

Do You Know What Your
Customers Really Think?

SAVORY  SURVEY™
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Evaluating Customer Satisfaction

Do You Know What Your Customers Really Think?

Most Restaurants Don't Realize They Have A Leaky Bucket

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More than 90 percent of unsatisfied customers don't complain. On average, only one person in ten will voice a concern or a complaint. That means for every complaint you hear, nine more people are thinking the same thing.

All restaurants face the same issue. Each day, new customers visit your place. Many of whom remain loyal. However, each year, some of your long-standing customers will take their business elsewhere. For example, let's say that you gain 400 new customers in a year, and in that same year lose 325. Some leave because they moved away, but what if 250 out of the 325 left because of a disappointment or dissatisfaction with your restaurant? Regardless of their reasons, whether it was service, quality of the food, or price, the effect is the same – your business has grown by a net of only 75 new customers.

Most business owners are happy with the growth. However, there is a “leak in your bucket” that affects your bottom line; you've grown by 75 but needlessly lost 250. Did you know that raising customer loyalty and retention by only 5% could return an increase in profits of 35% or more? It's true and we can prove it. It's called the principal of patching the “leaky bucket.”

Our goal for this report is to make sure that you are motivated to do three things: 1) focus your restaurant on delivering superior customer service and value, 2) seek out customer feedback, and 3) continually improve your customers' experience. By using Savory Survey, our hope is that you will learn where the “leaks are in your bucket” and take appropriate corrective action. As a result, we believe you will increase customer loyalty and profitability. This process works!

Customer satisfaction begins with understanding customer expectations. A good place to start is to find out what customers think of their experience when dining at your restaurant.

Every interaction with your customers has a direct impact on their decision to choose your restaurant, or to take their appetite somewhere else. Everything about your business - your selection, level of service, employees, pricing, handling of problems and special situations - determines what your customers will tell others, and if they'll come back. And even though customers are still “walking through the door” it would be misleading to assume that everything is okay with your business. On average, only one

person in ten will voice a concern or a complaint.¹ That means for every complaint you hear, nine more people are thinking the same thing! To get the idea, just ask yourself these questions:

- How frequently could your customers buy from you again but don't?
- How frequently could they recommend your business to others, but don't?
- How many dissatisfied customers never tell you they're unhappy with your service, selection, or prices?

Don't Mistake Silence for Satisfaction

So who really are your customers? Generally they fall into four categories: average (or satisfied), loyal (completely satisfied), raving fan, and disgruntled (or dissatisfied).

The Four Types of Customers

You probably believe that you know what your customers are thinking, and especially how satisfied they are with your services. It's what you don't know that could be costing you money in lost sales. If you're like most business owners, you probably think that you only get a few complainers and that the vast majority of your customers are happy with you and they'll keep coming back. The problem with these assumptions is that they ignore the impact different *types* of customers have on your business.

Your customers generally fall into four categories: average (or satisfied), loyal (completely satisfied), raving fan, and disgruntled (or dissatisfied). Understanding the impact each has on your business gives you the opportunity to manage your customers better, so that you can minimize lost revenue while increasing growth.

How Types of Customers Impact Your Business

A whopping 65% – 85% of customers that defect say they were satisfied.

Satisfied Customers Are Less Loyal Than You Think

Never assume your "satisfied customers" are all that satisfied. A whopping 65% – 85% of customers that defect say they were "satisfied."² In other words, your regular customers... the one's most businesses take for granted... are less satisfied than you think! In fact, repurchase rates can be as low as only 40%, even when up to 95% of your customers say they are satisfied with you. One reason is that they have a vast array of choices, so if your customers have second thoughts about your services, it's just too easy to choose a different restaurant.

