



Krista Garcia
kgarcia@emarketer.com

Report Contributors
Jeffrey Grau

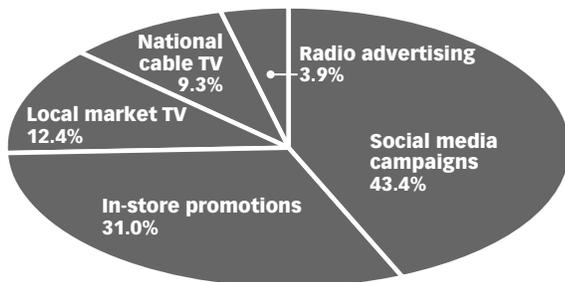
Digital Dining:

Chain Restaurants Add Social Media, Mobile to the Menu

Executive Summary: The restaurant industry is poised to make a comeback, but not without new challenges. As the nation slowly recovers from the recession, consumers are eager to dine out more—yet at the same time their needs are changing.

Most Important Aspect of Marketing Plan in 2011 According to US Restaurant Operators

% of respondents



Source: Nation's Restaurant News, "2011 Restaurant Operator Survey," Jan 6, 2011

123991

www.eMarketer.com

Not only are diners value-driven, their attention is divided as they look for information on the go and from their social networks. A daily special mentioned on Twitter or the discovery of a new neighborhood cafe via a mobile app can be as influential in the decision-making process as a television commercial or newspaper ad used to be.

As a result, restaurant operators know they must have a presence on multiple social media sites and reach people through their phones. All restaurants—from quick-service to fine dining—share the same goal: to increase sales. But some are hesitant to dive into strategies with unproven ROI.

The National Restaurant Association projects \$604 billion in sales for the nation's 960,000 restaurants in 2011, the first time in three years that operators will experience growth. And 55% of restaurant operators anticipate higher sales over the first half of 2011 compared with the first six months of 2010, the highest figure in over four years. According to Nation's Restaurant News, 2011 will also be the year when social media campaigns make up a majority of marketing plans.

Businesses that engage, provide value and reach potential diners where they spend their time—whether in a car or connecting with friends online—will be at a distinct advantage.

Key Questions

- How are diners using mobile and social media?
- What do restaurant operators need to know?
- What is the future of mobile and social media for restaurants?

<i>The eMarketer View</i>	2
<i>The Shifting Dining Landscape</i>	3
<i>How Consumers Look for Dining Information</i>	4
<i>Priorities for Restaurants</i>	7
<i>How Restaurants Use Mobile and Social Media</i>	8
<i>Conclusions</i>	13
<i>Endnotes</i>	14
<i>Related Information and Links</i>	15



The eMarketer View

Restaurant Segment Snapshot

Definition	Examples	Quick stats
<p>Quick service</p> <p>Also known as fast food or QSR, items are inexpensive, served efficiently and purchased at a counter or a drive-thru, frequently to-go.</p>	<p>McDonald's, Taco Bell, SUBWAY</p>	<p>\$167.7 billion in sales forecast for 2011, up 3.3% over 2010</p> <p>42% of consumers visit a QSR at least once per month</p> <p>Generate 78% of industry traffic</p>
<p>Fast casual</p> <p>Limited service, but with more emphasis on style and quality than a QSR, generally with higher prices as well.</p>	<p>Chipotle Mexican Grill, Panera Bread, Pei Wei Asian Diner</p>	<p>70% of consumers think fast casual is healthier than quick service</p> <p>\$28.4 billion sales projected for 2014, a 24% increase from \$23 billion in 2010</p> <p>Sales expected to grow 5.8% in 2011</p>
<p>Casual dining</p> <p>Table service, moderately priced and family-friendly, often with a separate bar and full menus including appetizers, entrees and desserts.</p>	<p>Olive Garden, Applebee's, The Cheesecake Factory</p>	<p>85% experienced higher growth in 2010 than 2009</p> <p>Accounts for more than 1/3 of industry sales</p> <p>31% of men ages 18–34 increased visits in 2010 vs. 2009</p>
<p>Fine dining</p> <p>More formal and expensive than casual dining with a focus on atmosphere, service and quality.</p>	<p>Morton's The Steakhouse, McCormick & Schmick's Seafood Restaurants, Roy's</p>	<p>Experienced the strongest turnaround in 2010, mostly due to increased business/travel spending</p> <p>81% of fine diners prefer a local, unique restaurant over an upscale national chain</p> <p>86% of restaurant operators expect sales trends to improve</p>

Source: compiled by eMarketer, 2011

125313

www.eMarketer.com

For additional information on this chart, see the Endnotes section.

Social media has leveled the playing field for restaurants.

A small independent restaurant with a tiny marketing budget has the same tools at its disposal as a chain. What is important is how it employs those tools and devotes resources. The most successful businesses know that amassing fans isn't the endgame, but rather just the start of how they engage with their audience. A mom-and-pop sandwich shop with a passionate local following can use Facebook in the same ways as SUBWAY. The food truck trend, started by small mobile vendors, is now being adopted by national chains like Sizzler. This trend would not have been possible without services like Twitter to broadcast hourly locations and stay in touch with diners, despite the lack of a brick-and-mortar restaurant.

Use of social and mobile is steadily increasing, so restaurants that do not engage in these channels might miss out. eMarketer forecasts that by 2013, 51.4% of the US population and 67% of internet users will be social network users. US smartphone users grew nearly 49% in 2010, to 60.2 million, and by 2015, 43% of all US mobile users will have a smartphone. Having a presence in these channels will be as expected as a webpage is now.

