and devices, which is likely why operators aren't utilizing these.

More complex levels of personalization require buttoned-up data on current and potential customers, their preferences and past purchases.

Increasing sales and visits is top-of-mind, but operators are not connecting through all the possible channels

Fifty-three percent of operators say acquiring customers is a top priority. The same percentage say it's a top priority to grow revenue by increasing visit frequency (fig. 8).

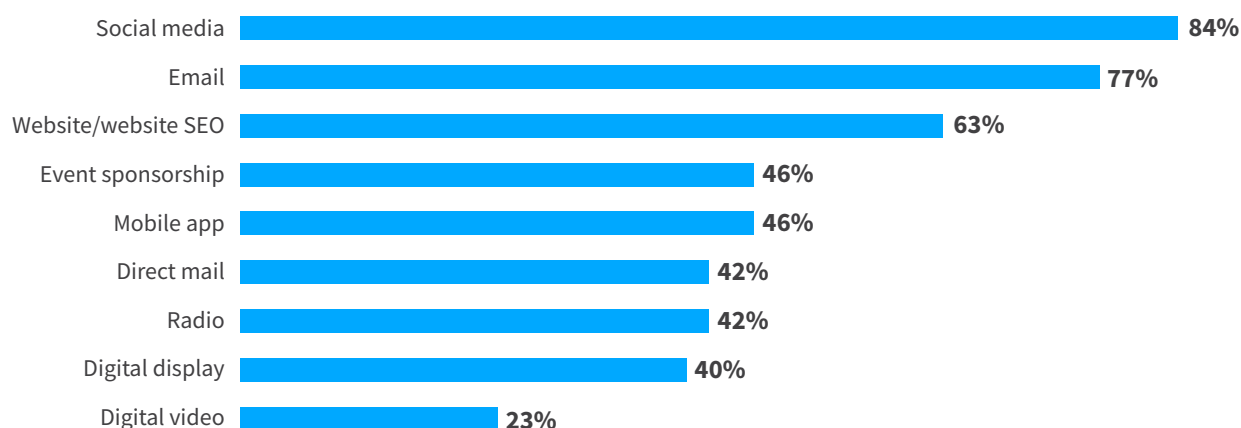
To achieve these goals, operators are turning to digital. Among the top channels: 84 percent say they use social media, 77 percent use email, and 63 percent use website and search engine optimization (SEO) (fig. 10).

Fewer operators use digital advertising: 40 percent use digital display ads and 23 percent use digital video. Effective data-driven, programmatic digital advertising often requires more experience with optimizing media delivery and one-to-one personalization at great scale.

Restaurant operators have room to grow in this area before they can maximize the return on marketing investment. A focus on digital marketing is the new norm for many industries. According to the August 2018 CMO Survey, a biannual report by Deloitte, the American Marketing Association, and the Fuqua School of Business at Duke University, marketers are allocating more dollars than ever to digital outlets.

Marketing executives said they expect to spend 54 percent of their budgets on digital within the next five years, up from the 44 percent they spend today. Digital advertising is expected to grow 12.3 percent, while traditional advertising is expected to decrease 1.2 percent.

RESTAURANTS' MARKETING CHANNEL USE



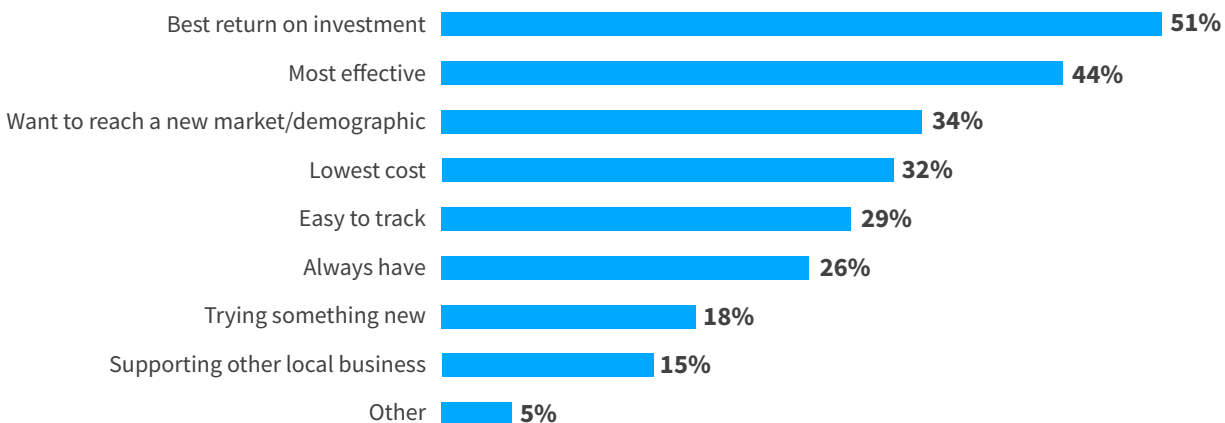
Operators lean on owned channels with digital marketing

Social media, email, and website/SEO are the top channels for restaurant operators, showing a reliance on owned channels and known contacts. Operators cite cost and effectiveness among the top reasons for these selections. In fact, **51 percent point to “best return on investment” as the reason they chose their current marketing channels, and 44 percent say “most effective”** (fig. 11).

If operators truly value cost and effectiveness (and rightly so), they should consider how they interact

with current and potential customers over time and through an omnichannel lens. They should strive to tailor each experience to the individual throughout the path to purchase, whether it's reaching them right before their typical lunch hour or staying top-of-mind as they make reservations for an upcoming anniversary. With the right identity, data, and expertise, restaurants can create a fluid experience wherever people engage with their brand.