¹ *Business Marketing: A Global Perspective*, H. Michael Hays, Per Jenster, and Nil-Erik Asby, McGraw Hill, 1996

² *Loyalty Based Management*, Frederick F. Reichheld, Harvard Business Review, 1993

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Creating Loyal Customers Pays Off

If you offer great service, and completely satisfy all the expectations your customers have, you'll develop a following of loyal customers. Don't confuse "completely satisfied" with "satisfied." These aren't "run of the mill" regular customers, but "dyed in the wool" dependable, regular customers that keep your cash flow going. Creating and keeping loyal customers can have a huge impact to your bottom line. Did you know that raising customer loyalty and retention by only 5% could return a 35% – 95% increase in your profits?³ In fact, according to an American Management Association study, up to 65% of a typical business' volume comes from patronage by loyal customers.

The Most Powerful Friends You Can't Afford To Lose

If you do everything right in your business you'll develop a few raving fans⁴. These are the *evangelists* who become a volunteer sales force for your business because they are thrilled about what you've done for them. Raving fans bring as many people as they can through your doors because they want others to experience your business. They not only help you prosper during good economic times, but they can insulate you from the effects of recessions, which are notoriously harsh on certain industries.⁵

Dissatisfied customers don't like to give accurate feedback directly to owners because it puts them at risk of conflict, it involves admitting that they made a bad personal choice, and generally they would rather extract themselves gracefully and not create more conflict. They will, however, tell a third party.

The Whiners and Complainers You Shouldn't Ignore

Every business has dissatisfied customers, regardless of your efforts. Nobody likes complainers, so it's no surprise that most business owners would prefer to ignore these folks because of the "headaches" they cause. The basic approach some owners take is to placate complainers just to get them out the door, and hope they never come back. Don't make this mistake. This small group of customers has a gigantic impact on your bottom line.

How Much Damage Can Dissatisfied Customers Cause?

The Answer Is Plenty!

A study on consumer habits done by the Technical Assistance Research Program Institute (TARP) showed that each problem a

³ *Loyalty and The Renaissance In Marketing*, Reichheld, Bain, et al, Marketing Management Journal, 1994

⁴ *Raving Fans: A Revolutionary Approach To Customer Service*, Ken Blanchard, William Morrow & Co., 1993

⁵ *Creating Customer Evangelists*, Ben McConnell and Jackie Huba, Dearborn Trade Publishing, 2003

customer encounters with a business causes on average a 20% decline in long-term loyalty.

Statistics show 81% of customers with unsatisfactorily resolved complaints of \$100 or more do not intend to repurchase.⁶ That number drops to about 55% if you're able to resolve the complaint. For purchases under \$10, about half of customers with complaints unsatisfactorily resolved won't repurchase from you again.

Who Else Will They Tell?

The real harm comes from how many people your complaining customers will tell about the problems they've had with you.⁴

- Resolved complaints will cause complaining customers to tell 4 - 5 people about the problem.
- Unresolved complaints will cause disgruntled customers to tell 9 -16 people about their unsatisfactory experience.

And it gets worse. With effective use of email and websites, *motivated* disgruntled customers can do vastly more damaging public relations against your business. Even more troublesome is that the percentage of customers who will not come back is even *higher* for people who don't complain at all!⁴ Silent dissatisfied customers are devastating to your business.

Dissatisfied customers also indicate other problems. Studies in the hospitality industries have shown that when customer satisfaction goes down, employee satisfaction also decreases.⁷

Causes of Customer Dissatisfaction

Why do customers become disgruntled in the first place? About one third of dissatisfaction is from unfulfilled expectations about the meal or service. One third become dissatisfied due to policies and procedures, and a final one third of customers become unhappy because of customer service problems.

Leveraging Completely Satisfied Customers

But What About Completely Satisfied Customers?