Location-based marketing is well-suited for the restaurant industry. While the number of location-sharing service users is still small—4% of online adults, according to a November 2010 study by the Pew Internet & American Life Project—this figure is double for those ages 18 to 29. Usage is expected to grow along with smartphone adoption and as services like foursquare and Facebook Places move into the mainstream. Compared to other categories, dining is a particularly social activity. A user's online network may not care about check-ins to the dentist or a drugstore, but mentions of a restaurant or bar can be a solid word-of-mouth endorsement—and can entice others to join in on the spot. In February 2010, Milwaukee burger joint AJ Bombers famously attracted 161 foursquare users at once after the owner promoted the Swarm badge, awarded when 50 or more foursquare users checked in to the same venue.

Different segments have unique needs, but can rely on similar marketing tactics. The faster the interaction, the more utilitarian the diner's needs generally are. A customer at a quick-service restaurant like McDonald's may only be interested in getting a deal while a fast-casual restaurant like Chipotle Mexican Grill has brand evangelists who view eating there as a lifestyle. Casual diners visiting restaurants that require more of a time and money investment, such as Olive Garden, look for value and need occasions to visit. Fine dining is more about the experience, engagement and reaching influencers. But whether a diner orders from a counter or a linen-covered table, the goal is the same: to increase sales. All levels of dining can benefit from social media and mobile marketing.

Conveying value will continue to be important. Diners may be opening up their wallets more than in the recent past, but not everyone is ready to splurge. Consumers have grown accustomed to Groupon-like discounts in all aspects of their lives, from home furnishing to vacation packages. One of the leading reasons people follow a brand on Twitter, "like" one on Facebook or download a branded app is to receive deals. Price still matters, though providing value does not have to mean profit-eroding promotions. A 2010 NPD Group survey found that consumers described value in many ways, including service, quality, convenience and atmosphere.

The Shifting Dining Landscape

The restaurant industry is starting to rebound from the recession. According to a National Restaurant Association forecast, this will be the first year with positive real sales growth in three years, with a 1.1% gain projected for a total of \$604 billion in sales in 2011. Restaurant operators are cautiously optimistic. In December 2010, 55% of those polled anticipated higher sales over the first six months of 2011, up 13 percentage points from the previous month and the highest figure in over four years.

Diners are not as carefree with their money as they were when the economy was stronger—only 10% of respondents in an October 2010 Mintel survey planned to spend more on restaurants this year. However, the National Restaurant Association forecast found that over 40% of consumers wanted to dine out more than they currently are.

In June 2010, the Private Label Manufacturers Association discovered that cutting back on dining expenses was the No. 1 way that consumers had changed their food-buying habits because of the recession. An overwhelming 91% had gone that route and 76% said they will continue cutting back on restaurants even after the economy improves.

Change in Food-Buying Habits due to the Recession, June 2010

% of US consumers



Note: among 63% of respondents who have changed habits
 Source: Private Label Manufacturers Association, "Store Brands & The Economy: Are Shoppers Ready to Start Spending Again?" conducted by GfK Roper, Aug 3, 2010

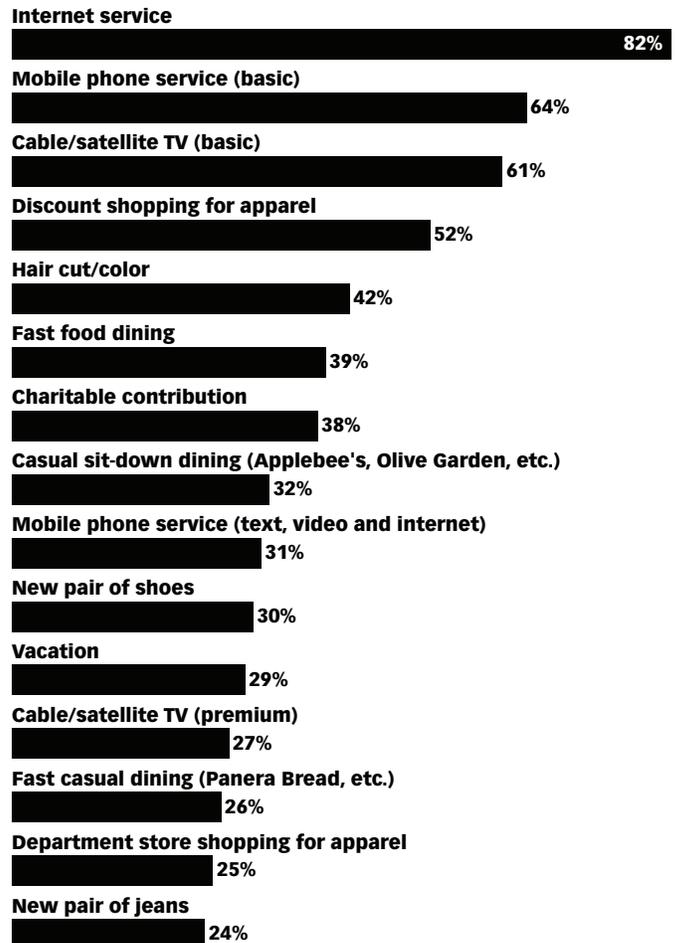
119674

www.eMarketer.com

Six months can make a difference, though. In December 2010, STORES Magazine and BIGresearch polled consumers about things they would be unwilling to give up despite the economy. Three of the top 15 responses centered on dining: fast food, casual sit-down and fast casual. The fast food segment had the strongest hold on consumers; people would rather give up premium cable television or a new pair of shoes than a burger and fries. Not surprisingly, fine dining was the only segment that wasn't spared; 90% did not consider it a necessity.

Products/Services that US Consumers Can't Live Without, Dec 2010

% of respondents



Source: STORES Magazine, "American Pulse Survey" conducted by BIGresearch, Feb 1, 2011

124945

www.eMarketer.com

Consumers may be more frugal, but they are not about to give up eating out altogether. Emphasizing value is still critical for restaurant operators looking to tap into this pent-up demand.

