

## Restaurant Research Think Piece – March 2011

### Loyalty Trumps Price According to SMG Market Research

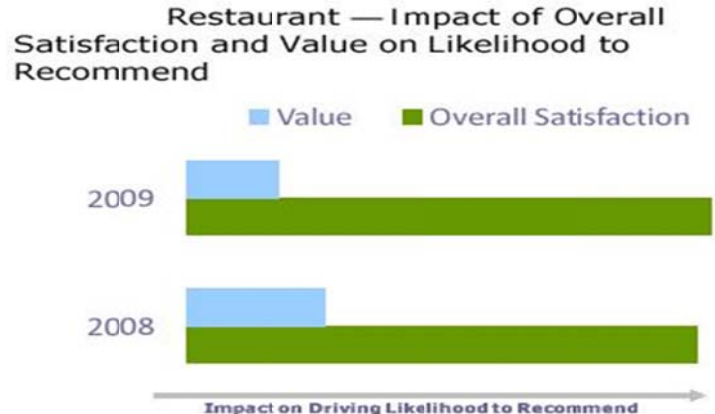
The purpose of this RR Think Piece is to share conclusions from a SMG white paper (market research) which we believe is very actionable for today's restaurant operators.

**The conclusion of this research (which is based upon surveys of actual consumers) is that loyalty generated by excellent customer experience trumps price in terms of generating repeat business - even in times of recession.**

Interestingly, one of the main problems with discounting is that customers are perturbed more by a return to the original pricing than they are appreciative of the original discount. Resultantly, discounts only make sense as a way to generate new trial but it is excellent customer experience that keeps them coming back and telling others to join them.

We take this to mean that restaurant brands are best served by focusing on operational execution (i.e. good food served hot and fast in a clean, attractive store) rather than focusing on price points (i.e. dollar menus). In the end, customers attracted by price are the least brand loyal, and therefore, least profitable. Of course, this is not to say that price points are not important. Price does play into the customer experience equation – it is just that it is only one part of the equation. So value brands need to incorporate lower prices and premium brands are ok with premium prices – just as long as they each remain within the realm of reasonableness.

$$\text{Value} = \frac{\text{Satisfaction}}{\text{Price}}$$



Source: SMG

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