Obviously it makes sense to operate your business so that you reduce the number of complaints, and if you do get complaints, to

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⁶ Technical Assistance Research Program Study, U.S. Office Of Commerce, 1986

⁷ ROI Of Customer Surveys, John Bowen, University Of Nevada, Las Vegas, 1997

Routinely asking customers what they think, and then acting on the feedback is the best way to improve customer satisfaction.

respond to them quickly, to the customers' satisfaction. But if you only respond to verbal complaints, you're not being as proactive as you should be to build customer satisfaction. Routinely asking customers what they think, and then acting on the feedback is the best way to improve customer satisfaction. That's because completely satisfied customers tell other people about your business. In a recent study by a large software manufacturer, they found that 71% – 86% of customers recommend their products to an average of seven other people⁸. Increasing the number of completely satisfied customers leads to new customers.

What's The Lifetime Value of Your Customers?

Another way to look at the importance of customer satisfaction is to consider the lifetime value of your customers. Most business owners calculate customer lifetime value by: figuring out the average purchase amount, then adding up how many times a typical customer will re-purchase over a five to ten year period or maybe longer. A calculation might look something like this:

$$(\$ \text{ Average Purchase}) \times (\text{Purchases per Year}) \times (\text{Years as a Customer}) \\ = \text{Lifetime Customer Value}$$

The real lifetime value of a customer is at least two to three times more than what you'd initially think once you factor in referrals.

The disconnect is that this calculation *underestimates* the true lifetime value of customers. Completely satisfied customers tell others about your business, and bring you more customers. So the real customer lifetime value is at least two to three times more than what you would initially think when you add in referrals.

There is one more aspect of the lifetime value of a customer that is unique to the food industry. Americans now spend just over 46% of their food budget away from home and this is expected to climb to 55% by 2010.⁹ People are eating out more, and when eating out people like familiarity, predictability, and personal recognition. They will seek out dining experiences where they "feel" they are given personal treatment. Restaurants that figure this out and are able to consistently deliver the highest levels of customer satisfaction will see greater "revisit" rates from loyal customers. Think of the lifetime value of a loyal customer eating at your restaurant 52 times per year!

Businesses that figure this out and are able to consistently deliver the highest levels of customer satisfaction will see higher re-purchase rates and referrals from loyal customers.

⁸ *The Quest For Loyalty*, Frederick Reichheld, Harvard Business School Press, 1996

⁹ California Restaurant Association, Fast Facts, 2004

Loyal Customers Are a Bargain

It costs five times as much to acquire a new customer as it does to keep an existing one.

It costs five times as much to acquire a new customer as it does to keep an existing one¹⁰. Marketing is a waste of money if you ignore your customers after their first purchase. If you work hard to get people to buy for the first time, it's a "no brainer" to keep them coming back. Here are seven compelling reasons why every business should actively strive to completely satisfy customers and thereby create loyal customers:

1. There's no acquisition cost.
2. The longer you have them the more base profit you'll earn from each of them.
3. They tend to buy more over time.
4. It costs less to deal with them than with a new customer.
5. They are your best source of referral business.¹¹
6. They are often willing to pay a premium price.
7. They help market your business for free.

If You Want Loyal Customers... Ask Multiple Ways

How to Take Your Business to the Next Level with Customer Satisfaction Surveys

It should be obvious that if you have loyal customers you'll grow faster than other businesses because your customers will:

- Buy more from you.
- Buy from you for a longer period of time.
- Recommend you to more people.
- Not spread damaging information about you.

The problem is that you might be doing everything you think you should to provide a good service and product, *and still not be giving your customers all that they really want*. It's the difference between what you think, and what they think. The best way to find out if there's a mismatch is to ask! Ask how you are doing, what they like, don't like, what they want, and what you could do better!

¹⁰ *Handbook For Managing Business To Business Marketing Communications*, American Marketing Association, 1997

¹¹ Harvard Business Review, December, 2003

Most Businesses Make The Mistake of Not Surveying

The simple idea of surveying your customers to find out how satisfied they are, and what suggestions they may have for making your business better, is completely overlooked by many business owners.