How Consumers Look for Dining Information

Eating out used to be a simple proposition. Diners had a set number of favorite restaurants; maybe they would read a review in the paper, pick up a copy of Zagat, or solicit ideas from friends and family.

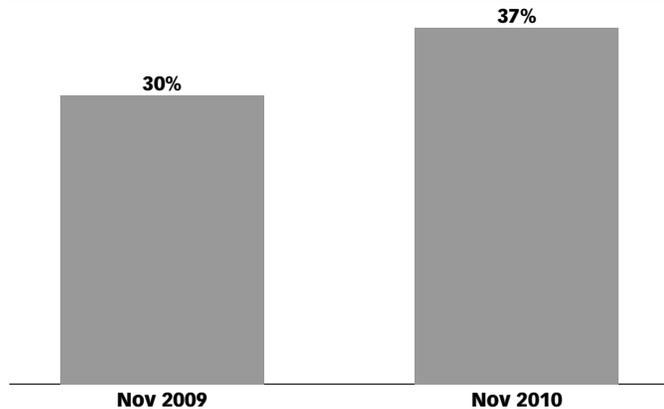
The internet opened up new channels for disseminating information—whether the online opinions from a New York Times critic or a food blogger in New Orleans—and now consumers are increasingly reliant on social media and smartphones to sift through it. The dynamic is changing and restaurateurs need to reach potential diners where they spend time online and when they are on the move.

Using Social Media

In November 2009, 30% of internet users were using social media to research restaurants, according to Technomic, a food industry consulting firm. That figure grew 7 percentage points year-over-year and now represents a substantial audience that will only continue to grow.

US Internet Users Who Use Social Media to Learn About Restaurants, Nov 2009 & Nov 2010

% of respondents

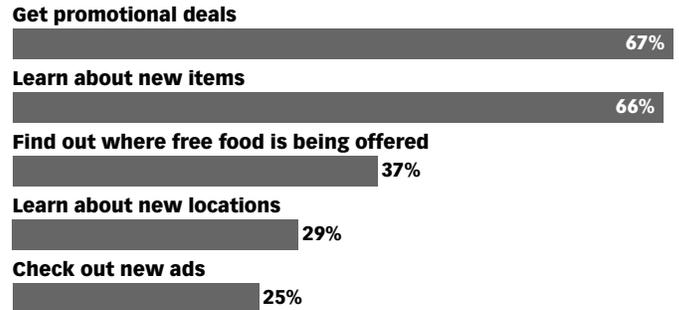


Note: ages 18+
Source: Technomic and American Express, "Market Briefing: Tracking and Interpreting Restaurant Trends," provided to eMarketer, Dec 1, 2010
125071 www.eMarketer.com

Consumers interact with restaurants on social sites to receive discounts and deals as well as to learn about new items, according to Technomic. Diners may want a bargain, but they are also curious about menu additions and specials. Operators have opportunities to engage users and promote products beyond simply resorting to coupons.

Reasons that US Internet Users Follow Restaurants on Social Media Sites, Nov 2010

% of respondents



Note: n=154 ages 18+
Source: Technomic and American Express, "Market Briefing: Tracking and Interpreting Restaurant Trends," provided to eMarketer, Dec 1, 2010
125072 www.eMarketer.com

Consumers who identify dining as "part of their lifestyle" are particularly connected. An October 2010 Packaged Facts survey revealed that among this group, 31% placed restaurant orders through their computers and 21% had done so through a mobile device.

Additionally, adults who are active social media users dine out more frequently. The National Restaurant Association's 2011 forecast found that 92% of consumers who frequently use at least one service such as Facebook, foursquare or Yelp ate at a full-service restaurant at least once a month, compared to 84% of the general population. And 87% of the social media users consumed fast food or takeout in the same time frame compared with 83% of all adults. Just over half (51%) of the more social networked group said "restaurants are an essential part of their lifestyle" compared with 43% of regular consumers.

The Value of a Fan

Much has been written about calculating social media users' value to a brand, particularly for Facebook fans. Numbers have varied wildly from a few dollars to over \$100, depending on methodology. A more tangible metric could be what fans actually spend.

A June 2010 survey by Syncapse and Hotspex showed that Facebook fans spent more on products than nonfans. For example, of the 20 consumer brands studied, McDonald's had the widest gap between fans (\$310.18 per year) and nonfans (\$150.39). Of course, the conundrum is whether Facebook fans spent more or if larger spenders tended to be Facebook fans. As tempting as it is to assign hard numbers to social media users, it is advisable to not become overly caught up in value calculations. What a restaurant does with its fans is more important than merely acquiring them.

Using Mobile

Based on media coverage, one could easily get the impression that all US citizens are armed with smartphones, waving-and-paying as they go. In reality, by the end of 2011, there will be 73.3 million smartphone users in the US, representing 31% of all mobile phone users and 23.4% of the population, according to eMarketer projections.

But smartphone users tend to be younger, male and with more expendable income than the average consumer, which meshes with many fast food marketers' usual customer base. It is not surprising that quick-service restaurants have catered to mobile users, but as handheld devices become more widely adopted, the audience will expand beyond young men.

According to a June 2010 survey from Yahoo! and The Nielsen Company, 21% of mobile internet users who researched dining information turned to their phones. Another 60% used only their PCs. Of all respondents, regardless of whether they chose mobile or PC access, 73% expressed interest in using a mobile device in the next 12 months.

US internet users' interest in accessing restaurant/dining information via mobile device is nearly the same among genders, with 67% of males and 66% of females expressing interest. Those ages 25 to 34 made up the largest group currently using mobile (29% of mobile internet users) and 72% of all mobile and PC internet users had future interest, the most of all age ranges. The oldest demographic group has growth potential as well: Mobile internet users ages 55 to 64 comprised only 9% of all who used mobile to access dining information, but more than half (58%) of mobile and PC internet users that age were interested in doing so during the next year.

