

Jan/Feb 2007

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Required Reading for Restaurateurs

Tips and Trends exclusively for American Express Restaurant Merchants

# Briefing

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## INDUSTRY UPDATE

## 2007 Trends to Watch

### Effective Employee Contests

**"To encourage staff to gather customer e-mail addresses, we ran a month-long contest, randomly pairing each server with a member of the kitchen staff.**

Totals were posted in the kitchen nightly. Everyone got excited about his or her partner's progress, and there was a lot of good will generated between the front and back of the house. On a normal shift we pick up five or six e-mails; during the contest the numbers increased to as many as 50 a night. Prizes were cash and gift certificates."

—GEORGE PRICE, OWNER, FLYING FISH CAFÉ,  
KILL DEVIL HILLS, NC

**"To cut down on breakage, three times a year we form teams and reward the group with the least breakage for 30 days.**

We post the cost of each dish and glass and when something is broken the cost of the item is added to the team's tally. During the contest breakage decreases as much as 75% and for several weeks after the contest employees are extra careful. Prizes are usually cash."

—JOANIE CORNEIL, CHEF/CO-OWNER,  
BELLA'S ITALIAN CAFÉ, TAMPA, FL

**"To energize and reward bartenders we had a contest this summer to create new cocktails.**

Normally our contests involve servers and back of the house, so our bartenders were very excited about having their own contest. The five winners received a packet of prizes, plus their names appeared on the table tents featuring the winning drinks, giving them lots of recognition, which they loved. Plus, we got some great new recipes."

—DEBRA FOX, DIRECTOR OF TRAINING,  
THE PALM RESTAURANTS

Industry sales will reach an estimated \$537 billion in 2007, according to the National Restaurant Association's 2007 Restaurant Industry Forecast – when adjusted for inflation, a 2.1% increase over 2006. The Association predicts that although gas prices still pose a threat (the power of which was felt by restaurants in the middle of 2006), the restaurant industry will benefit from another positive economic outlook in 2007. Despite overall economic growth that will not quite match that of 2006, volatile energy costs, and marginal job growth (+1%), **the Forecast concludes that the key drivers of restaurant industry growth are in place: a solid economy and disposable income on the increase** (+3.3% adjusted for inflation). Snack and alcoholic beverage bars should continue to lead the pack of eating place growth, showing 5.9% real sales increase; sales in the fullservice and quickservice segments are both expected to grow 2.1% in 2007 – on par with each other and with the industry overall.

**By far the biggest challenge in 2007 will be recruiting and retaining employees, cited as their top concern by both fullservice and quickservice operators.** (Next in line for quickservice operators are concerns about labor costs/wages.) The industry will employ 12.8 million in 2007 (almost 10% of U.S. workers); **with the strong economy, demand for workers is high and the labor pool is growing more limited,** partially because fewer teens are opting to work (down by 10% from a decade ago). **Competition follows as the next challenge for fullservice operators to address. To respond, they will integrate more technology** to streamline operations, increase employee productivity, and improve customer service as well as use the Internet as a marketing tool. Technology may extend into the consumer experience – 35% of men and 24% of women would be likely to use wireless Internet access if their favorite tableservice restaurant offered it; 28% percent would watch a small tableside TV in a fullservice restaurant. The comforts of home also come into play with another opportunity: more than half of adults surveyed say that they would be likely to purchase front-of-the-house and other restaurant-related items. The Forecast predicts more restaurateurs – in conjunction with their suppliers – will tap into a growing demand for these items, purchased primarily through increasingly sophisticated restaurant Web sites. Marketing tip: more than one in five adults say they'd be interested in redeeming frequent-dining points for restaurant wares. Fullservice operators will also step up catering, takeout, and delivery services.

**Training and technology are high priorities for quickservice.** More than 40% plan to increase the proportion of their budgets for training; 50% will increase budgets for efficiency-enhancing technology, which will be used to deliver better value. Look for quickservice operators to build on strategies that have served them well – greater menu diversification, and more/better-for-you food choices, more remodeling. Other areas of sales growth will be drive-through, delivery, catering, expanded late-night hours, and gift cards; 60% anticipate gift cards will account for a larger proportion of their sales in 2007.