OPERATORS' REASONS FOR CURRENT CHANNEL UTILIZATION



Operators are measuring the results of their marketing efforts but need assistance in connecting online actions to offline sales

When measuring their marketing performance, **77 percent of respondents say they look at increased sales, and 70 percent point to increased number of visits. In third place is increased visit frequency, at 59 percent** (fig. 12).

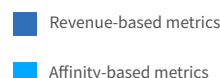
This contrasts with the actual channels of measurement operators say they use most for digital marketing. Proxy metrics, such as social media analytics (62 percent), email clicks and opens (46 percent), and clicks and click-through rates (43 percent) are the most cited measurement tactics. **Online and offline sales are in a distant sixth place, with only 24 percent citing them as how they measure digital marketing impact** (fig. 13). Although social media analytics and open and click rates may seem to indicate success with

a marketing effort, the results largely show brand affinity and not actual sales.

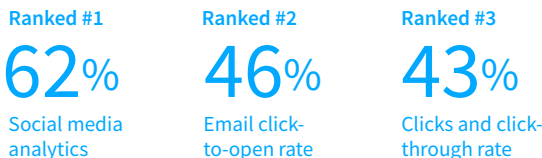
Marketers don't know if social followers and people who "like" marketing campaigns see actual value in their brand, or, more importantly, if they're making purchases. This, incidentally, was another detail that was echoed in Deloitte's CMO Survey, in which 44 percent of marketing executives said social media's contribution to company performance was nonexistent or minimal. For them, social media was more of a brand awareness tool.

An additional **11 percent say they don't track any of their digital marketing efforts**, which is very problematic. It was unclear why marketers spend resources on these campaigns and then fail to measure whether the efforts were effective.

TOP METRICS FOR RESTAURANT MARKETING



CHANNELS USED TO MEASURE DIGITAL MARKETING PERFORMANCE



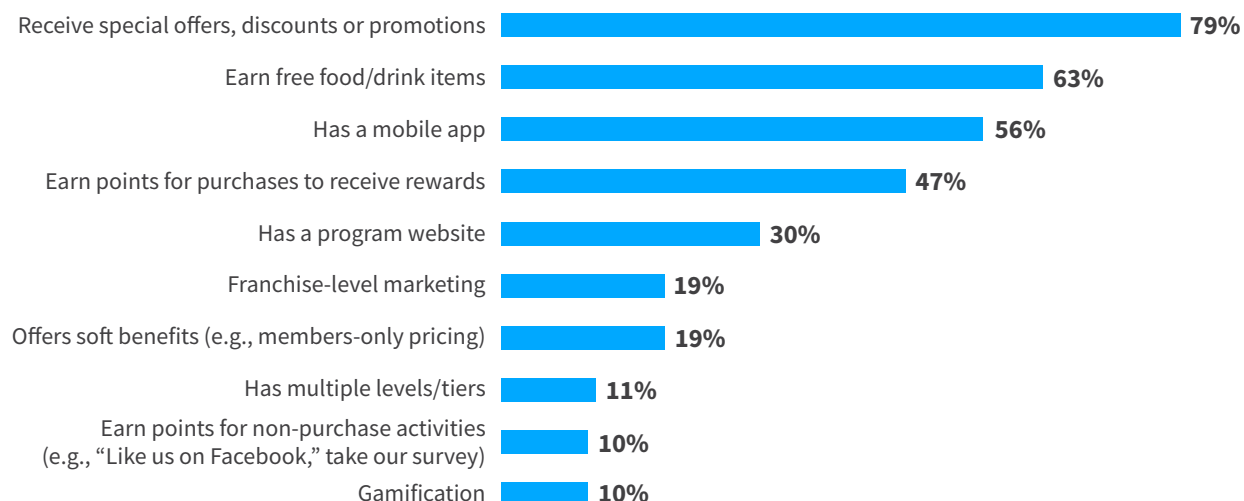
Many restaurants have loyalty programs, but few consider their efforts effective

Loyalty programs have long been a great way for businesses to get to know their customers, and to engage with them as part of a personalized experience. **Seventy percent of respondents have a loyalty program, and 79 percent say members receive special offers, discounts or promotions** (fig. 14). Operators determine the success of their programs by increased visits and sales, but **only 30 percent say their loyalty programs are extremely or very effective. An additional 49 percent say their programs are moderately effective** (fig. 15), showing that there is much room for improvement.

But when done right, loyalty programs are extremely effective. According to a global study from Accenture, loyalty members generate between 12 and 18 percent more incremental revenue yearly than non-members. Also, 66 percent of U.S. consumers spend more on brands to which they are loyal. For instance, Dunkin' Donuts—a leader in loyalty programs—uses its DD Perks program to engage with 6 million customers. Average year-over-year spend for new program members has increased 40 percent since its inception in 2014.

70% of respondents have a loyalty program

TOP FEATURES & BENEFITS OF RESTAURANTS' LOYALTY PROGRAMS





Effective loyalty programs tie back to unified customer views—knowing who each customer is in every brand interaction they have. Since loyalty is first-party, operators can identify their members, but still struggle at linking that information to other data points for a more

comprehensive view, and activating these identities across marketing channels. With the industry's lack of identity management, it's not surprising that many restaurants are struggling to see strong returns from their loyalty programs.

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RECOMMENDATIONS

Restaurant operators know they need to engage with customers, and they understand that this goes beyond offering discounts and posting fun promotions on social media. As the old standbys of TV, radio, and print become less relevant in today's marketing world, more interactions must happen on digital—and more precisely gathered customer data is needed to make those interactions meaningful. And while connecting with customers is important, it's only part of the sales process, as operators need to convert these online interactions into increased and repeat offline visits.

