

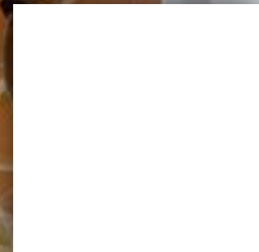


wine enthusiast

is on an expense account



booked her holiday office party with you



has blown off reservations six times.

wants to take a gourmet cooking class

is one of your top 15 customers

Identifying your best customers:

HOW AND WHY RESTAURANTS GATHER GUEST DATA

by Sonya Bice

Can you identify the guests who spent the most money in your business in the last 90 days? How much do you know about what they order, how much they spend per visit, how frequently they dine in your restaurant? Who buys gift certificates from you, when and in what quantities? Where do your best customers live? Do you keep in touch with them with reasons to dine out more frequently?

While some operators hesitate to ask customers for information, those who do ask are finding most very willing to provide extensive contact information, often explicitly seeking to be contacted with news of special events. Yet other restaurants are systematically building guest databases—combining information provided by customers and from elsewhere—not to contact customers, but to use the data for better customer service and more efficient management and marketing.

The tools they are using include various types of guest loyalty programs, which customers sign up for, as well as increasingly sophisticated combinations of table-management systems and online reservations systems that link to a customer database, which can be a completely behind-the-scenes system built with information gleaned from restaurant staff and the POS system.

The trend is driven in part by intense competition for customers and an increasing emphasis on the value of knowing as much as possible about a business's customer base.

Ed Lump, president and CEO of WRA, says, "The trend is to identify who is coming to the restaurants. If you know who your best customers are, that's a big step forward. The trend is to identify them and to mine that information and make frequent customer contacts."

"The competition is fierce," Lump says. "Your list of customers has to be a lot larger than it used to be because they won't come to you as often as they used to." He compares customers today to those of 20 years ago, when a restaurant had regular customers that would come in on a weekly and sometimes daily basis. "There's less and less

of those people around. The best a restaurant can hope for today is to be on the guest's list of favorite restaurants."

The increasing collection of data is made possible by high-tech software that does things like combine a caller ID subsystem with a reverse phone lookup feature that automatically captures the address of the caller. It is also made possible by customers themselves who are surprisingly willing to give personal contact information, including email addresses, on registration cards and online profile forms. One online form for a Milwaukee WRA member asks for name, address, phone, cell phone, job title, company, birthday, nickname, assistant's name and phone, and partner's name and birthday. Dave Arthurs, vice president of Guestbridge, a Milwaukee company that works with restaurants to manage customer data, says that restaurants are often surprised by the amount of information guests will provide when asked. "When we were testing the software, we were surprised that 80 percent of the people filled out 80 percent of the forms," he said. "They aren't dealing with some unknown company; they are dealing with a restaurant they trust."

Bartolotta Restaurants: Customer-provided information

An article titled, "Late to the Table," in the June 15 issue of *Direct* magazine (available at directmag.com), discusses some successes and failures in restaurant loyalty programs. The article sums up what an effective program accomplishes: "The purpose of a loyalty program is not points or rewards or plastic cards or discounts. These are just means to an end. It's rather to discover who the restaurant's customers are, and to track their behavior, find out their preferences, cater to those preferences and keep two-way communication going. The result should be an ever-stronger relationship with customers that increases frequency, per-check revenue, marketing efficiency and competitive advantage."

The article mentions The Bartolotta Restaurant Group of Milwaukee as one of the small firms that are using loyalty programs

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effectively.

Bartolotta Restaurant Group Media Director Jana Schmeling says the company is continuing to refine its customer loyalty and marketing efforts, especially online. "We are trying to get a lot more data (about web site visitors), to find out who's clicking on what. That's something we're really focusing on. Most of our marketing dollars are going to our web site and the Internet because that is where people are going for information."

When a reservation is made online (through a link from the restaurant's page to opentable.com), the customer phone number is used to find the address. The restaurant then sends out a brochure for the Preferred Customer program. Only if the person completes the form for the Preferred Card

does his or her name and address (and email address if the person chooses) get added to the customer database.

