

# The Ingredients to Building Repeat Business

It's not your mother's recipe

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Every merchant needs satisfied customers. But are "satisfied" customers loyal customers? Frederick F. Reichheld states in his book, *Loyalty Rules!*, that only 30 to 70 percent of satisfied customers are loyal.

How is that possible? Because customer satisfaction is an attitude and attitudes are constantly changing. Customer loyalty, however, is a behavior.

In the old days, a restaurant's owner/proprietor would know each of his/her customers and know what they liked and what they didn't. Today's fast-paced environment precludes this "recognition" factor. But the relationship is still a factor in making them loyal to you and your restaurant. So you need a way to identify your customers and build a long-term relationship with them.

How do you do that? The answer is to develop a loyalty program.

According to an article in *Training and Development Journal* (April 1991) by David Stum and Alain Thiry, a loyal customer will (1) make repeat purchases; (2) purchase across product or service lines; (3) give referrals; and (4) demonstrate an immunity to the "pull" of the competition.

These are all measurable traits and the reasons you must implement a loyalty program to help you build a database of useful information about your customers who will bring you sales over and over again.

The database is the key. And as a by-product of your database, you'll begin to gather quantitative intelligence on the three most sought after customer metrics — recency (R), frequency (F), and monetary value (M). When was the last time the customer dined? How often are they dining? How much money are they spending? You'll have the answers to these questions by simple queries to your



database of transactional information. When you start learning about your best customers, you can coordinate your marketing messages to them and drive them back to your establishment.

Loyalty programs are not discount programs. Coupons, discounts and other "giveaway" mechanisms attract customers, but not loyal customers. It won't take much encouragement to have them defect to your competitor when they offer a better coupon or a deeper discount because you're not building a relationship, or rewarding them for their patronage.

Besides, coupons and discounts don't allow you to capture vital transactional information. You want to create a program that will drive them back to your restaurant over and over again. By communicating with your best customers on a regular basis, and in a personalized manner, you'll encourage their loyalty. By mailing them a reward, you will give them a reason for coming back to dine, and to bring their friends, relatives, and neighbors.

It's never too late to begin a loyalty program. Don't feel as though you have to capture every piece of information at the start. You can always add information to

your database. Track every purchase. Communicate with your best customers on a regular basis. Offer a variety of reasons to have your customers come back and dine again and again. Remember, loyalty is all about changing behavior. You want your customers to develop a "spend and earn, redeem and save" mentality, and accruing points, redeeming rewards, and ultimately saving money is the right path to lead them down.

If you want to learn how to set up a loyalty program, be sure to read my article in next month's issue of the *SMART Systems Insider*. Until then, think about ways that you can capture your customers' information, how you will store it and what kinds of things you can offer as rewards.



**Elliot B. Eskin** is the President/CEO of Pro/Phase Marketing, Inc., a database marketing services company, specializing in customer loyalty programs. Its program, RepeatRewards,<sup>®</sup> is a program aimed at helping smaller, independently-owned restaurants offer their own customer loyalty program to their best customers and capture vital transactional information. It is affordable and easy-to-use. Visit [www.RepeatRewards.com](http://www.RepeatRewards.com) for more information or email [elliott.eskin@ppmi.com](mailto:elliott.eskin@ppmi.com).