Interest of US Internet Users* in Accessing Restaurant/Dining Content via Mobile Device, by Age and Gender, June 2010

% of respondents in each group

Gender	
Male	67%
Female	66%
Age	
13-24	65%
25-34	72%
35-44	70%
45-54	63%
55-64	58%

*Note: in the next 12 months; respondents who chose "extremely," "very," or "somewhat" interested; *who access information related to the restaurant/dining category*

Source: Yahoo! and The Nielsen Company, "Mobile Shopping Framework Study: Restaurants/Dining Category Analysis," provided to eMarketer, Aug 1, 2010

124990

www.eMarketer.com

It is easy to see how a value-oriented mom or empty-nesters with robust savings have dining needs that can be met through mobile means. A quick-service restaurant could offer a mobile coupon for a salad with the purchase of a child's meal, while a more upscale restaurant could provide a free glass of wine to accompany select entrées.

Location, Location, Location

Everyday dining can be subject to whims and matters of convenience, such as “What’s near my home or the office?” Whether it is the suburbanite in his car, a city-dweller on foot or a traveler in an unfamiliar town, location is top of mind for mobile dining users.

Using a restaurant locator was the top mobile activity for 75% of US mobile internet users.

Dining-Related Mobile Activities of US Mobile Internet Users, June 2010

% of respondents

Used restaurant locator	75%
Used search	73%
Decided where to eat	56%
Looked up a menu	56%
Clicked to call	39%

Note: among respondents who accessed category-specific information
Source: Yahoo! and The Nielsen Company, "The Mobile Shopping Framework Study: The Role of Mobile Devices in the Shopping Process," Jan 15, 2011

124299

www.eMarketer.com

Mobile internet users are not performing heavy research duties on their phones—they simply want to know where to eat. All the bells and whistles on a restaurant’s mobile site or app could be for naught if it’s lacking an easy-to-use restaurant locator.

According to a December 2010 Microsoft survey, 41% of US location-based service users searched for restaurant info and reviews, following more utilitarian activities like GPS navigation and weather alerts.

Activities for Which Location-Based Service Users in Select Countries Have Used Location-Based Services, Dec 2010

% of respondents

	US n=150	UK n=129	Germany n=142	Canada n=178	Japan n=172	Total n=771
GPS navigation	71%	81%	69%	62%	67%	70%
Weather alerts	50%	40%	45%	25%	69%	46%
Traffic updates	34%	45%	47%	22%	45%	38%
Restaurant info/reviews	41%	41%	37%	15%	57%	38%
Locating the nearest convenience services (gas, coffee shops, etc.)	37%	30%	28%	43%	39%	36%
Shopping/coupons (special offers)	33%	32%	24%	19%	58%	33%
Find nearest ATM	30%	22%	27%	17%	34%	26%
Get movie showtimes	32%	18%	8%	20%	32%	22%
Local news	25%	27%	15%	11%	21%	20%
Social networking	25%	23%	18%	11%	15%	18%
Gaming	13%	9%	3%	6%	17%	10%
Geo-tagging photos	7%	6%	6%	6%	2%	6%
Enhanced 911	4%	2%	3%	2%	11%	5%
Locating your children	5%	3%	1%	1%	5%	3%
Other	9%	5%	4%	9%	1%	6%

Source: Microsoft, "Location Based Services Usage & Perceptions Survey" conducted by Cross-Tab Marketing Services, Jan 26, 2011

124594

www.eMarketer.com

Dining information is clearly popular among those already using location-based services. And even though only 4% of online adults use location-sharing services, according to a November 2010 study by the Pew Internet & American Life Project, awareness is growing along with the prevalence of smartphones. Restaurant operators should not write off services like Gowalla and foursquare simply because only a small segment of the population currently uses them. Instead, they need to find new ways to engage consumers. Some may never be motivated by the gaming aspect of checking in to restaurants and will need real-world rewards to spark participation. Others may tire of winning virtual badges and could be spurred by a service like SCVNGR, which encourages check-ins tied to scavenger-hunt-type challenges that earn points redeemable for discounts and prizes.

“Check-ins are interesting, but they don’t mean a hell of a lot. It’s up to business and platform providers to think about how they can really add value on both sides of the equation.”—Dave Tryder, director, interactive & relationship marketing at Dunkin’ Donuts, in an interview with eMarketer, February 2011

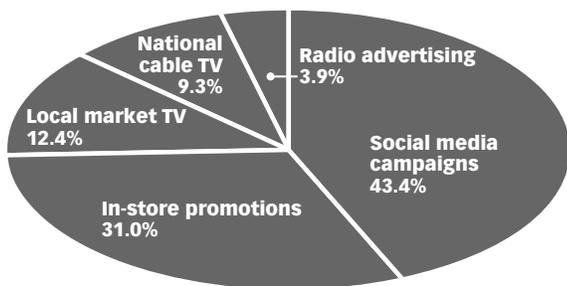
Priorities for Restaurants

Social media has also become an invaluable marketing tool for restaurants. The National Restaurant Association's 2011 forecast shows that more than 80% of restaurant operators think social media will become more important and over half plan to add channels like Facebook and Twitter into their marketing plans over the next two years. It is likely that some of those who did not cite future plans have already become involved.

More than 28% of restaurant operators plan to increase marketing spending overall in 2011, according to a January 2011 Nation's Restaurant News poll. And social media rules when it comes to prioritizing that marketing budget. Over 43% consider it to be the most important part of their marketing plan for 2011, dwarfing traditional media.