The company abandoned its previous master mailing list when it became "just unmanageable," Schmeling says. Now the mailing list consists only of Preferred Card members. When program members receive their quarterly statement of the amount spent in the restaurants, for which they earn gift certificates, they also receive a newsletter giving information on upcoming events.

Schmeling said about 10 percent of the members asked to be on the email list. They receive an email about twice a month alerting them to special events such as wine dinners and etiquette classes.

"We don't ever send unsolicited email.

Never," Schmeling emphasizes. "We don't do that. We're really very careful. If someone doesn't want to get email, we don't send it."

For the moment, there are just two lists: a mailing list and an email list. "We are working on doing more targeted mailings, we are starting to split lists off – one list for those interested in wine dinners, for example," she said.

Schreiner's Restaurant in Fond du Lac makes very targeted use of its customer mailing list: an annual mailing just before the holidays.

"Schreiner's gathers customer names and addresses for only one purpose," says owner Paul Cunningham. "We have a large mailing list that receives a mailing in late November to remind guests to order gift certificates for Christmas giving." He says that the mailing generates a "huge response—way beyond anything people get with normal mailings."

However, he decided to use information only when customers specifically asked to be on the mailing list; he is not comfortable adding customer addresses from personal checks. He jokes that doing so would probably violate "numerous statutes and several commandments." (For the record, no statute prohibits using customer-provided information for business purposes, except of course for fraudulent use of financial information such as account numbers. In addition, the Federal Trade Commission web site explains that the CAN-SPAM Act, which regulates unsolicited commercial email messages, does not apply to communications that "update a customer in an existing business relationship" so long as they don't contain false routing information.)

Security of data

A June 6 article in the *New York Times* said Hotels.com had announced that a stolen laptop had info on 250,000 customers' reservations data, including each customer's name, address, credit card number. We asked Guestbridge how it protects the data it gathers for restaurants.



WR: Do your restaurant clients keep their own data or do you? Who has the data from the online reservations and how is that protected?

Dave Arthurs, VP, Engineering, GuestBridge, Inc.: Good question. Here is how we handle that. We don't "permanently" store any information on the guests that is not considered public domain information. We had to meet Canadian privacy standards to sell there, which are stricter than U.S. standards. This means that name, address, phone, email and anniversary are "public domain" — you can get this information legally from public sources. Birthday is private...we optionally store either month/day or month (not month/day/year)...which is acceptable for Canadian privacy law.

We do allow guest credit card data to be stored in our system. This is mainly used to "guarantee" a reservation. The system automatically erases the data after the reservation has passed...so at any point in time, the number of credit cards stored in the system is kept to a minimum.

When credit card data is stored in the database, it is encrypted with a two-part key (meaning neither we nor the customer can break the encryption). It can only be accessed through the software itself.

The database is never stored on a laptop. It's usually installed in a locked server room (with the same security as the POS/payment processing equipment). The database itself is encrypted and password protected as well. Any access to the actual card number is restricted to managers-only and viewing is logged...failed attempts past a specified threshold lock out the system. The online data is gathered using an encrypted connection (https) and sends the data to the store database over an encrypted transmission. We do not have any credit card data on our servers.

Guestbridge: Adding data from behind-the-scenes

Guestbridge, Inc. develops software that it says helps restaurants "to effectively capture, use and manage one of your most valuable assets—your guest information, personalize service...increase front of house efficiency, and improve communications with guests."

Dave Arthurs, vice president, describes the way the software works:

"What we've done is integrate the guest database into the operations of the restaurant to make it possible to begin to identify the customers. For example, when you make a reservation, you give your name and phone number. That then becomes a way to identify you when you come back to

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that restaurant. What we're doing here is to start to build a record for that individual. When you come to the restaurant, they start adding to that. First they identify you, then it builds to what type of service you expect—do you have any allergies, do you like your meat prepared a certain way, what is your drink preference. Your partner or spouse's name, their preferences. So that's sort of the genesis. Then information is used in many different ways. Once we start building that database, the database becomes a cornerstone for doing many other things in the restaurant."

A birthday celebration is noted in the customer record, and if in a subsequent year, a reservation is made within a week of that date, the staff is automatically alerted that the reservation may be for celebrating a birthday.