There are several key areas where operators can increase their bottom lines through improved, more strategic digital marketing:

- **Attain a unified view of each customer across online and offline interactions.** Access to privacy-compliant, real-time and historical data on each customer allows restaurants to have unique, personalized conversations, and to do so in a privacy-compliant manner.
- **Be able to activate this unified customer view through a true omnichannel approach.** Loyalty, email, digital media, and direct mail can all be used to create important moments with customers, and restaurants need to manage these interactions through that single source of truth.
- **Gain a deeper understanding of specific marketing outcomes** to see which actions impact sales and which are merely directional. This will also help reduce wasted ad spend and can reduce multichannel media costs.

Restaurants can improve their omnichannel presence in many areas, including customer identity management, email programs, loyalty strategy, digital media, and analytics. It's ultimately about using technology to create the best customer experiences that drive people to come back to a specific restaurant. A well-planned strategy that appropriately uses technology to activate customer data will allow restaurants to reach their customers in truly personalized ways, turning every interaction into an opportunity for one more visit.

METHODOLOGY

On September 28, 2018, *Nation's Restaurant News* emailed invitations to participate in a survey to subscribers who work for a Chain, Independent (with over 300 stores), Marketing Firm, Advertising/PR Agency, or Media/Communications Firm and involved in Casual or Theme, Family, Quick Service/Fast Food, Fast Casual, or Fine Dining and have an area of responsibility of Headquarters/Corporate/Executive Management, Regional/District/General Management, Marketing/Sales/Advertising Management, Information Systems/Technologies Management, Franchising, or Marketing/Advertising Management. By October 12, 2018, Informa Engage had received 265 completed surveys.

Respondent profile

The most common area of responsibility for respondents is restaurant brand manager (39 percent), followed by franchisee owner/operator (27 percent). A full 35 percent are “other,” which includes general manager, owner, director, operations director, and marketing manager.

About *Nation's Restaurant News*

Nation's Restaurant News is the leading resource for business intelligence in the foodservice industry. Over the years NRN has always been ahead of the curve, adapting to the latest technology platforms and devices its audience engages with. NRN boasts the largest editorial team in the industry, feeding the content engine that in turn drives the largest overall audience in foodservice. Industry leading reports have become benchmark studies for foodservice professionals. Whether it is the yearly Top 200 chain report, the daily Social 200 ranking, or The Power List, the definitive list of industry leaders setting trends today and shaping them for tomorrow.

About Epsilon-Conversant

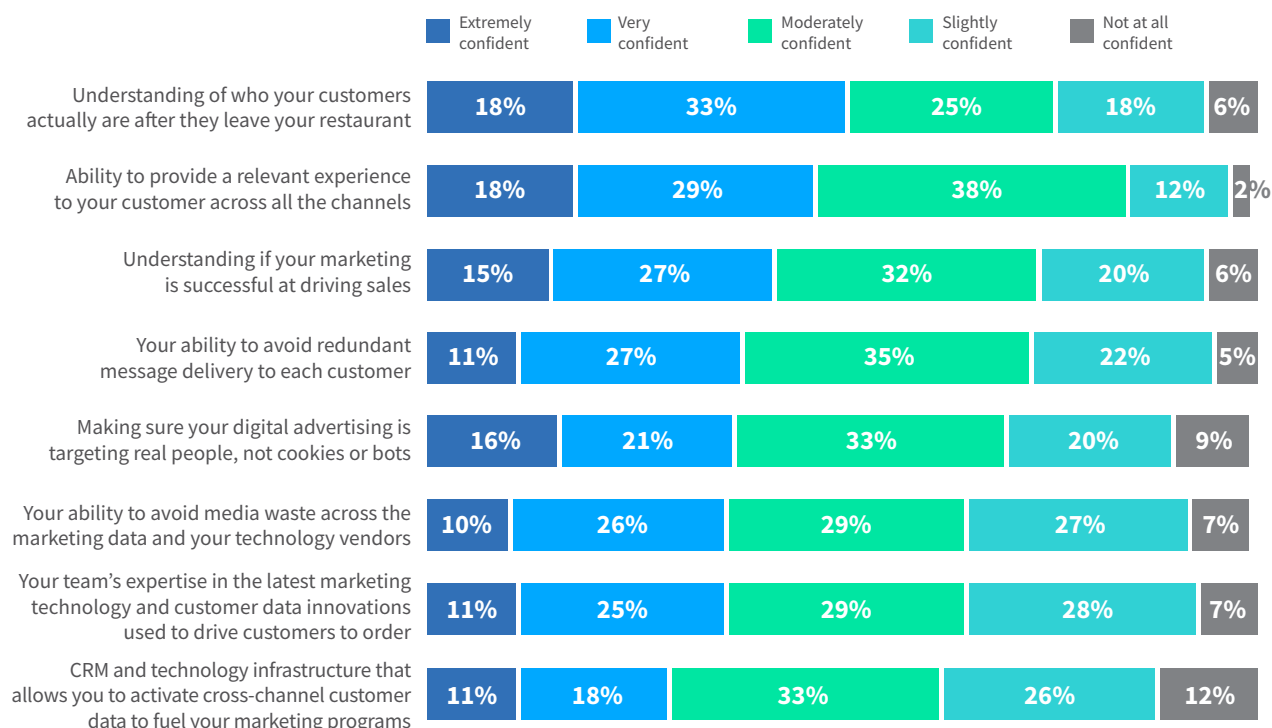
At Epsilon-Conversant, we empower brands to transform ordinary customer experiences into meaningful, human experiences. Our connected suite of products and services combine industry-leading identity management technology, deep data science and proven brand intelligence gained over five decades. Using human-powered, data-led marketing, we deliver depth, breadth and scale that helps brands turn meaningful human interactions into real business outcomes.

