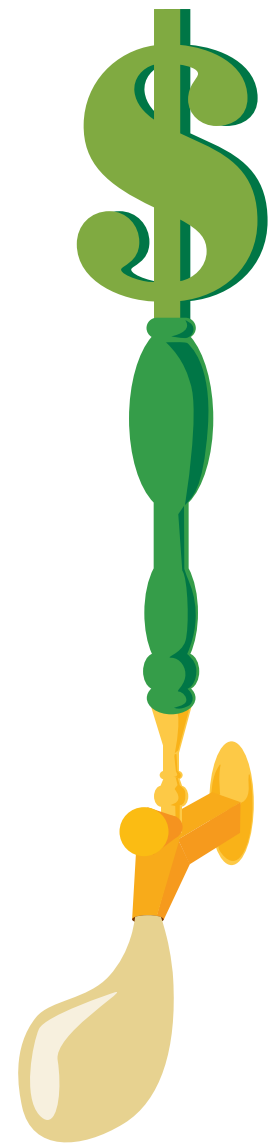


Beer Plays Vital Role

in Drawing Customers to “Casual Dining” Establishments

by Don Apostolos

Competition is rapidly increasing within the “casual dining” segment of the restaurant industry as diners are drawn to the economies of “fast food” and convenience stores present yet another pit-stop for consumers to grab a quick sandwich and a drink. But, for “casual dining” restaurants there are fundamental steps that can be taken to win the battle to keep drawing customers in, to make them glad that they came, and best of all, to make them want to return the next day...and beer can play a particularly strong role.



According to a restaurant analyst for CIBC World Markets, sales for the first half of the year, in the \$300 billion restaurant industry, are off over 30%. This is the worst slump since 1991. According to an article in the August 14, 2006 edition of *Advertising Age*, a representative from one of the most affordable of the casual dining chains said, “5% of our customer base—those with annual incomes of less than \$35,000—cannot afford to eat here.” The “casual dining” piece of the pie is extremely competitive. The battle to succeed, within this segment, has become fierce.

When the “Average Joe” goes out to lunch or dinner, one of today’s decisions has become “fast-food” or “casual dining.” Previously, on-premise competition did not include the burger and chicken chains.

Today’s economy is forcing people to trade down to accounts where the only thing offered is inexpensive, run-of-the-mill food. No atmosphere, no ambiance and, most alarming of all, no beer.

We spoke to numerous establishments in every segment of the industry—high-end, middle-of-the-road, independents and even some hotels, to investigate exactly what is going on.

The South City Grills is a three-unit group of independently owned New Jersey restaurants by Eric Paragioudatis. He reports that business is good: “We are a higher-end type of establishment and we offer a quality dining and social experience, based on personal service in order to stay ahead of our competitors, like big chain steak houses. But

we actually consider any restaurant a competitor; national chains, independents, fast food, and even hot dog stands.”

At the South City Grills, promotions are not based on discounting prices. Here, they revolve around experiences, such as sporting events, holidays and an extravagant Sunday brunch. “We do very little advertising; our most recent foray into that area was our mini advertising effort to introduce our new Fall menu,” says Paragioudatis. Beer plays a large role in our marketing effort, he adds: “We work hard to offer a good selection of brands, ranging from the standards to the higher end brands. We also try to keep abreast of new brands that might fit well with our core consumer. Beer definitely plays a part in our overall customer experience.”

A spokesperson for a large national casual dining chain explained that a combination of atmosphere, a strong evolving menu and a good selection of beers, in addition to wines and spirits, is used to draw in customers. While the spokesperson reported business was okay, it is not as strong as it could be, and that the decline is likely due to the proliferation of casual chain dining units opening. There are simply too many for the current economy to support. "It is a combination of a few different things," he reported, "lack of cash-in-pocket for the guest, fuel cost fluctuations, etc. Adding these to an already hectic schedule makes a quicker stop more appealing. The C-stores are also hurting our business. When our target customer is in a hurry, he or she can easily stop into a C-store and pick up a sandwich and a drink. They are in and out and for a much lower cost."

Richard Sanchez, the food and beverage manager of The Sheraton Hotel, in Edison, New Jersey, believes his type of casual dining account separates itself from others due to what he calls the "captive audience" factor. During the week, approximately 80% of the bar and restaurant's customers are hotel guests. These numbers flip-flop on the weekend. "Our customers are conservative and price conscious. We promote during the week with a Happy Hour, from 5 until 8pm. Beers are promoted at half-price, along with \$2.00 mixed drinks and free appetizers. A piano player entertains during that time frame."