The simple idea of surveying your customers to find out how satisfied they are, and what suggestions they may have for making your business better, is completely overlooked by many owners. Some are reluctant to survey customers about what they want because they fear that their customers will have unrealistic expectations about their food or service. But customer expectations are basic: do what you say you'll do, and give them the best value for the money they're spending.¹² If you know what's bothering your customers you have a better chance of correcting problems, retaining sales, and preventing further damage.¹³ But also remember that surveying customers about their expectations heightens the belief that you'll do something with the information. The worst mistake you can make is to survey and then not act.

Ten Reasons to Survey Your Customers' Satisfaction

Customer satisfaction surveys are one of many powerful tools for building a competitive business. Find out what your customers want, give it to them, and then ask how well you are doing.

1. If you don't ask you won't know what to improve, or how to improve it.
2. If you don't ask, you won't know if your improvement efforts are working.
3. Not all silent customers are satisfied. Don't mistake silence for satisfaction.
4. More than 90% of unsatisfied customers DON'T complain but they will tell you in a survey.
5. Dissatisfied complaining customers will tell 9 -16 people about the problem
6. It costs five times more to get new customers than it does to keep your existing ones.
7. Completely satisfied customers buy more and are less likely to switch to a different "regular" business.
8. Completely satisfied customers can become loyal, long-term customers.
9. Loyal customers make referrals and bring you more business and can become raving fans!
10. Achieving high levels of customer satisfaction raises the professionalism of your staff, and reduces turnover.

Customer satisfaction surveys are a powerful tool to building a competitive business. Find out what your customers want, give it

¹² *Understanding Customer Expectations of Service*, Parasuraman, et al, Sloan Management Review, Spring, 1991

¹³ *Educating Customers*, Judith Waldrop, American Demographics, September, 1991

to them, and then ask how well you are doing. It's a simple and extremely effective way to become better than your competition. No wonder some of the fastest growing companies (and healthiest financially) has made surveying an on-going part of their operation. Some examples are Southwest Airlines, Lexus, BMW, IBM, Xerox, and most major hotel chains.¹⁴

The only way you'll know if ...

- Your food and service are great
- You're meeting or exceeding customer expectations
- Your fixes for chronic problems are successful
- You're doing better than your competitors
- Your customers will continue to dine with you

...is to have someone ask on your behalf!

How To Implement Savory Survey

It is very important that you review the information and implement any appropriate changes needed to better serve the customers that come in. Continuous improvement ensures the ongoing success of the relationship you have with your clients.

Savory Survey is an easy to use, online survey tool that enables you to measure customer satisfaction in your restaurant. CalPro Research has taken great care in creating Savory Survey ensuring that it is user friendly and will provide you valuable feedback on your restaurant.

After a guest has visited the restaurant, and they are checking out, your staff will need to invite the customer to take the survey. This can be done by placing our specially printed "survey invitation slips" in the check presenter or by handing them to the guest at the register. If your POS is capable, we can have an invitation to take your survey placed at the bottom of the receipt. We will also supply a counter sign to provide additional visibility for the program.

When the guest goes home they can log on to the web site and take the survey. The response rate will vary but we see a steady flow of survey responses with the businesses that we have worked with. Simply by having the staff point out the survey and emphasize its importance is the best way to increase the response rate. Also offering an incentive such as a monthly drawing for a product or gift card works well too.

It should take your guest 3 to 4 minutes to fill out the survey. Once the survey is completed, the customer will be prompted to fill out their name and contact information so they can be entered into your drawing. We also ask if they would like to be added to your mailing list. Having an incentive for customers to take the survey ensures that more surveys are turned in, and adds an element of fun to the survey process.

Once the guest has completed the survey, we will automatically email the survey response for that customer to you for immediate review and action if necessary. At the end of the month, we will also provide you a report that details and trends all the survey responses collected. It is very important that you review the information and implement any appropriate changes needed to better serve the clients that come in. Continuous improvement ensures the ongoing success of the relationship you have with your customers.