Visit **epsilonconversant.com** to learn more.

For media and press inquiries, please contact **corpcomm@epsilon.com**.

FIGURE 1

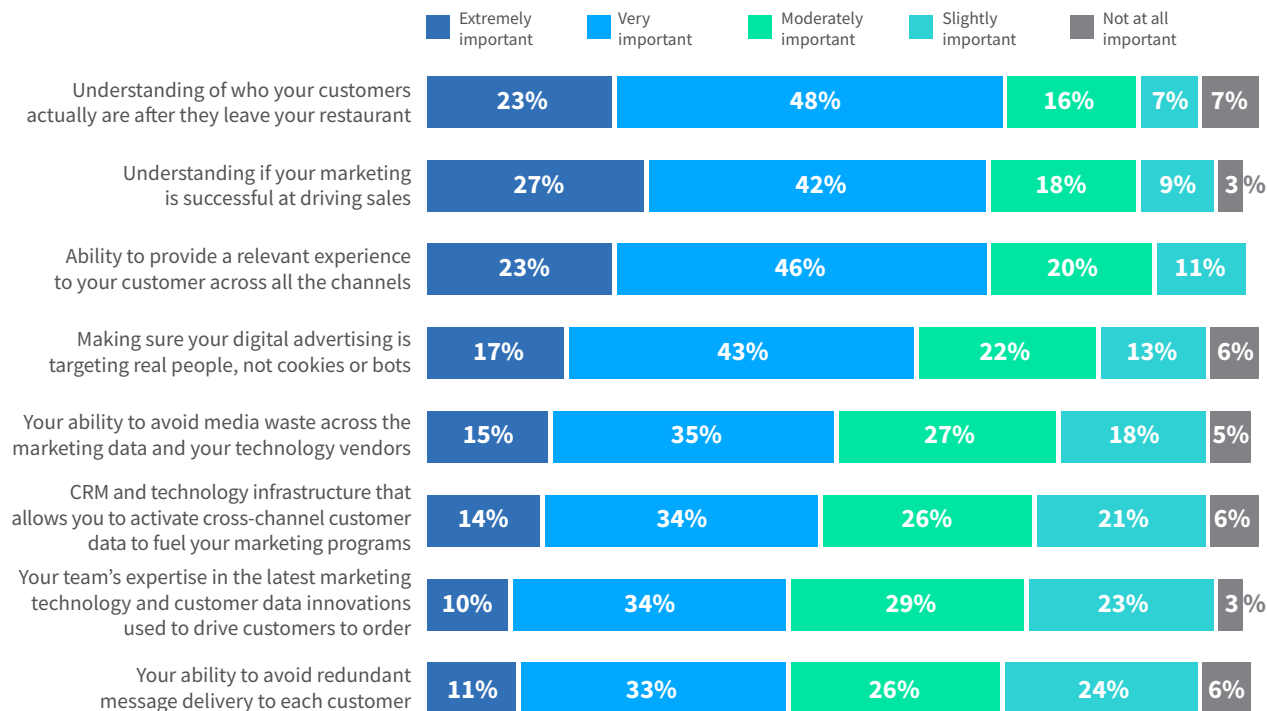
In terms of your current marketing approach, how confident are you in each of the following areas?



Base: All respondents (n=227-257)

FIGURE 2

How important is it to you to master the following in terms of your marketing?



Base: Respondents selecting not at all confident or slightly confident from figure 1 responses (n=35-87)

Please note that not all charts add to 100% due to rounding.

FIGURE 3

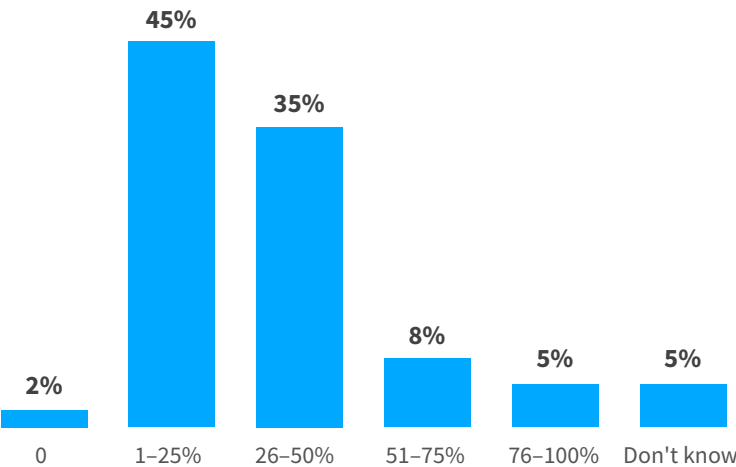
Via which channels can your customers order from your restaurant?



Base: All respondents; multiple answers permitted (n=265)

FIGURE 4

What percentage of your orders are paid for by cash rather than credit/debit card?

