

UNLOCKING RESTAURANT GROWTH

through Data-Driven Competitive Sets

WHY ACCURATE COMPETITIVE SETS ARE THE KEY TO RESTAURANT GROWTH

Making decisions based on supposition or gut feeling often doesn't feel like an assumption at all. But without data to support these decisions, they are nothing more than dangerous assumptions.

The exact assumptions that can be lethal to a restaurant.

Take a competitive set as an example. The most impactful thing when it comes to sustaining loyalty and properly executing a penetration strategy is a competitive set. It should be the key driver in directing pricing strategies, food innovations, customer targeting, and more. Yet, all too often a competitive set is just another assumption, based on guesswork instead of cold hard facts.

For the biggest restaurant chains, establishing a competitive set is easy. Public market share data, extensive and exhaustive research across qualitative and quantitative studies, and ethnographic research provide a look into customer habits and behaviors. These insights empower large chains to make decisive choices that foster continued growth.

For smaller restaurant chains, establishing a competitive set is more complicated. Even worse, an inaccurate or incomplete competitive set can set off a disastrous sequence of decisions and events that send the entire business in the wrong direction.

Imagine a 150-door upscale burger chain seeing McDonald's and Burger King on every corner and drawing conclusions about demand, location, and customers. But are those low-priced giants truly a competitor? Are those well-known brands really who an upscale burger chain's customers are considering when making their lunch-time decision? Is the 150-door upscale burger chain really competing with the Golden Arches for one more dining occasion? Is their penetration strategy targeted at luring away McDonald's and Burger King customers? More to the point, should it be?



UNLOCKING BUSINESS GROWTH THROUGH COMPETITOR DATA

By accessing and analyzing customer visitation and purchase data across the industry, any restaurant chain can understand where their customers are going when they aren't choosing them. The impact of these insights is hard to overstate. From improving penetration tactics when entering a new market to fostering more repeat business, the impact of rich competitor data sets has the potential to transform locations, markets, and even entire organizations. Even better, this data is currently available to any size restaurant.

Knowing what your competitors are up to—from their menu offerings to their marketing campaigns—can give you valuable insights into how to better attract and retain customers.

But competitor intelligence is not just about copying what others are doing or observing the competitor itself. It's also about understanding why your customers patronize your competitors and then using that knowledge to improve your own offerings. Competitors do not exist in a vacuum. Customers do not eat only at one restaurant. Understanding the threads that tie your customers to competitors is the key to unlocking growth at your restaurant.



WHO IS THIS eBOOK FOR?

This eBook will focus on the power of an accurate data-led competitive set and how to put it to work for your small or mid-sized organization. It will highlight the availability and accessibility of this data for even small organizations and unveil exactly how competitor data as seen through the eyes of customers is the key to unlocking your own growth potential. Finally, this eBook will demonstrate real-world examples of how data sets from Affinity Answers are uncovering actionable insights for small and mid-sized restaurants, helping drive decisions that attract and retain more customers.

This eBook is for executives at small and mid-sized restaurant groups seeking predictable growth and maximum return on investment as they enter new markets.

These executives understand already that repeat customers are key to a successful opening and continued expansion.

In this eBook, we'll explore how to use competitive intelligence to gain a deeper understanding of your customers and make your restaurant more appealing to them. We'll address how ignoring the inextricable relationship between customer data and competitor intelligence is a recipe for disaster. And we'll touch on how the critical data and insights necessary to unlocking sustainable growth are no longer only available to big franchises and restaurant chains.



THE RELATIONSHIP BETWEEN COMPETITOR INTELLIGENCE AND CUSTOMER INTELLIGENCE

Competitor intelligence and customer intelligence are two sides of the same coin. They both involve gathering information about your customers and your competitors in order to gain insights that can help you improve your business.

Competitor intelligence can help you understand why your customers are going to your competitors. Customer intelligence can help you understand what your customers want and how to give it to them.

The hard truth is that competitor intelligence is useless without customer intelligence. And vice versa. You need both in order to gain a complete understanding of your market and your place in it. More importantly, you need this understanding to grow into the future and maximize return on growth investments.

Taking a holistic view of available data is truly the key to entering a new market and finding repeat customers as quickly as possible.

Key Data Types

To bring your data into focus, it is critical to identify where data overlaps and where it stands alone. This overlap is the roadmap to repeat customers, a greater share of wallet, and accelerated growth into new markets and customer sets.

Data About your Restaurant

The first important data set at your disposal is the data about your restaurant that you have access to at any time. This includes pricing information, sales data, and the number of customers that come through the door.



All too often, restaurants only evaluate pricing information, sales data, and store traffic without considering other external data.

For example, restaurants may see that a particular menu item is not selling well and, in reaction, lower the price or create a promotion around that item. Or, for another example, a restaurant may see that a location is slow on a particular night and create a promotion focused on bringing in customers on that night.