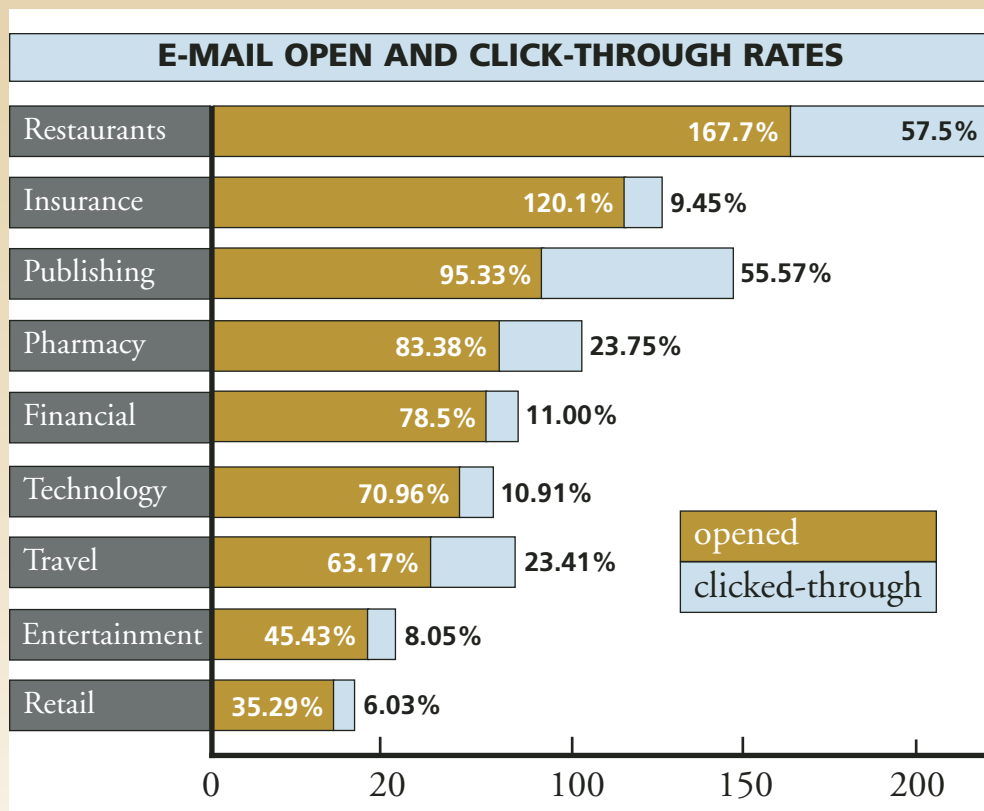
What's hitting the mark with increasingly experienced, sophisticated, value-driven restaurant patrons? A survey of more than 1,000 chefs shows that **the hottest fullservice menu trends are bite-sized desserts, locally-grown and organic produce (which may be the most enduring trends), flatbread, and bottled water.** When it comes to quickservice restaurants, the fastest-growing menu items include espresso/specialty coffee, chicken sandwiches, energy drinks, deli-style sandwiches, wraps/pitas/tortillas, bottled water, and entrée salads. (For more information or for a complete 2007 Forecast, visit [www.restaurant.org/research](http://www.restaurant.org/research) or call (800) 482-9122.





## E - BUSINESS

## Consumers Open to Restaurant E-Mails



**Source:** The Postfuture Index™ for January-June 2006 from Harte-Hanks, a direct marketing firm specializing in business-to-consumer marketing for the retail and restaurant industries.

**Note:** The open rate can exceed 100% due to e-mails that are passed along and/or re-opened.

In recent research from Harte-Hanks, a direct/targeted marketing company, among 13 industry categories, restaurants enjoyed the best e-mail open rates at 167.7%. (Open rate is the percentage of cumulative times all e-mails are opened vs. the number of total e-mails delivered.) At 57.5%, restaurants also had the best click-through rate (the percentage of times recipients click on a link or call to action within an opened e-mail, which usually sends them to a Web site).