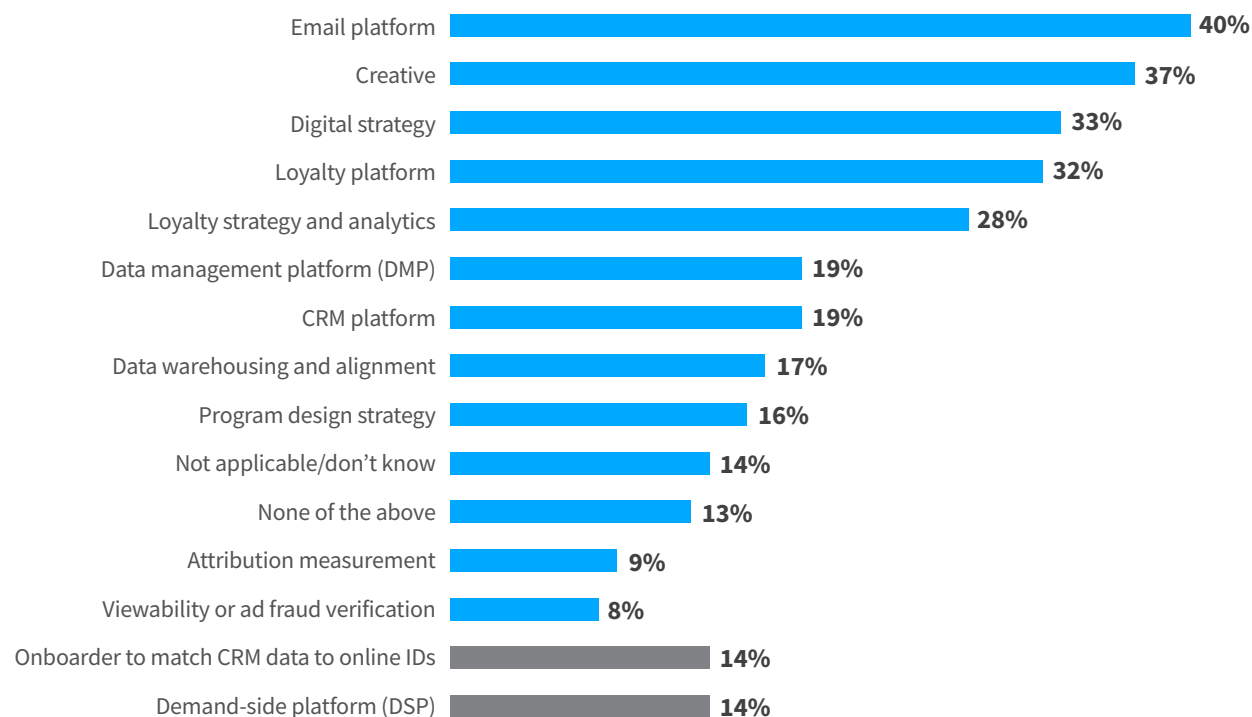


Base: All respondents (n=265)

Please note that not all charts add to 100% due to rounding.

FIGURE 5

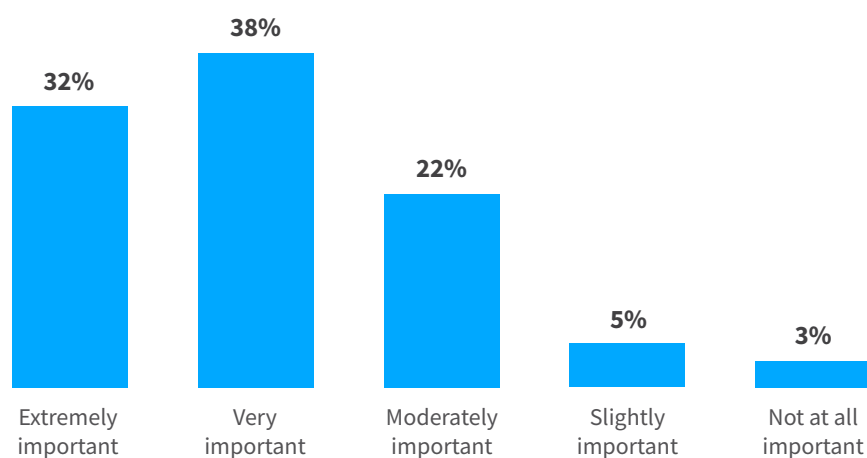
What aspects of your marketing efforts do you rely on a provider/vendor for?



Base: All respondents; multiple answers permitted (n=263)

FIGURE 6

How important is personalization to your marketing efforts?