These decisions are informed with incomplete data sets. Maybe a similar item at a competitor location sells for twice the price. Maybe that slow night is because a competitor has a well-known, long-running promotion.

Data about your restaurant is important. In fact, your own data is likely to be the best starting point for a data-driven growth strategy. The problem comes with evaluating that data without any external data points to provide context.

Data About your Customers

There are a number of different customer data sets that restaurants should use to better understand their customers and the competitive landscape.

Repeat Customers

This data set includes information about customers who have visited your restaurant on multiple occasions. Repeat customers are the lifeblood of sustained growth for any restaurant.

Increasing repeat customers means battling for “one additional occasion”. Armed with data showing where else repeat customers dine, marketers can more confidently and effectively hone loyalty strategies across marketing, targeting, food promos, and innovations.

Non-Repeat Customers

This data set includes information about customers who dined at a location and did not return. Understanding why those customers did not return within a defined period is key to reversing stagnant growth.

Where did these customers choose to eat on future dining occasions? More importantly, why did they make that decision? Is the change in action based on something as simple as pricing or more complicated, reflecting food quality or service or overall experience?

Customers by DMA

This data set includes information about customers' locations. This data can be used to identify geographic trends and understand where your restaurant is attracting the most customers.

For example, if you notice that most of your customers are coming from a certain city or state, you may want to consider expanding into that area. Or if you notice that a certain area has a high concentration of your competitors' restaurants, you may want to reconsider opening a restaurant there.

Data About your Competitors

There are a number of different data sets that restaurants can collect about their competitors in order to gain a competitive edge.

Competitor Visitation

This data set includes information about which competitors are over and under indexing with your current customers.

For example, it is easy to know that you share your customer's eating occasions with the largest restaurant chains in the world, (like Taco Bell or McDonald's or Starbucks). But, as we mentioned before, if you are a growing, gourmet, regional, or specialty restaurant brand, these might not be the restaurants your customers are considering when they are considering between your brand and someone else. Developing a True Competitive set for your brand is the key to accurate strategies to unlock growth and additional dining occasions.

Competitor Pricing

This data set includes information about how much your competitors are charging for their menu items. This data can be used to identify areas where you can undercut your rivals or areas where you can raise your prices without losing customers.

For example, it may sound obvious and easy, to look around and see what all other prices are and set your own price point, but who are you comparing your prices to? You could notice that a competitor is selling a meal for \$9.99, and you may want to consider selling it for \$8.99 instead. But what if the customer isn't choosing between you and that competitor? What if they are choosing between you and a competitor's meal that is \$11.99? You just reduced the price of a meal that was already low to begin with and wasn't the current barrier to another eating occasion.

Competitor Marketing/Promotions

This data set includes information about your competitors' promotions, including food innovation, pricing promotions, and non-food related promotions (partnerships, giveaways, etc.) This data can be used to understand what marketing tactics your rivals are using and develop countermeasures.

For example, knowing how your repeat and non-repeat customers react to other competitors' promotional types can give you a roadmap to understanding the value relationship that they want to share with restaurant brands. Are non-repeat customers more food sensitive or do they just want to try new things? Do your repeat customers care about celebrity or influencer campaigns, or are they more interested in consistent food quality? Looking at these through the true impact on customers can help you hone in on strategies and avoid wasted efforts and costs.



UNCOVERING INSIGHTS THROUGH THE EYES OF CUSTOMERS

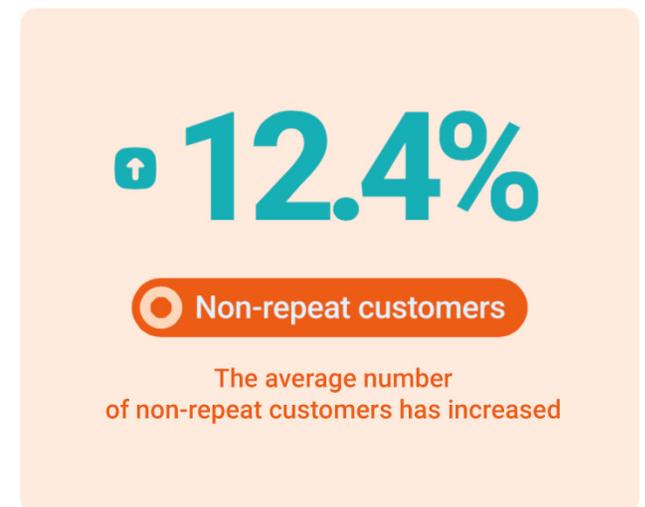
Understanding the importance of each of these data types is just the start. Only when marrying them together in analysis can you unlock the growth potential of your restaurants. Seeing your competitors through the lens of your customers is infinitely more informative than evaluating your competitors on your own.