According to Wendy Lynes, retail practice leader, Harte-Hanks, "Open rates are very strong for restaurants because recipients expect or believe there will be value. It could be information, a promise of a level of service or experience, etc. But it generally involves some kind of offer – from a free topping on a pizza to an online drawing for a free dinner. One practice in particular that helps click-through rates for restaurants is the feature of print-at-home coupons or certificates, which can typically be used in-store or at home (delivery)."

Wendy advises restaurants to, "Analyze both POS and e-mail performance data to determine if their offers are relevant – which types of offers and content drive desired behavior with which customers – then refine their offer targeting." And when working with an e-mail marketing company, "Make sure the company has expertise not only in e-mail marketing, but also in analyzing data and results," she says.



## AROUND THE USA

## Stimulating Wine Interest. . .and Sales

Restaurateurs are finding that customers are increasingly interested in learning more about wine. What some are doing:

"To keep it interesting for wine lovers, we have wine events every week, each targeted to specific customer segments and price points," says Doug Strickland, owner, Eno Restaurant and Wine Bar, **Atlanta, GA**. Thursdays are "Top Flight Nights" featuring a flight of three reserve wines for \$25-\$35 that are not offered by the glass (i.e., Brunello di Montalcino, Super Tuscan, etc.). From 6 to 8 pm on Wednesdays Eno hosts a tasting of 10 wines for \$10 along with free tapas. . . Every Tuesday Rococo Restaurant, **Oklahoma City, OK**, has a wine tasting party, where a flight of reds and a flight of whites are tasted. "We hook up with a local wine merchant who sells the wines and helps promote the parties, which draw both regular and new customers," says Bruce Rinehart, owner. Rococo also lets guests build their own tasting flights (\$11 for three 2-ounce tastes) from 30

wines available by the glass. Flight wines are served on individual cards containing wine notes. . . At Piattini Wine Bar, **Boston, MA**, Monday night "Class in a Glass" wine classes – \$40 for a three to four-course dinner with wine pairings, led by a wine expert – are a popular way for customers to learn more about wine. "Every month we choose a theme, coming up with fun names like 'Desperate House Wines' and 'Pinot Envy,'" says Sheli Flieger, gm. . . The 2,000 wine club members at Murphy's of Reno, **Reno, NV**, receive special discounts on wine purchases, including \$5 off on weekly wine tastings; 50% off most bottles on Monday and Tuesday nights; a \$25 discount on all wine dinners; and, they may buy wine by the bottle or case at cost, plus 10-20%. "There's no cost to join the club, we just ask customers for their e-mail addresses so that we can send wine promotions," says Michael Decio, wine director. "The club has really stimulated interest in wine and sales have increased 350% in two years."

"Guests love our 'wine tasting greeting.' After they're seated, servers offer a complimentary taste of that night's featured wine, telling them a little about it. It not only encourages wine sales, it's a great way to move inventory and test guest reaction to new wines."

ANDRÉ CABRERA, DIRECTOR OF MARKETING,  
BENNETT'S PURE FOOD BISTRO,  
MERCER ISLAND, WA



## SMART MARKETING

### Take-Out Marketing Strategies

To build take-out business some restaurateurs are getting creative with their marketing strategies by offering discounts, special menus, and targeting specific market segments.

**As consumers and businesses become even more value conscious, restaurateurs are finding that offering discounts on take-out is paying off.** Elio DeSanto, owner, Il Moro, Los Angeles, CA, offers nearby businesses and companies a 20% discount if they buy \$1,000 worth of take-out up front. "We fill a gift card with \$1,000 and companies use it as a debit card, with a 20% discount applied to each take-out order," says Elio. "It's a good way to keep our customers captive and ensure that they will spend their take-out dollars with us." He says 30+ companies have purchased cards, which in two years has brought in \$100,000 in incremental revenue. "This system is appealing to both the restaurant and the companies as it eliminates the hassle of accounting and billing," says Elio.