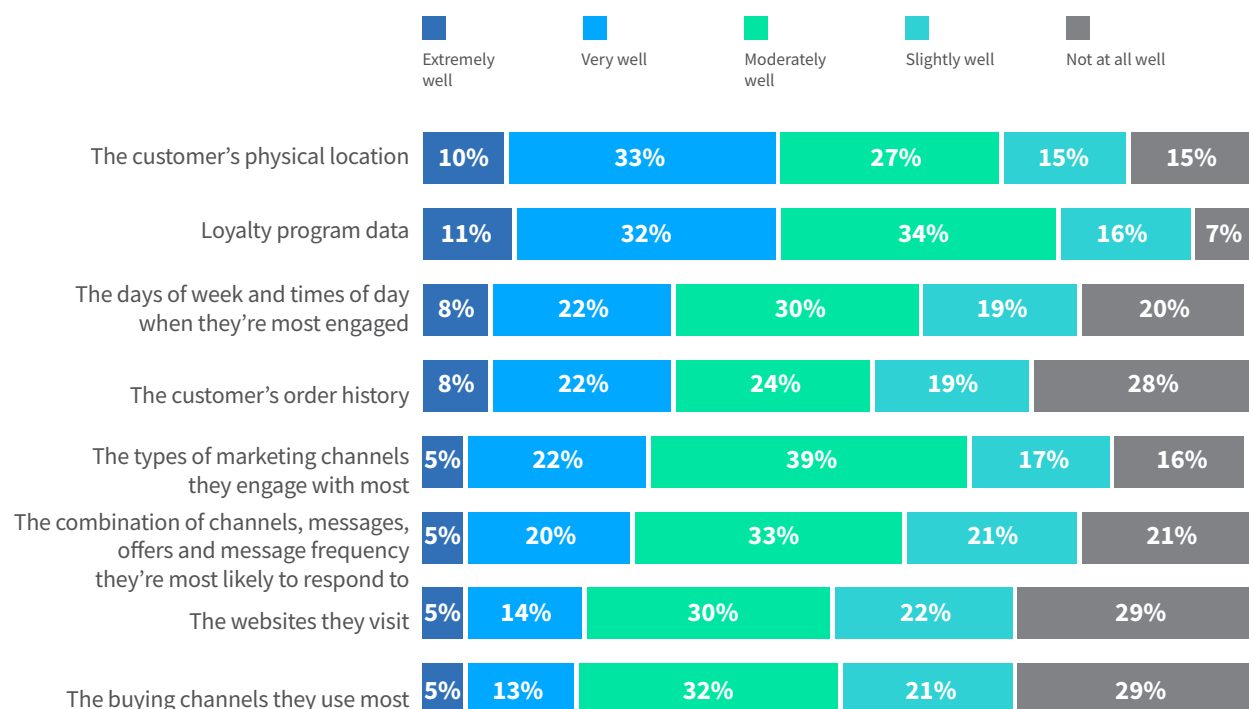


Base = All respondents (n=260)

Please note that not all charts add to 100% due to rounding.

FIGURE 7

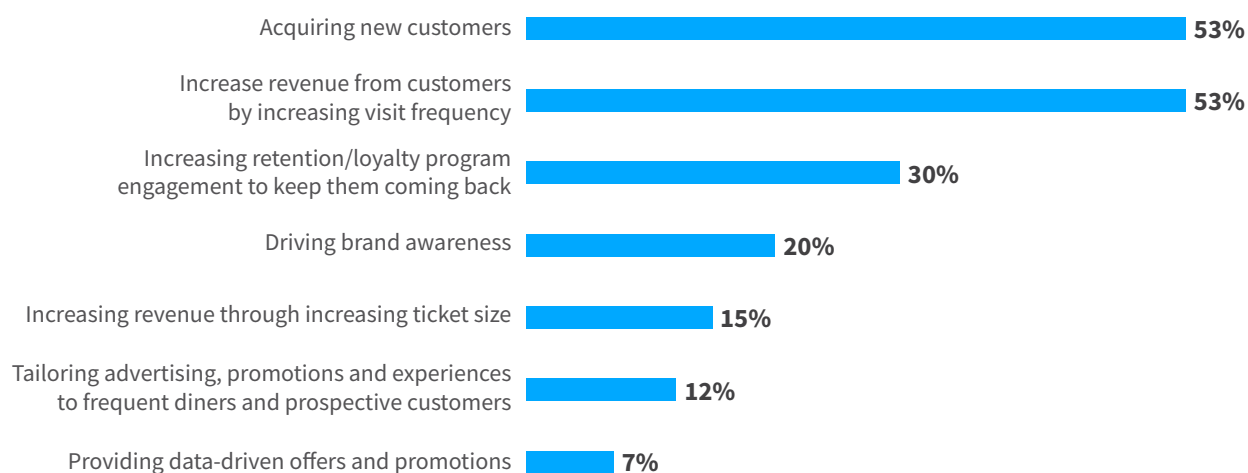
How well do you personalize marketing communications, offers and coupons to customers based on:



Base = All respondents (n=179-260)

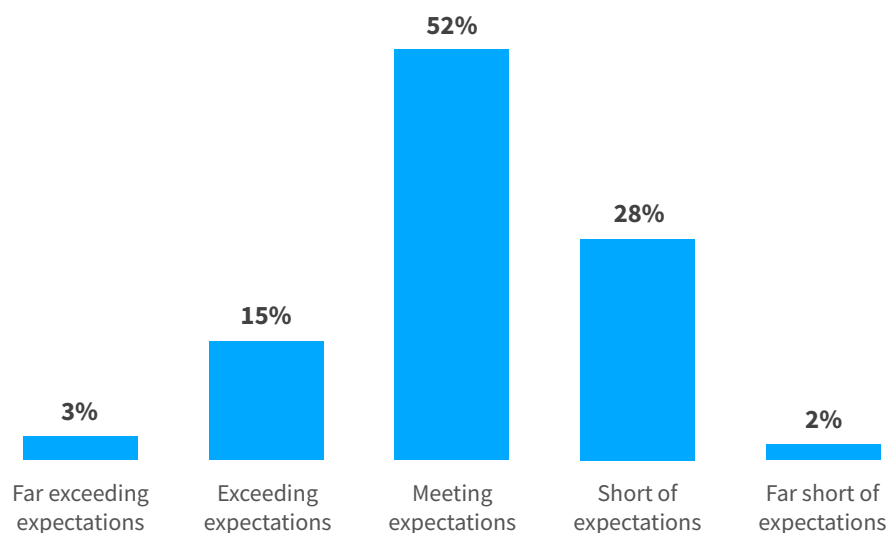
FIGURE 8

What are your top two priorities for your business?