Most Important Aspect of Marketing Plan in 2011 According to US Restaurant Operators

% of respondents



Source: Nation's Restaurant News, "2011 Restaurant Operator Survey," Jan 6, 2011

123991

www.eMarketer.com

These findings may not be a total surprise since social media is often viewed as less costly to implement. Many eateries are still handling social media in-house with little money devoted to it, so an increase in marketing budget would not necessarily be a huge investment compared to traditional advertising.

This creates an issue for many restaurant operators that want to stay competitive but are held back by a variety of factors. A June 2010 survey by MustHaveMenus found that 23% of restaurateurs do not feel like they have the time to devote to social media, and an equal number do not think that they need social media as a marketing tactic. Fewer than half (42%) were participating with blogs or managing Twitter and Facebook accounts.

Some restaurants, particularly large ones, have trouble getting buy-in from the business side. "Everyone's doing it" is not effective for starting a social media program, and justifying a leap can be difficult without numbers for backup.

Checkers Drive-In Restaurants had been relying on fan-run Facebook pages for its Checkers and Rally's brands. It wasn't until January 2011 that Checkers took the helm itself, and gained 75,000 fans within the first few weeks. Checkers is now participating in Twitter, YouTube and foursquare, thanks to a digital media push that only came after the restaurant conducted an online survey and discovered how important social and mobile were to its customers. As a result, the idea was easier to sell internally and, as an added bonus, included consumers' insights to aid in campaign planning.

"We learned that if we didn't act now, we'd be left behind."—Terri Snyder, EVP and CMO of Checkers Drive-In Restaurants, quoted in QSRweb.com, January 21, 2011

How Restaurants Use Mobile and Social Media

Restaurants are at various stages of mobile and social adoption. Tweeting funny anecdotes and little else may make sense for some brands, while others might employ sophisticated mobile apps to entice. Operators should become familiar with their customers, then focus on where they will make the most impact. Some restaurants have been successful while others are still trying to get it right. Following are examples of ways that restaurants have been employing mobile and social tactics to increase engagement, loyalty and sales.

Increasing Foot Traffic

As so-called check-in culture evolves, it will not be enough to simply offer location-based users virtual badges and bragging rights. Does a retiree in Arizona care about being the mayor of his favorite deli? Capturing the attention of mobile consumers will start to require tangible rewards—even just nominal ones—to get them through the door.

Chili's Grill & Bar

Since July 2010 Chili's has been periodically offering free chips and salsa for every foursquare check-in, not just in the bar or after a minimum number of visits. It may be a small thing, but it is guaranteed and not available to other diners.

Chipotle, McDonald's and Starbucks

These three were among the first restaurants to join Facebook Deals, which launched in November 2010. The service allows companies to reward Facebook Places users by offering promotions to those who check in to participating businesses. The deals can be straightforward discounts, loyalty-based rewards after a set number of check-ins or charity components with donations triggered after a minimum number of friends check in. Of course, the check-in is broadcast to a user's Facebook wall for friends to see, a virtual word-of-mouth endorsement.

While these are all national brands, Facebook Deals is moving hyperlocal and being utilized by smaller independent bars and restaurants that might not have robust marketing budgets—with offers ranging from a free beer at a Brooklyn poolhall to complimentary cannolis at a Boca Raton pizzeria.

"We picked as a starting point one of the biggest problems local businesses have had online, which is they've been told that they need to spend money on advertising and to create a local presence.... The concept of check-in deals helps them start to connect the dots between what's happening online and what's happening in their store."—Emily White, senior director of local at Facebook, *in an interview with eMarketer, November 2010*

Rewarding Loyalty on the Go

Repeat business has always been a cornerstone of the restaurant industry—for example, loyal customers tend to be either Burger King or McDonald's fans, not both. And now restaurateurs can more easily nurture this loyalty. Mobile is proving to be a versatile tool for managing loyalty programs, offering rewards and tracking results. Instead of toting around physical cards, customers can use loyalty apps on a single handheld device.

CKE Restaurants

In December 2010, CKE Restaurants, parent company of Carl's Jr. and Hardee's, launched a GPS-enabled loyalty program called Happy Star Rewards. Diners who use the mobile app to check in can spin the virtual Wheel of Awesomeness on their first visit and every fourth visit thereafter. Facebook users who "like" Carl's Jr. or Hardee's are also able to spin the wheel online and send gifts they've won to their mobile phone. Prizes range from coupons to movie tickets to Sony electronics. The more a user checks in, the higher the rewards values become.

Brad Rosenberg, manager of digital strategy & marketing at CKE Restaurants, told eMarketer in an interview that the primary advantage of building an app in-house rather than using a popular service like foursquare is it is ensured to work with all point-of-sale systems companywide. It is also highly customizable.

Tasti D-Lite

Frozen dessert chain Tasti D-Lite has a multidimensional approach to mobile loyalty. Users can register the card online to link and update Facebook or Twitter status, as well as to check in to foursquare when they have made a purchase. Loyalty members score one point per \$1 spent, and those connected to social media sites receive an extra point per social media site used to broadcast their purchases. In mid-2010, six months into the initiative, the company revealed that 20% of loyalty members had chosen to broadcast purchases to their social networks.

Papa John's

Papa John's has differentiated itself from other pizza brands by providing a mobile app and tying it to its loyalty program, Papa Points. Users accrue one point per \$5 spent on food through online or mobile ordering. Twenty-five points earns a free pizza.

Engaging and Building Awareness

Customers who have willingly downloaded an app, followed a brand on Twitter or "liked" a company on Facebook expect something in return—whether it is discounts, contests, rewards or simply a friendly rapport. It is important for restaurants to engage with their customers—or they will leave.

Dunkin' Donuts

In the summer of 2010, Dunkin' Donuts ran a contest, Keep It Coolatta 2: Flavor Boogaloo, in partnership with Pandora. Dunkin' Donuts solicited summer songs inspired by the iced beverages' flavors and created a channel on the online radio service from the best suggestions. The campaign, which was promoted through Facebook, resulted in 300,000 new Facebook fans. During June and July, Coolatta sales grew by double digits over the same period the previous year.

