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NEWS

Study: Restaurants improve customer retention rates

Lisa Jennings | Jun 08, 2012

Restaurant chains across the quick-service, fast-casual, and casual- and family-dining segments are doing a better job of holding on to existing customers as they battle for market share, according to a new market research report.

According to the Restaurant Industry Tracking Survey by Santa Monica, Calif.-based research firm Dectiva, Chipotle Mexican Grill, Hardee's and Qdoba Mexican Grill were among quick-service and fast-casual chains that significantly improved customer retention the first quarter of 2012 compared with the year-earlier quarter.

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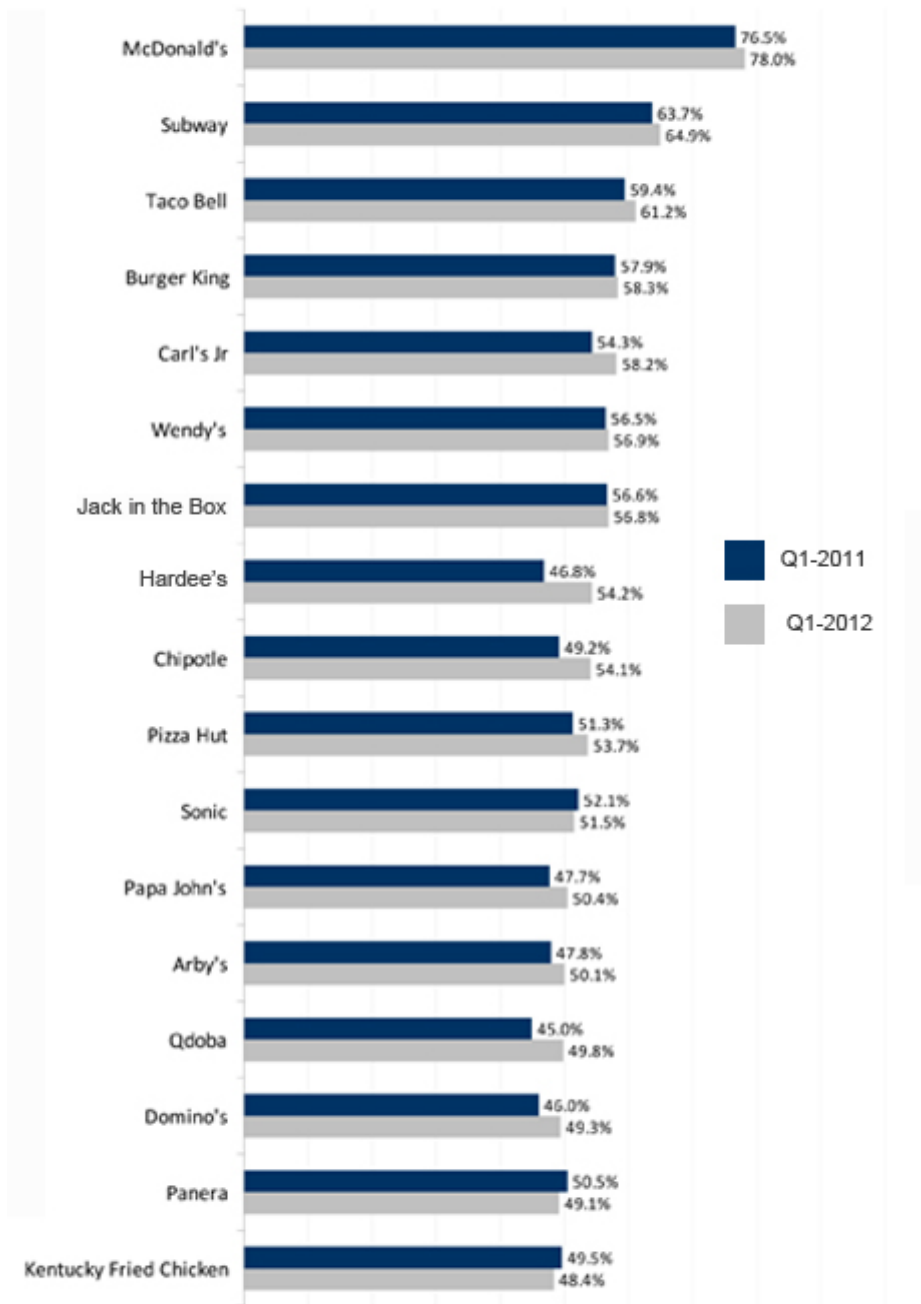
Among casual-dining and family-dining operators, Olive Garden, On the Border Mexican Grill and The Cheesecake Factory also made strides in improving customer retention in the first quarter this year over last.