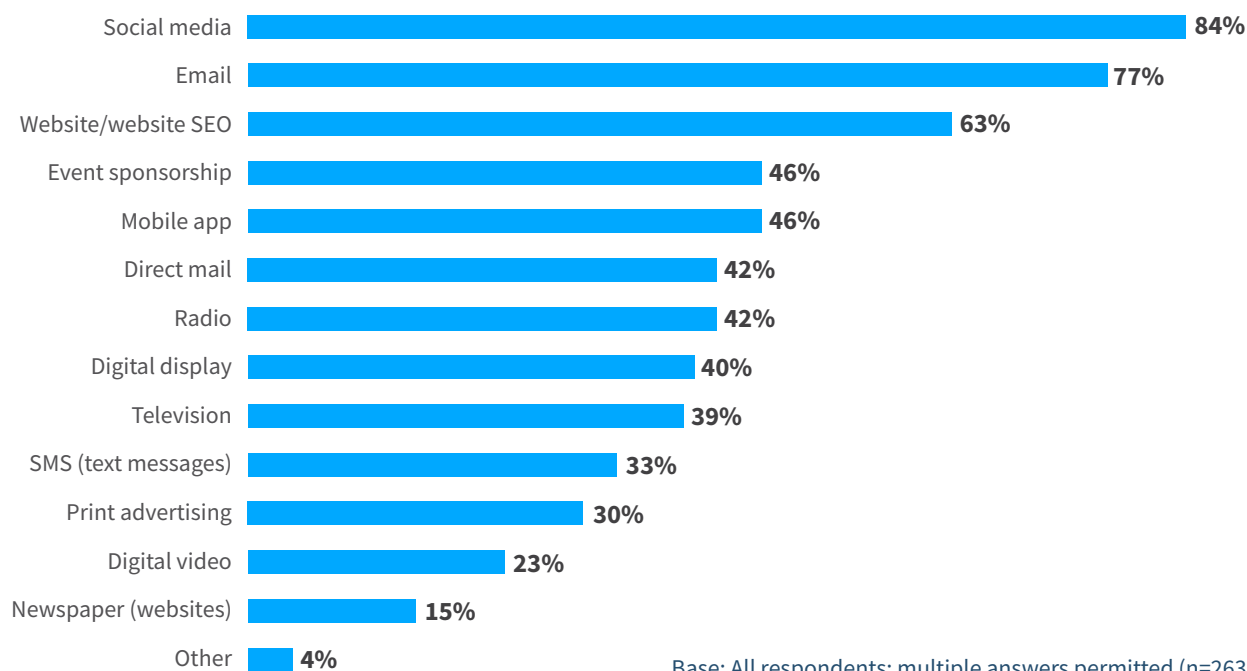


Base: All respondents; multiple answers permitted (n=265)

Please note that not all charts add to 100% due to rounding.

FIGURE 9*How well are you meeting your priorities?*

Base: All respondents (n=265)

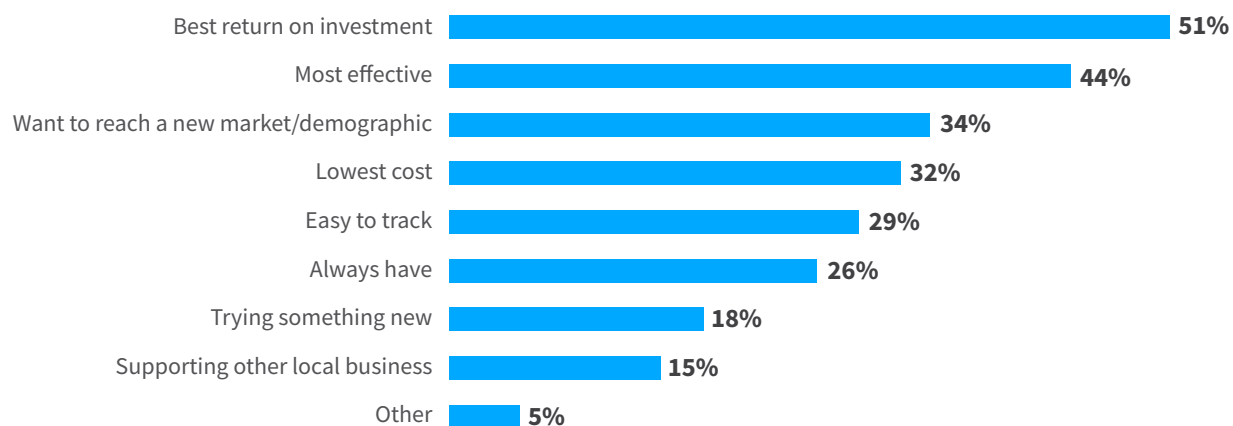
FIGURE 10*Which marketing channels are you using today?*

Base: All respondents; multiple answers permitted (n=263)

Please note that not all charts add to 100% due to rounding.

FIGURE 11

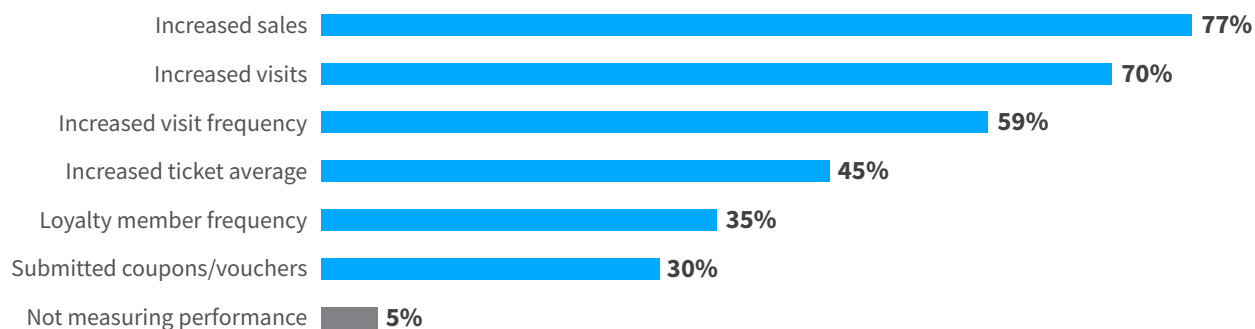
Why are you using the marketing channels you are currently using?