In an interview with eMarketer, Dave Tryder, director of interactive & relationship marketing at Dunkin' Donuts, explained how the promo also extended beyond social media and became an example of mobile engagement—60% of the audience who listened to the Dunkin' Donuts summer mix on Pandora did so on a mobile device vs. 40% who listened on a PC.

Buffalo Wild Wings

Businesses have been looking to move beyond mere check-ins. Buffalo Wild Wings is using SCVNGR, a social location-based gaming platform, to add a gaming element. In a basketball-themed promotion taking place in Q1 2011, users who check in to locations are prompted to complete tasks for points, like taking a photo of themselves with a fan from a rival team and sharing it with their friends. App users could win free Coca-Cola or a trip to the NBA finals with former Chicago Bull Scottie Pippen. In the first week, 10,000 users participated in 33,000 challenges and 5,000 prizes were awarded.

While Buffalo Wild Wings is making efforts to increase engagement with its customers through contests, the company also wants its mobile users to engage with their online network of friends and share opinions on topics like favorite menu items or flavor choices.

"We are looking for social engagement.... We want them to be able to tell others what they liked—a beer, a garlic flavor. Our goal is to build frequency."—Jeremy Burke, brand manager of Buffalo Wild Wings, quoted in *The New York Times*, January 2011

Kogi

It is no coincidence that the rise of gourmet food trucks, now a common sight in cities across the nation, took off with the explosion of Twitter and internet-enabled mobile devices. In 2008, the Kogi truck debuted in Los Angeles, selling Korean tacos and broadcasting its location around the city using Twitter. The unusual hybrid cuisine, charismatic owner and atypical venue translated into a huge hit. Kogi now has more than 82,000 Twitter followers, four trucks and a legion of imitators including Austin, Texas' Chi'Lantro truck, New York's mobile Korilla BBQ and Maryland-based chain California Tortilla's addition of a Korean taco in January 2011. No one has amassed the following of the original, though, and much of that has to do with the personality-driven nature of chef Roy Choi's small business. He maintains an opinionated blog and regularly posts photos of what he eats, street scenes and kitchen shots on Flickr. Customers are fanatics about the food, but also connect with the story behind the brand.

Attracting New Demographics

McCormick & Schmick's Seafood Restaurants

Mobile can be a quick way to tap into a new customer base. McCormick & Schmick's, a fine dining chain, turned to foursquare to offer free happy hour food with the purchase of a drink.

McCormick & Schmick's established clientele might not be using location-based services, but younger, less-affluent diners could be enticed to visit the restaurant. A drink at the bar could be a gateway to encourage future restaurant visits.

"The strategy is to diversify our guest communication channels and reach a broader guest base, including a younger demographic, through foursquare."

—Jenny Storer, public relations specialist at McCormick & Schmick's Seafood Restaurants, quoted in *Mobile Commerce Daily*, November 12, 2010

Harnessing Word-of-Mouth

Dining has been successful at generating buzz. According to YouGov's BrandIndex, SUBWAY garnered the most positive word-of-mouth of all brands in 2010, not just limited to restaurants. Now that restaurants are increasingly on Facebook, viral initiatives have become even more measurable.

Boston Market

Boston Market currently has a GoRecommend tab on its Facebook page that encourages users to "tell your friends what you loved about Boston Market." Participants are entered in a contest to win \$1,000 and their post, seen by all their friends, includes a Boston Market coupon. In initial testing in June 2010, the company found that four coupons were redeemed for each post.

BRAVO! Cucina Italiana

BRAVO! Cucina Italiana, an Ohio-based chain in 20 states, offers online ordering from its Facebook page and allows users to "share" this functionality with friends as well as "like" individual menu items. This viral feature drives sales as well as provides granular insights to the restaurant about which dishes are the most popular.

"One of the questions we frequently ask in research is, 'Would you refer this restaurant to a friend?' and the 'like' button functions in a very similar way. It's giving that endorsement to a Facebook user's network."—Erik Thoresen, director of research and consulting at Technomic, in an interview with eMarketer, February 2011

Employing Social CRM

Social media is ideal for broadcasting, yet it is equally important for restaurants to be aware of what is being said about their brand and respond when necessary—as a compliment or a corrective.

Restaurant operators that are reluctant to engage in social media customer relationship management because they are afraid of what they might hear, should not be hesitant to monitor internet chatter. Food and dining has the highest percentage of positive online conversations of all product categories, at 73% according to a November 2010 Keller Fay Group study.

Whether a major chain with a comprehensive CRM program or a formal restaurant searching Twitter for mentions, reaching out to customers—and doing so with the appropriate tone—is crucial.

"Companies need to be careful about one-way communication. Social media is as much about listening, gathering feedback and responding to consumers."—Denise Lee Yohn, brand consultant at Denise Lee Yohn Inc., in an interview with eMarketer, February 2011

Starbucks

Starbucks' My Starbucks Idea functions as an online focus group and a social networking site. At its most basic it is a page for customer feedback, but it is not where suggestions go to die. Ideas are parceled into categories—such as experience, products and involvement—and publicized, if implemented. For example, frequent requests for a drink size larger than the Venti resulted in the new 30-ounce Trenta. Participants are empowered and rewarded with recognition from the company and their peers. Adding a social networking element, contributors' ideas can be given thumbs up from other users, and the most popular members each month get featured on a leaderboard.

"My Starbucks Idea is an opportunity for customers to actually connect directly with business folks and provide ideas and feedback. One of the things we kept hearing was that they wanted to send a drink digitally. So the Starbucks Card eGift was in direct response to that."