"An owner of a restaurant who has added other locations may be spending less time in one location," Arthurs says. "So he is putting what he knows about best customers into the system so that when he's not there, his staff knows what he knows."

If a guest is a chronic no-show or routinely cancels reservations, that information too becomes part of the record.

Usually there's a senior front of the house person, and they'll go through the records from the night before and update people's profiles, Arthurs says. "Some restaurants want just the basic information, and others could write a book about you."

While he estimates that 80 percent of the restaurants that use Guestbridge are reservations-preferred, the company also has

a wait-list based system developed for casual dining operations. Customers give a name and, increasingly, a cell phone number to be notified when a table is available. An online reservation made with a handheld PDA also yields a telephone number. But contact information is not really the point: this kind of database is really all about identifying customers and tracking their visits.

The software also has a point of sale interface that brings in the spending data from the POS system and shows how much money each guest has spent with you to date and what their average check value is.

"I think every restaurant has some people who are good, loyal customers, who don't get noticed," Arthurs says. "I think one thing that Guestbridge is really helpful with is identifying those people who you wouldn't have noticed until they come up on the report. Then you say, 'who is this guy, and why haven't we noticed him?' He's been coming in once a week with his wife, and maybe servers have, but management hasn't, and now they can go to them and say hello to them and make them feel appreciated. We have reports generated that give you your top customers in various categories. I think with a lot of restaurants, a small percentage of the people account for a large proportion of the business. And repeat business is the key."

Guestbridge's restaurant clients, which include WRA members such as Mo's Irish Pub in Milwaukee, also set up detailed online forms where guests provide extensive personal and contact information. (For an example, see www.mosirishpub.com, and click on

"Mailing List.") So the record for a guest may eventually contain a combination of information he or she provided, reservations and spending information gained from the table management and POS systems, and additional notes from restaurant staff.

Arthurs says one operator who uses the company's software described it as just another tool to create a good experience for the guest, no different from other elements that go into a positive dining experience. If information from the guest database reminds the host or hostess to seat guests at their favorite table, that contributes to a good dining experience just as other "behind the scenes" equipment. After all, there are many things guests never see. "It just helps to create that 'restaurant magic,'" Arthurs says. "The tools are kept behind the scenes as much as possible." **WR**



Zeroing in on profitability

In terms of their value to your business, to paraphrase Orwell, all customers are equal, but some customers are more equal than others. One common way to create a customer database, the guest loyalty program, is extensively analyzed in an article in the July-August 2006 *Harvard Business Review* in which the authors identify the elements that separate the successful from the failures. One of their key points: In designing a guest loyalty program, don't reward volume over profitability. They cite the following examples:

"Harrah's Entertainment, for instance, tracks the types of gambling that people do

and focuses on its most profitable customers. Its loyalty program recognizes, for example, that roulette wheels have a different house take than slot machines. Thus, when a customer calls to book a night at one of its properties, Harrah's is able to generate a spot price for the room based on customer profitability as well as availability. Profitable customers might stay for free while others might be charged hundreds of dollars for the same room or even be told that no rooms are available." They also note the curious fact that Citibank "does not answer the customer service calls it receives in the order they are received; rather, wait time is a function of the callers' assets."

Sidebar: Viewpoints

“Savvy restaurateurs use the internet to enhance their guests’ experience before, during, and after the dining experience. Web sites fill seats by improving restaurant visibility to online browsers and providing a means to book reservations or submit requests. Online guests databases create a personalized service experience by leveraging requests and info gathered during the reservation process. Finally, restaurateurs can ensure repeat visits by using the data they gather to tailor inexpensive and effective marketing campaigns to their guests after their visit.”

Thomas Layton, CEO of OpenTable, Inc., quoted in the May 2006 issue of *Tidbits*, the newsletter of DiRoNA.

“My first recommendation, whether it’s a single-unit operator or a large restaurant chain, is that if they don’t know who their guests are, they ought to darn well find out, and be using that data.”

Karen Zaniker, of Lawry’s Restaurant, quoted in “Late to the Table,” *Direct* magazine, June 15, 2006 (http://directmag.com/casehistories/travelentertainment/marketing_late_table/)