**"Many of our take-out diners prefer to take home a family meal, so we feature family packages that serve four to six people and a la carte sides sold by the pint or quart."**

— STEVE TAYLOR, PRESIDENT, AUSTIN'S AMERICAN GRILLS

Discounts are popular with individual take-out customers at Frankenmuth's Bavarian Inn, Frankenmuth, MI. Monthly take-out coupons – often for Family Value Packs or buy one dinner or sandwich and get the second one-half off – are available on the Web site and bi-monthly in the local paper. "We're seeing 75% of coupons being redeemed from newspapers and 25% from our Web site," says Jim Dohrmann, retail division mgr. Jim adds that occasionally they cross promote take-out in the dining room by giving diners take-out coupons. Austin's American Grills add "bounce back" coupons to take-out orders, offering dollars off on the next order, which have a good redemption rate.

"The restaurants in our group that do the most take-out business are located in business centers," says Steve Taylor, president, Austin's American Grills. "To let companies in the area know that we offer take-out, managers frequently make personal visits to drop off menus." Steve says **meeting face to face has been key to building take-out business.** Elio agrees and personally speaks about Il Moro's take-out program with business customers who dine in the restaurant. "We also send e-mail blasts to companies in the immediate area which has helped increase take-out sales," says Elio. Steve adds that many Austin's American Grills also host happy hours for nearby businesses to introduce them to all aspects of the restaurant, including take-out.



## TODAY'S CONSUMER

### Making the Cut

**Trend:** For more than a third (36%) of Today's Consumers, it's important to spend time researching a product before buying, compared to 22% two years ago. Nearly half (46%) say they are likely to look for fulfillment by educating themselves about something that's important to them. Bombarded with irrelevant information and a cluttered marketplace, they are researching more, digging deeper, and scrutinizing to pinpoint what's right for them – what resonates – from automobiles to restaurants.

**Opportunity:** Consumers are more precise about what they want and have more of a more specific experience in mind. Respond by being specific and articulate about your business and what it offers. Hone your brand – making sure

all aspects of the dining experience tie in and are consistent. Restaurants with an identity crisis – without discernible points of view or those trying to be all things to all people – are more likely to be passed over. A common theme with consumers is authenticity; they'll sniff out imposters or copycats. Credentials and bona fide expertise help – post your chef's resume on your Web site or tout it to the media; promote family recipes; emphasize your grower connections, etc.

**Caution:** Sending a strong signal about who you are includes being clear about who you aren't. Perhaps you can't be family-friendly without alienating business clientele or can't be true to your niche if you constantly dilute it. Trend Source: Yankelovich MONITOR®

### Online Reservations, cont'd.

**When looking at online reservations systems, another variable for restaurants to consider is the fee structure** – which tends to fall into the categories of per reservation or a flat monthly fee (an appealing option for restaurants with a strong percentage of clientele who book online, and/or are repeat customers). For example, OpenTable member restaurants pay per reservation – \$1 for reservations made on opentable.com and \$.25 for those made via a partner site (in addition to a monthly service fee of about \$200, which includes hardware and software). GuestBridge customers can purchase software or pay a flat monthly fee, which starts at \$159; most monthly customers pay between \$200-\$350/month.

Another factor is how reservations are processed. **Online reservation requests are now typically taken, processed, and confirmed in real time, but a few systems still provide phone or fax communication for restaurants without Internet access.** While savvydiner.com falls in this category, their strategy goes beyond providing a service for off-line restaurants. Similar to hotel concierges, savvydiner's team of concierges act as middlemen, fielding online users' requests and then calling restaurants to book. (Confirmation, along with information about the restaurant – menu, pictures, directions, private dining info – is e-mailed back to guests by savvydiner.) "Picking up the phone and talking to restaurants means that we can confirm requests, special occasions, seating, etc. without running into any mechanical walls," says Darrin Williams, sales and content director. "We think there's value in building relationships personally." Savvy diner faxes/ e-mails restaurants daily updates with information about guests coming that day and shares guest feedback with restaurants. And given that savvydiner requires no hardware/software/Internet access, it can be used alongside other systems, says Darrin. (Savvydiner's flat rates vary according to the size of the restaurant, from about \$30 to \$100/month.)