—Ryan Records, director global card at Starbucks, in an interview with eMarketer, February 2011

Eleven Madison Park

Twitter has proven to be a popular channel for personalizing communication, though there is a fine line between attentiveness and overdoing it. In October 2010, a gentleman tweeted “Burger King in the airport waiting for my flight to NYC. I’ll consider this my amuse-bouche for Eleven Madison Park!” The following day at the Michelin-starred restaurant in Manhattan—part of Danny Meyer’s Union Square Hospitality Group, operator of the rapidly growing hamburger chain Shake Shack—that diner was presented with a miniature lamb burger and told that they hoped it would be better than what he had eaten at the airport. The reaction in the food community was mixed. What some might consider attentive service can be interpreted by others as an invasion of privacy.

Greenz

At the other end of the spectrum, when Greenz, a Texas-based salad chain, noticed a man tweet about a competitor, they took the opportunity to convince him to try their establishment instead. They even took him up on his challenge that Greenz name a salad after him. Thus, the Joe salad was born (for one day), and the results were viewed as a social media coup rather than creepy.

The varying reactions show that the public has different expectations for how a casual restaurant should communicate with them versus how a purveyor of haute cuisine should.

Q&A: How do you define effectiveness when social media ROI is hard to measure?



Denise Lee Yohn

Brand Consultant

Denise Lee Yohn Inc.

“It cannot be purely a financial ROI because it is very difficult to track, but there are some metrics you can use. Things like number of followers and number of fans are some indication if you compare yourself to others in your industry. The number of fans you have may not necessarily mean that they are really fans, but the same would apply to most other brands in your category. If you have 10,000 fans and another brand in your category has 50,000, then you could make a pretty fair assessment that you’re behind. There are also level-of-engagement measurements and looking at the quality of communication you’re having. Are you having deeper, richer relationship-building interactions with consumers? If so, you can make some assumptions that this is building loyalty and brand equity. If you are making better decisions because of the input you’re getting through social media, that is a return on your investment as well.”



Dave Tryder

Director, Interactive & Relationship Marketing

Dunkin’ Donuts

“It’s certainly not an exact science. We use internal analytics and some proxy information to try to understand the value of the base itself. We don’t necessarily look at it on a campaign-by-campaign basis in terms of value. If we’ve got 3 million members and feel that the average revenue contribution on an annual basis is ‘X’ per each member, then it gets you to a point where you can actually understand how much annual revenue this kind of audience controls. And, therefore, it allows you to understand what the value of trying to grow that audience means, as well as what the potential revenue impact can be if we are able to positively influence that environment.”



Paul Barron

Founder & Producer

DigitalCoCo

“When somebody tells you they can’t measure social media, that’s a bunch of hooey. We’ve got so many tools with Twitter, Facebook, LinkedIn, YouTube and geolocation like foursquare and Facebook Places. This is electronic so you can see what’s happening. You can literally see the value. In social media I can go in and look at my foursquare check-ins for every location I have. I can go in and look at my Yelp check-ins. I can look at my tweets and see real live interactions that are occurring. I can’t do that with a magazine or radio ad, and I can’t do it in any other type of advertising.”

Key Takeaway: Social media may create buzz but it’s hard to gauge how it translates into sales. Companies must determine which metrics are meaningful to their business, though it’s also worth using qualitative benefits like increased loyalty and deeper engagement as indicators of success.

Q&A: What do restaurant operators need to know about social media?



Dave Tryder

Director, Interactive & Relationship Marketing

Dunkin' Donuts

"Have a solid plan for why you need to be there, why it's important for your business and what you're going to do once you get there. Once you've set the expectation that you're going to have a presence, fans of your brand will expect you to be engaged and responsive to their needs. If you walk away from that, you're going to do a lot more damage than if you had never started in the first place."



Erik Thoresen

Director of Research and Consulting

Technomic

"The most common thing we see is people get into social media, and then they abandon it. They move on without giving it enough time to really take shape. So they might tweet for a month and have 'Follow us on Twitter' signs up at their restaurant, but then don't do anything on Twitter after that and it loses momentum. The benefit that restaurants stand to gain is by building that network of followers over time. It's a matter of saying, 'I'm going to invest in doing this.'"



Paul Barron

Founder & Producer

DigitalCoCo

"The biggest challenge every restaurant operator faces is getting involved. Once they are involved, the problem is they don't really know what to do from a strategic standpoint. That's critical to a guy who's working on thin margins. They have to know what strategy means and have a clear roadmap to results. Audience means, 'How many customers can we reach?' The strategy is, 'Now that we have them, what are we going to feed them in terms of content or message?' Now that we're feeding them, 'What can we learn from them?' That's where the really good brands will start to narrow the gap. Understanding everything from social demographics to interest levels, market hotspots, culinary trends [and] consumer trends—all of that's going to come from within the operators' own audience. There's a big opportunity."

Key Takeway: Once restaurants have committed to social media, they need to craft a strategy, decide how they will engage with customers, what voice they want to project and, most importantly, develop a plan to maintain consistency. Having no online presence at all is worse than posting sporadically, not responding to complaints (or kudos) and having a robotic, self-promoting persona. And that is just the beginning: Successful restaurants will use social media to learn about their consumers and provide a better product to suit their needs.

Q&A: What is the future of mobile and social media?



Dave Tryder

Director, Interactive & Relationship Marketing

Dunkin' Donuts

"Data is the key. The ability to take a company's data and then use mobile to deploy programs and promotions that enable you to effectively reach consumers in a way that you know will drive business is really the next holy grail."



Denise Lee Yohn

Brand Consultant

Denise Lee Yohn Inc.

"We will see more time-based, location-based, specific messaging or specific use of social media, in the sense that it won't all be about just broad awareness. People will be using it to drive traffic to a particular location at a particular time."