Dectiva developed the Customer Retention Index after surveying about 2,500 consumers each quarter. To create the index, the firm took the number of customers who ate at or ordered from a specific brand within the past month and divided it by the number of customers who ate at or ordered from the specific restaurant chain within the past six months. If a restaurant chain had the same number of new guests compared with the number of previous customers, the index score would be 100 percent.

The index compares the results of the most recent first quarter with the first quarter of 2011.

“Maximizing the number of customers who are engaged with the brand and come into the restaurant at least once per month, as a percentage of your total customer base, is what differentiates restaurants on the metrics that we monitor,” said Dan Meichenbaum, Dectiva’s director of research. “Preventing customers from becoming lapsed customers is critical to sales and ongoing brand success.”

Customer Retention Index Quick-service/fast-casual restaurant chains



Source: Q1-2012 Dectiva Restaurant Industry Tracking Survey

Note: Customer Retention Index is calculated by dividing the number of customers who ate at (or ordered from) each restaurant 'within the past month' divided by the number of customers who ate at (or ordered from) each restaurant 'within the past six months'.

Dectiva tracked a spectrum of national chains in both the quick-service and fast-casual sectors and in casual dining and family dining for the index. However, the report did not look at what motivated customers to visit the specific brands and return — or not — within the time period. The resulting index could be influenced by overall traffic trends and the size of the customer base, Meichenbaum said.

For example, Chipotle's Customer Retention Index was 49.2 percent in the first quarter of 2011, climbing to 54.1 percent in the first quarter this year. Breaking that down, the index reflects both improving traffic overall and the chain's ability to keep guests coming back, said Meichenbaum.

Of those consumers surveyed in the first quarter, 11.5 percent said they had visited a Chipotle within the past month, for example, compared with 21.3 percent who said they had visited within the past year. A year ago, 9.9 percent of respondents said they had visited Chipotle within the past month, while 20.1 percent had visited within six months. Year over year, the number of people who said they ate at Chipotle increased, as did the percentage of customers that returned.