Best Practices to Implement Savory Survey into your restaurant

Enjoy the process! This is a positive program that will give you insight into your customers' experience, and enable you to make continuous improvements to your clinic operations. Knowing what your customers think and applying that knowledge builds customer loyalty, and ultimately, everyone wins!

1. Have survey invitation slips and signage in a visible location.
2. Give survey invitation slips to customers and invite them to take the online survey. If staff members personally invite clients to participate, it makes them more comfortable with the survey process.
3. If it is possible to add text to the bottom of the cash register receipts, then it is also helpful to have a message inviting the customer to take the survey on the receipt.
4. All staff members need to understand how the survey works. It's important for the staff to be comfortable with the survey so they can encourage the guest to respond. We recommend that each staff member take the survey themselves so they can see how well it works.
5. The customer's information is kept confidential and is not given out to anyone outside of your organization.
6. As positive comments come in, be sure to post them for the staff to see – it is very motivational to hear from the customer about what is going well.
7. If there is a case where a guest has had a bad experience in the restaurant (and it happens to the best of places), make sure to contact the customer immediately and work out what happened. We call this an "intervention." No matter how hard everyone tries, there are times when something disappoints a guest. If they have taken the time to let you know in the survey, please take it seriously and take action to correct their problem. To do so creates a very powerful relationship with the guest and turns a bad situation into a good one.
8. Don't make a major change to your restaurant's operation because of one or two negative comments. If a complaint is valid then correct the problem, but if someone doesn't like the color of the walls, then don't paint the building!
9. In the event there is a negative comment relating to a staff member, it is best to deal with it directly with the person involved (one-on-one between the manager and employee). Protecting the employee's dignity and keeping the customer's name anonymous is extremely important in these situations.

10. Enjoy the process! This is a positive program that will give you insight into your customers' experience, and enable you to make continuous improvements to your restaurant's operations. Knowing what your customers think and applying that knowledge builds customer loyalty, and ultimately, everyone wins!

“Savory Survey” Your Restaurant

As you can see, Savory Survey is an easy to use tool that provides restaurants with a cost effective way of measuring customer satisfaction. CalPro Research will:

- 1) Consult with you regarding survey questions
- 2) Set up the actual survey process including survey invitations slips
- 3) Create a branded online survey for your customers
- 4) Train your staff
- 5) Create easy to read reports of your survey results

The process is implemented quickly. The average restaurant can be set up and running the survey in about five days.

Thank you for giving us your time. We hope this information has been educational and has motivated you to take advantage of the potential that Savory Survey represents. If you have any questions or concerns, please feel free to contact us. We are here to help!

If We Have Done Our Job, What You Just Read Should Change The Way You'll Treat Your Customers Forever!

Now you know the danger of only estimating what your customers may think about your business. It could be costing you thousands in lost revenue every year. However, you can increase the lifetime value of your customers to your business by: 1) using best-practice techniques to actually measure customer satisfaction, 2) understanding the types of customers you have, and then 3) proactively taking action on that information. This will add to your bottom line by reducing unspoken customer complaints, creating more satisfied customers, and increasing your repeat business.

Review of Key Concepts:

- How each of the four types of customers every business serves affects your bottom line.
- How easily and fast even satisfied customers can defect to other businesses...and what to do about it.
- How raising customer loyalty and retention by only 5% can return a 35% – 95% increase in your profits.
- How much damage dissatisfied customers will cause your business and why it's critical that you seek them out.
- Seven compelling reasons why every business should actively strive to completely satisfy customers and thereby create loyal customers.
- The revenue potential to your business from loyal (*completely satisfied*) customers.
- Why customer satisfaction surveys are critical to your long-term viability.
- The negative impact to your business if you don't survey your customers on an on-going basis.
- 10 compelling reasons to survey your customers to find out what they think about your food and your services.
- What to do to grow your bottom line using the hidden information that your customers are willing to give you.



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