Other things to consider are the ability to hold back tables for regulars or walk-ins, the training and support (especially for those transitioning from a paper reservations book) and the marketing programs/relationships that each service brings to the table.



## REQUIRED READING

**Must-Read Books for Restaurateurs**

**Most restaurateurs have little time to read, but two books on the market are especially worthwhile.** Danny Meyer, pres., Union Square Hospitality Group, New York, NY, joins Alex Brennan-Martin, co-owner, Brennan's of Houston, Houston, TX, and Commanders Palace, New Orleans, LA, and Las Vegas, NV, in the unique category of restaurateur-authors of business books. While both authors' revealing discussions and articulate philosophies are applicable to businesses of all types, **restaurateurs will gain especially valuable insights into the evolution of – and the principles behind – two highly successful restaurant companies.** Both Danny and Alex are candid about miscalculations along the way, the recognition of their own blind spots, and their development as leaders. And both clearly outline the strategies behind their ultimate successes.

**THE SIMPLE TRUTH, by Alex Brennan-Martin and Larry Taylor**

Alex describes his transition from being a slave to management trends to a defining moment that would change his business forever. "I realized that I needed to find a simple business philosophy that I could master, rather than one that would master me," he says. Alex and his team set about finding what he calls "The Simple Truth," the element that uniquely defines a business from a customer's perspective – what it is really selling, why its customers buy it, and the special ingredients that differentiate it. In the process, Alex says that his job as leader became clear – to make their Simple Truth (making great customer memories) the only objective by which to make decisions and measure performance. "Each department had been rewarded for different, and sometimes conflicting goals," he says. "We realized that there was only one perfect scorecard – what matters most to customers, which is everyone's ultimate job. When there is total clarity and absolute simplicity, there's not a place for anyone to hide." Alex also talks about training vs. teaching, the role of price, harnessing the power of his staff's self-interest, "followship" vs. leadership ("If you don't have followship, you're not leading the parade – you are the parade"); and how to maintain a customer focus. "By living the Simple Truth," says Alex, "I eliminate the need for employees to ask my opinion. They know that every decision comes back to one guiding question: Does it make great customer memories?"

**SETTING THE TABLE: The Power of Hospitality in Restaurants, Business, and Life, by Danny Meyer**

In this business memoir, Danny chronicles the evolution of one of the country's most successful restaurant companies. This very personal account includes insight into family memories and personal interests, which he says are his greatest source of entrepreneurial inspiration. And it charts the codification of his basic business instincts into a coherent, core management philosophy – "enlightened hospitality." "The most significant and lasting way for us to set ourselves apart is the way we define and deliver hospitality, which exists when someone feels you are on their side," says Danny. "And nothing matters more than how we express hospitality to one another. We define our successes and our failures in terms of the degree to which we have championed, first, one another and then our guests, community, suppliers, and investors." Another core philosophy is community involvement. "Generosity is clearly in our self-interest," says Danny. "In business, as in life, you get what you give." Among many other topics, Danny discusses hiring for hospitality with his "51% solution." "We're hoping to hire and develop employees whose skills are divided between 'emotional hospitality' (51%) and technical excellence (49%). The overarching concern to do the right thing well is something we can't train for," he says. "Business, like life, is all about how you make people feel. It's that simple, and that hard."



## GREAT IDEA

**Sharing Responsibility and Savings**

When the linen bill got out of hand at Two Chefs, Miami, FL, owner, Jan Jorgenson put one employee in charge of monitoring linen usage in exchange for a share of the savings. Jan set a goal of reducing the bill by 20% and the employee in charge, a

busboy, keeps the difference between the goal and the actual bill. "This not only allows me to save money," says Jan, "it gives a lower-level employee responsibility and extra income – he often makes an additional \$200-\$300 a month."

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The Restaurant Trade Program package is \$900 if purchased before 3/15/07; \$1025 thereafter, and includes all chefs' demos and wine tastings. Tickets for Food & Wine Magazine's Best New Chefs Dinner are \$225. If you use your American Express Card you'll receive an additional \$25 savings. For more info and/or to register, call (877) 900-9463. Mention code F14.

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