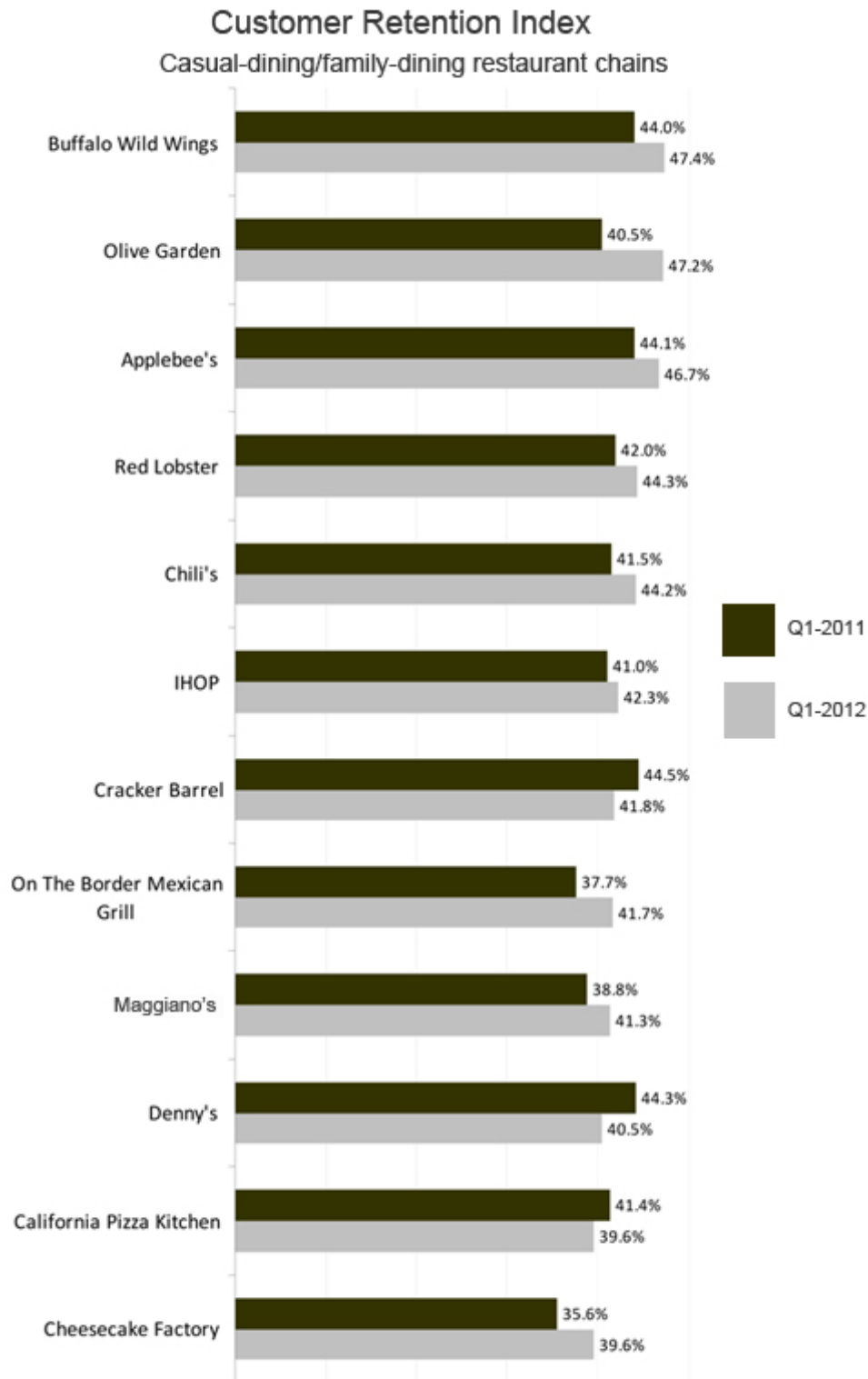
Hardee's saw its Customer Retention Index for the first quarter last year of 46.8 percent jump to 54.2 percent this year. And Qdoba's climbed from 45 percent in last year's first quarter — the lowest among the limited-service brands tracked at the time — to 49.8 percent this year.

Next page

Continued from page 1

Overall, the highest customer retention rates were at McDonald's, which saw a moderate increase in the first quarter to 78 percent, compared with 76.5 percent last year. Of those consumers surveyed this year, 62 percent said they had been to a McDonald's in the past month, compared with 79.5 percent that had visited within six months.

Meichenbaum said it's more difficult for chains like McDonald's to move their Customer Retention Index needle because their customer universe is so big.



Source: Q1-2012 Dectiva Restaurant Industry Tracking Survey

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Within the quick-service and fast-casual segments, Panera Bread, KFC and Sonic had declines in their Customer Retention Index rates, according to the report.

At Panera, for example, total visitation in absolute number was up, but the chain's ability to keep customers coming back within six months is what caused the index to decline, said Meichenbaum.

In casual and family dining, Olive Garden showed the most improved Customer Retention Index with 47.2 percent for the first quarter of 2012, compared with 40.5 percent the same time last year. Only Buffalo Wild Wings scored higher this year, with a Customer Retention Index of 47.4 percent, compared with 44 percent last year.

On The Border's index increased from 37.7 percent last year to 41.7 percent this year, and The Cheesecake Factory's index grew from 35.6 percent to 39.6 percent this year.

However, declining customer retention rates were recorded for Denny's, California Pizza Kitchen and Cracker Barrel. At all three brands, the number of respondents who said they visited during the past month declined year over year, which negatively impacted the overall index.

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