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Consider the different behaviors between your repeat customers and customers that visit your restaurant once and never again. In the example below, the evaluating restaurant learned that their repeat customers were not visiting another restaurant with similar menu items. Unfortunately, non-repeat customers were choosing to patronize a direct competitor instead of returning to the evaluating restaurant.

In response to this behavior, the evaluating restaurant might normally increase advertising spend and invest more in their loyalty program. This response, however, would be missing what the data is actually saying. Non-repeat customers were visiting a direct competitor that offered similar menu items for 30% less. This meant that customers might be well aware of the evaluating restaurant but simply did not feel the price point justified the difference in food and service quality. More advertising won't change their minds.

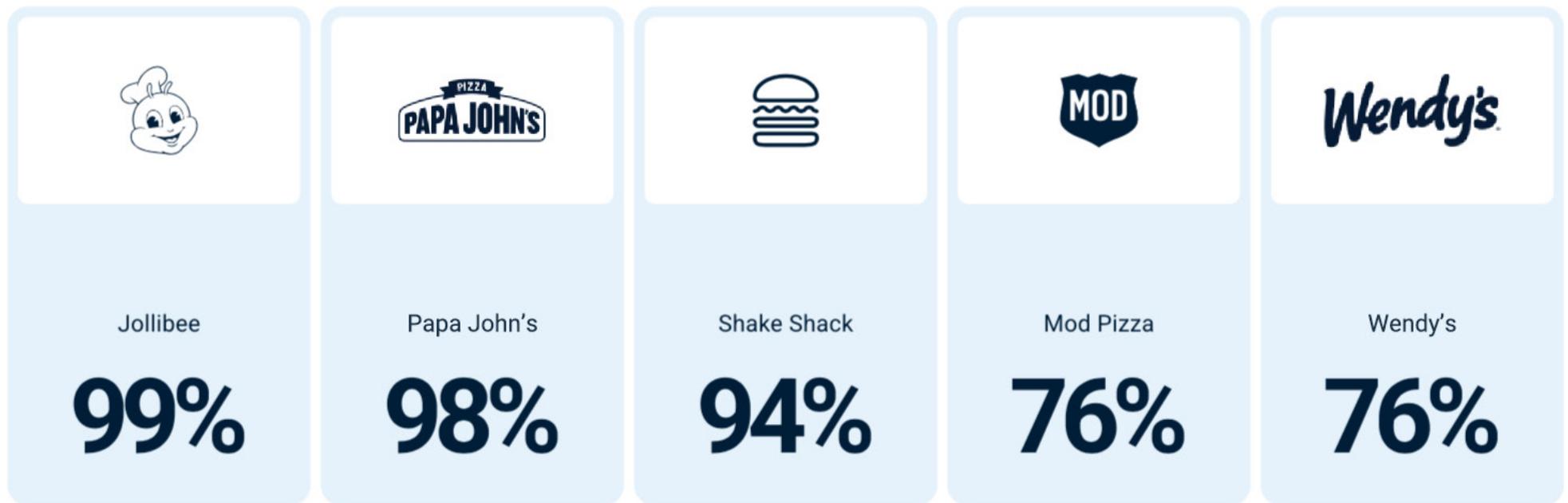
Are my Repeat and Non-repeat Customers Declining?



Without this data showing their competitors through the eyes of their customers, they might have simply purchased more television advertising or invested more in a loyalty program. In reality, their customers were telling them that a similarly-valued product cost noticeably less at an alternative location. As a result, the evaluating restaurant moved to introduce a lower-priced menu option as a way to earn repeat business.

It is easy to appreciate that lower prices will attract customers. It is difficult to make a pricing decision, however, without data supporting the decision. By seeing customer behavior in action, the leaders of this restaurant group were empowered to act quickly and with confidence.

Where else are my Non-Repeat Customers Dining?



+% that your non-repeat customers go to these brands more than the general population

ACCESSIBILITY OF KEY COMPETITOR DATA

In years past, the data that shows your competitors from your customer's point of view was expensive, impossible to source, or both. Thankfully, this data is now materially available for restaurants and restaurant groups of all sizes. By leveraging key sampling data found in available data sources like social media, location, and purchase data, meaningful customer analysis is possible for everyone.

The data that is now readily available to restaurants can help them better understand why customers are choosing their competitors and what they need to do in order to bring those customers back.

The insights gleaned from competitor intelligence (seen through the eyes of your customers) can help restaurant owners make more informed decisions about marketing, menu creation, and pricing. As the examples above demonstrate, this data can even empower restaurateurs to take quick action in order to retain existing customers.

Competitor intelligence data is more valuable than ever before. With access to this data and understanding how it can be applied, any sized restaurateurs can give themselves a real competitive advantage in an increasingly crowded marketplace. To learn more about how Affinity Answers provides key insights and understanding for even small and mid-sized restaurant groups, visit us at affinityanswers.com