Base: All respondents; multiple answers permitted (n=262)

FIGURE 12

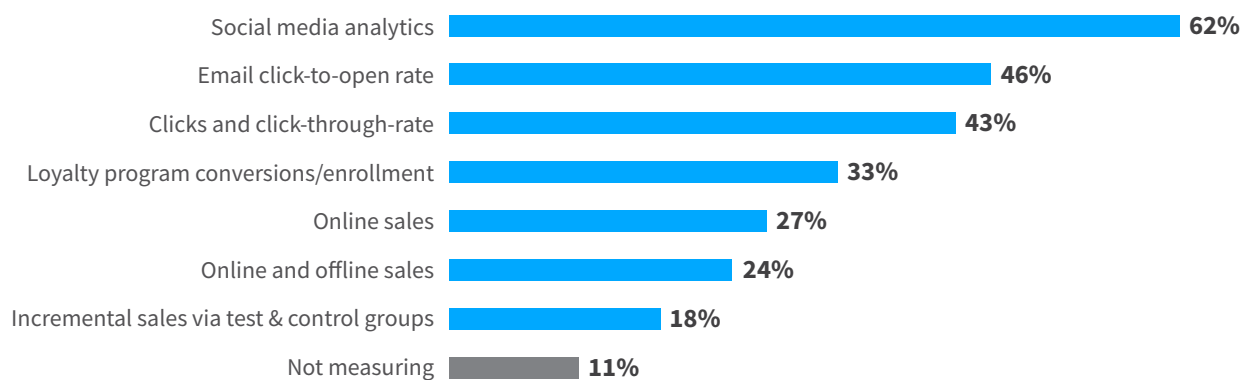
What metrics are you using to measure performance of marketing efforts?



Base: All respondents; multiple answers permitted (n=256)

FIGURE 13

Which of these metrics do you measure for your digital marketing?



Base: Respondent using digital marketing channels; multiple answers permitted (n=247)

FIGURE 14

What types of program features and benefits does your loyalty program offer?

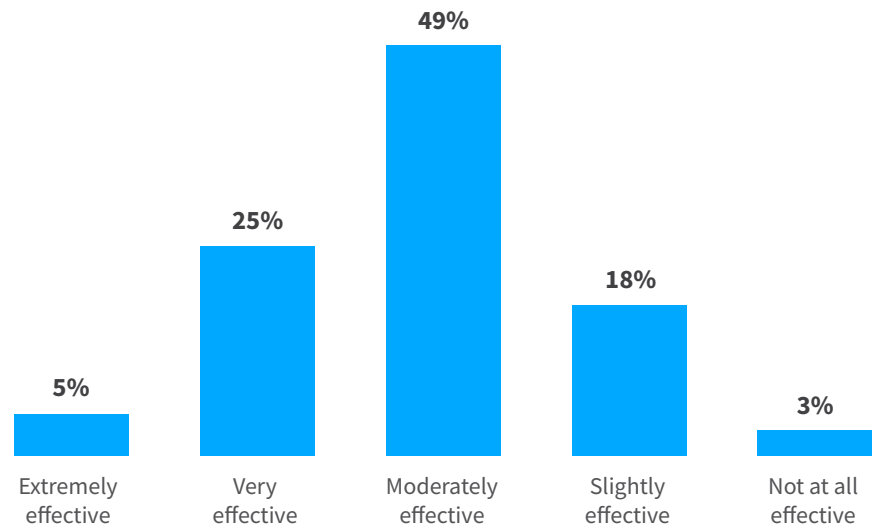


Base, pie chart: All respondents (n=265)

Base: Respondents with a loyalty program; multiple answers permitted (n=184)

FIGURE 15

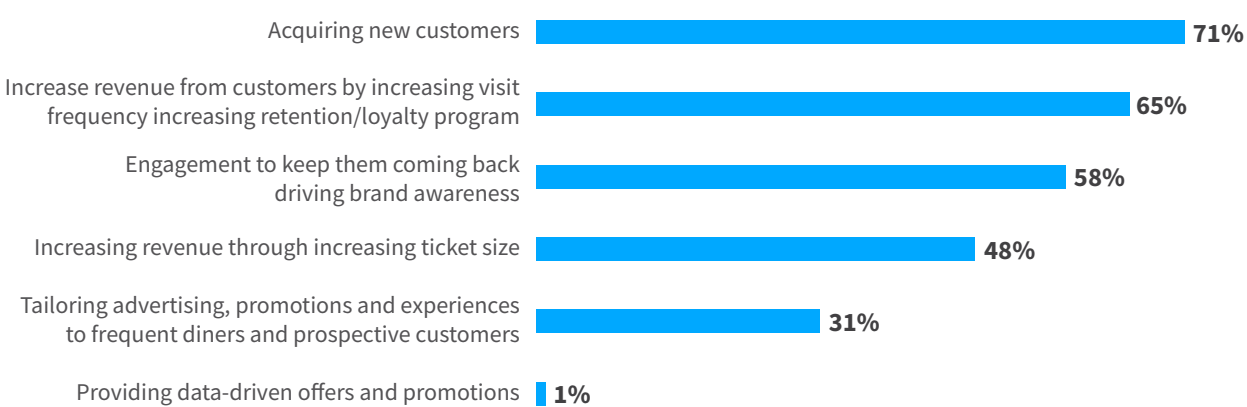
How effective has your loyalty program been?



Base: Respondents who have a loyalty program (n=185)

FIGURE 16

How do you determine success of your loyalty program?



Base, pie chart: All respondents (n=265)

Base: Respondents with a loyalty program; multiple answers permitted (n=184)

Base: Respondents who have a loyalty program; multiple answers permitted (n=185)

Please note that not all charts add to 100% due to rounding.