

Survey: Food quality seen as significant factor in building customer loyalty

By GREGG CEBRZYNSKI



According to the most recent "Leaky Bucket Survey," slightly more than 27 percent of Chipotle customers said they would not eat there again.

(May 26, 2008) Despite abundant advertising based on the excellence and freshness of mealtime specialties, diners are defecting from many restaurant brands out of frustration with poor food quality, according to a new study by Denver-based Restaurant Marketing Group.

RMG's 2008 Leaky Bucket Survey, a brand-specific measurement of reasons that restaurants lose customers, found that food dissatisfaction among consumers has grown substantially in some cases since last year.

The online survey, completed by 4,500 adults between 18 and 64 years old, asked respondents to name the primary reasons they were unlikely to return to a restaurant.

A total of 128 restaurant brands were included in the study, which ranks the attributes that cause restaurants to "leak" customers.

The factors gauged include food, menu, atmosphere, price and value, location, service, family-friendliness, and "other."

Under RMG's methodology, a restaurant's "leak size" is the percentage of customers who are unlikely to eat at the restaurant again. Customers who are less than 50 percent sure of returning to the restaurant are those who compose the chain's "leaky bucket."

"You need to see where your leaks are to see operations get better," said Arjun Sen, president of Restaurant Marketing Group.

The company also conducted the survey last year, permitting comparisons since the economy worsened and consumers stepped up their scrutiny of discretionary spending.

Among restaurants included in the 2007 and 2008 studies, **Chipotle Mexican Grill** showed the highest increase in overall leak size, rising 8 percentage points over last year. Slightly more than 27 percent of diners this year said they would not return to the chain, compared with almost 19 percent from last year.

But pricing alone may not explain such shifts. **In-N-Out** Burger's leak size increased by 6 percentage points this year, though its menu is more modestly priced than Chipotle's.

Only one chain managed to plug the leak significantly compared with last year. **Schlitzsky's** Deli's overall leak size decreased 9 percentage points. Although the percentage of its leak attributed to food increased, that was offset by a large decrease in the leak attributed to price and value.

Other chains' leak sizes fell somewhat but not enough to be considered significant, Sen said.

Among chains that showed significant increases in customers' dissatisfaction with food were **Chili's**, **KFC**, **Del Taco**, **Qdoba**, **Taco Bell**, **Papa John's** and **Long John Silver's**.

"The big change from last year was food dissatisfaction," Sen said. "For us, that's the biggest thing coming up. People are totally sensitive about what they eat."

Overall levels of dissatisfaction measured by the other attributes were nearly the same as last year, he said.

McDonald's overall leak size decreased by 4 percentage points this year, but the leak attributed to its food remained at about 51 percent. The chain's leak due to customer unhappiness with price and value dropped 6 percentage points.

Burger King's overall leak fell 2 percentage points compared with last year, and Wendy's score dropped 4 points.

Fatburger's overall leak size in the 2008 survey was 39.6 percent, which was the largest leak in the burger category, but leak size tends to be higher for smaller chains simply because it's calculated against fewer numbers of units, Sen explained.

Overall, the burger chains are losing customers to sandwich chain **Subway**, Sen said. Having seen that chain's advertising with spokesman Jared Fogle describing his weight loss from eating Subway sandwiches, diners realize they can "do better" than eating a high-calorie, high-fat meal of burgers and fries, Sen concluded.

In the survey's pizza category, **Pizza Hut** scored the lowest percentage of customers who said they'd never go back to the chain. Only 18.3 percent of its customers are likely to stay away, down 1 percentage point from last year, the RMG study found. **Round Table Pizza** had the highest leak size at 35.1 percent. Thirty-six percent of its customers said price and value were a major factor in driving them away from the brand.

Papa John's Pizza has long advertised its "better ingredients, better pizza," but 30.2 percent of survey respondents said food was the main reason they are no longer customers of the chain.

The problem in the pizza category is that it is "nearly undifferentiated" when it comes to product and service, Sen said, but Papa Murphy's Take 'N' Bake Pizza has sidestepped the problem by selling pizzas that customers finish baking at home.

The chain's overall leak size is 19.8 percent, one of the lowest in the pizza category.

Pizza chains also have a problem retaining customers if they don't run price promotions, Sen said. Through advertising, they have created a core base of patrons "who wait for the next offer," and when they don't get it at one chain they'll go to another, he said.

The pizza chains have evolved into "screaming brands" because of their frequent pitches for discounted products, Sen said, and that weakens customer loyalty.

"You don't want to build a relationship with a brand that screams at you," he said. "One day when they don't scream, or when someone has a better offer, the screaming won't help."

Subway's leak size of 16.2 percent was the lowest in the sub-sandwich category. **Potbelly Sandwich Works** and Silver Mine Subs did not fare well in the survey. Forty percent of the customers of each chain said they would not return. More than half of Potbelly's customers cited price and value for their decision, and 54 percent of Silver Mine's patrons listed location as the cause.

Starbucks Coffee's leak rate was about 25 percent, the lowest in the coffee category. The **Coffee Bean & Tea Leaf** was highest at nearly 41 percent.

Bakers Square has a leak size of 34.2 percent, the highest in the family-dining category, attributed in large part to food and location.

Among casual-dining chains, nearly 33 percent of **Bennigan's** Grill & Tavern customers said they were unlikely to pay another visit, and about 29 percent of customers who once dined at **Applebee's** Neighborhood Grill & Bar said they'd stay away because of the food, price and value, and problems in finding a location.

As well as measuring customer loss, RMG's Leaky Bucket Survey measured the percentage of loyal customers each chain has. Called "active customers," they are more than 90 percent sure they will return to the brand for meals.

Fifty-three percent of McDonald's customers and 50 percent of Subway's patrons are loyal customers. Convenience-store chain Wawa, which sells ready-to-eat meals, has the largest loyal-customer base at 56 percent.

Loyalty is driven by the consistency of experience diners have, Sen said. Even chains that rank low in food quality, location, service or other factors maintain a base of loyal customers, who "want to play it safe" and at least know they'll have the same experience every time they visit the restaurant.

"If expectations are low," he said, "you are happy."