Sanchez says his total business is up compared to last year. In order to drive incremental business, he does some advertising in local papers and on the Sheraton web site. A competitive mix of beers is extremely important to his overall success. Sales of beer are up YTD. "We try to limit our selection to the most popular brands, both on tap and in the bottle. Our main approach to keeping our customers happy is to offer them a quality experience, based on brands with which they are comfortable, as well as their added value."

The Roadrunner Bar and Grill, located in Lincoln Park, NJ, represents the middle of the road, the independent casual dining account. Owner Bob Reitz says, "We draw a typically local clientele, using our food menu and pleasant atmosphere to bring them in." The menu offers tremendous variety, and according to Reitz, "Business is okay. I've been here for over thirteen years and I've

tried every possible promotion to increase business. I've concluded that most aren't worth the aggravation involved. We try to stay with seasonal events as a draw, such as sports, St. Patrick's Day, Oktoberfest, etc".

After hearing from these retailers, we saw some patterns as well as some opportunities for growth and suggest the following tips for improving overall business for anyone in the casual dining channel.

The Challenge

Today's typical on-premise account is fighting a battle on three fronts: against the high-end accounts, the "fast-food" accounts and the substantial number of casual dining places within the category itself.

The Plan

The first step in winning this battle is to determine exactly what your target consumer is looking for. Some, but not all of these things are: Good quality product/value ratio, friendly service, entertainment, pleasant atmosphere and comfortable surroundings.

The next step is to take inventory of all of your weapons. Casual dining account weapons consist of the following: The menu, the beer selection (especially draught, imports and craft), promotions and event marketing (some with distributor support), atmosphere, pricing and a well-trained staff.

Look at the various time frames of the day in which you can promote your business. Typically these fall into six areas:

1. Lunch
2. Happy Hour
3. Dinner
4. Evening
5. Late night
6. Televised sporting events

Determine which of your weapons would be the most appropriate for each time frame. Remember: once the customer has walked through your door, the battle to keep him/her coming back has just begun.

Implementing the Plan

When used properly, beer can be that key "value-added" element that puts your account into the winner's class.

Every lunch special offered should be tied to a beer offering. Whether it is a bottle or draught, be aware that the "hot beers" of the

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moment are imports and crafts. The addition of a popular beer can bring you a better return on investment, as well as a higher customer ring. A beer offering can also draw more customers, impacting that group who sometimes chooses fast-food.

When determining the key factor in a Happy Hour, incremental sales as well as profit must be the drivers. Once you look at your weapons for this battle, one of them jumps out: draught beer. The margins on draught beer are hard to beat. This strong margin allows you to offer draught beer at a reduced price and still stay profitable. Additionally, most of your beer distributors have pre-planned promotional programs, ready to support you in your efforts to increase your business. Talk to your sales rep. Determine what programs are available and whether or not they fit with your master plan.

Monitoring the Plan

Again, keeping existing customers in your place is key. Make sure all of your weapons are visible to every customer. Specials for the entire day, including beer, dinner, evening and late night promotions, must be accessible to the “captive audience” of your Happy Hour. Don’t waste this crucial time, where people are in your account (possibly for the first time). Make sure the average customer is made aware of all your offerings. Chalk boards, table tents, posters and hand-outs are all great vehicles with which to promote your place’s overall experience. Determine which elements are working and which are not. Make the necessary changes, as you see fit.

The Perfect Customer

If you were to create the “perfect customer”, he/she would visit your account for lunch. While enjoying a beer and food offering, he/she would see a sign hyping your beer special for Happy Hour. Later that afternoon, that customer would return, to enjoy the fun of your Happy Hour.

While enjoying an ice cold beer, he/she would see the chalk board promoting dinner items, tied with a beer offering. Liking the experience so far, this perfect customer would stay for dinner. During the meal, the waiter would mention your late night beer special. Why bother leaving and trying to find another spot to end the night? While enjoying your late night promotion, this “fantasy” customer sees a sign detailing the beer and food promotion set for the weekend football games, televised in your place. He/she makes a mental note to return for the festivities. This perfect customer is every casual dining retailer’s dream. While the example is extreme, you can see the value of consistent promotion to your captive audience.

Evaluating the Plan

While the perfect customer is probably as imaginary as it gets, that does not mean you shouldn’t plan for him/her to walk into your place today. This is a tough business. The owner/manager who does the best job of planning, implementing, monitoring and evaluating will be the one with the full house. And a full house translates to higher sales and a better ROI.

Not every element of your plan will be successful. Not to worry. Regular evaluation of each element of the plan will enable you to “tweak” things as needed.

Reviewing how your customers react to your use of weapons will enable you to adjust these weapons if necessary. This is a daily battle. The winner will be the retailer who adapts the fastest to the circumstances presented.

The beer suppliers and distributors can help the on-premise licensee with exciting products, promotions, relevant POS and above all, a positive attitude that will allow the licensee to plan the work and work the plan. ■