Paul Barron

Founder & Producer

DigitalCoCo

"I think social is a stepping stone for us right now. Gaining consumer awareness is the ultimate goal. Five or 10 years ago, it was the web and email. Today it's social. Five or 10 years from now, it's going to be a new ecosystem beyond what we know today as the web."



Erik Thoresen

Director of Research and Consulting

Technomic

“The tools we haven’t seen come to fruition yet are ones that really empower restaurants to be responsive to what’s going on at a local or regional level. Restaurants will be able to run their own promotions based on local events rather than on big national advertising budgets.”

Key Takeaway: No matter what the web evolves into, marketing will become more narrowly focused and consumer-specific. Mobile and social media allow restaurant operators to learn more about their customers than ever before and develop new ways of personalizing irresistible offers.

Conclusions

Restaurants must dedicate resources and remain committed. Developing a unified vision and strategy is important for restaurants of all sizes. Even McDonald’s was criticized by some for not appointing a social media director until April 2010, late to the game for such a huge brand. And once a decision is made to engage in social media, time needs to be allotted for participation, whether the person responsible for posting to blogs, Facebook or Twitter is a restaurant owner, outsourced specialist, chef, PR intern or cashier. It is not enough to launch a Facebook page and expect an instant audience. Restaurant operators need to give customers a reason to follow them and be prepared to interact consistently when they do.

Tailor messages for the intended audience. An acronym-filled, 140-character tweet can convey volumes about a brand. The Twitter account of The Capital Grille, an upscale chain, is maintained by their sommelier who offers wine pairing suggestions. On the other hand, Carl’s Jr.’s is more casual and retweets cheeky responses, perfect for their core demographic of “young, hungry guys.” But not every customer is ready for mobile or social media. While Denny’s is active on Twitter and Facebook, to reach its loyal over-50 clientele it offered a 20% discount during certain hours with an AARP card and took out full-page ads in AARP The Magazine. Adding mobile-phone-scannable QR codes to the ad would not make sense for this group, but it might work in the other direction, appealing to younger customers.

Use channels appropriately. Blogs are ideal for adding transparency to a restaurant operation and give more control to the company. This is where interviews with staff, commercials, recipes and behind-the-scenes videos and cooking demos can thrive. Syncing up Twitter and Facebook accounts so that the same content is being broadcast on both can be a mistake for businesses. Twitter is best used for shorter, more frequent promos and real-time interactions, while Facebook is suited for more substantial content, sharing stories and fan photos, promoting contests and as an informational tool. It is also important not to over-message and keep the content interesting. An April 2010 ExactTarget and CoTweet survey showed that the top reason users “unlike” a Facebook page is because they receive too many updates. Consumers “unfollow” on Twitter primarily because of dull and repetitive messages.

Mobile is in its early stages, but will continue to change how consumers interact with restaurants.

Mobile is being used for everything from sending coupons to entertaining with in-app games, providing reviews, acting as a loyalty card and serving as a restaurant locator. New services are constantly springing up to fill these niches and more. Now in three cities with nine more planned, Scoutmob functions like a daily deal site except the local restaurant discounts are free for takers and sent in a text message, no smartphone necessary to redeem. Foodspotting goes beyond online customer reviews and directly to favorite restaurant dishes, creating a hyperlocal user-generated dining guide. Participants upload photos of what they eat so they can be rated by the public online or via a mobile app. Location-based marketing will become more sophisticated. It is not hard to imagine a retail app like shopkick being adapted for the restaurant industry: Users are passively checked in, awarded points and shown personalized offers when they enter. Diners will have customized suggestions and discounts pushed to their phones for exactly when and where they want to eat.

Endnotes

Endnote numbers correspond to the unique six-digit identifier in the lower left corner of each chart. The charts from the report are repeated before their respective endnotes.

125313

Restaurant Segment Snapshot

Definition	Examples	Quick stats
<p>Quick service</p> <p>Also known as fast food or QSR, items are inexpensive, served efficiently and purchased at a counter or a drive-thru, frequently to-go.</p>	<p>McDonald's, Taco Bell, SUBWAY</p>	<p>\$167.7 billion in sales forecast for 2011, up 3.3% over 2010</p> <p>42% of consumers visit a QSR at least once per month</p> <p>Generate 78% of industry traffic</p>
<p>Fast casual</p> <p>Limited service, but with more emphasis on style and quality than a QSR, generally with higher prices as well.</p>	<p>Chipotle Mexican Grill, Panera Bread, Pei Wei Asian Diner</p>	<p>70% of consumers think fast casual is healthier than quick service</p> <p>\$28.4 billion sales projected for 2014, a 24% increase from \$23 billion in 2010</p> <p>Sales expected to grow 5.8% in 2011</p>
<p>Casual dining</p> <p>Table service, moderately priced and family-friendly, often with a separate bar and full menus including appetizers, entrees and desserts.</p>	<p>Olive Garden, Applebee's, The Cheesecake Factory</p>	<p>85% experienced higher growth in 2010 than 2009</p> <p>Accounts for more than 1/3 of industry sales</p> <p>31% of men ages 18–34 increased visits in 2010 vs. 2009</p>
<p>Fine dining</p> <p>More formal and expensive than casual dining with a focus on atmosphere, service and quality.</p>	<p>Morton's The Steakhouse, McCormick & Schmick's Seafood Restaurants, Roy's</p>	<p>Experienced the strongest turnaround in 2010, mostly due to increased business/travel spending</p> <p>81% of fine diners prefer a local, unique restaurant over an upscale national chain</p> <p>86% of restaurant operators expect sales trends to improve</p>

Source: compiled by eMarketer, 2011

125313

www.eMarketer.com

Citation: Data in this chart was compiled from the following sources—AlixPartners, Mintel, National Restaurant Association, Packaged Facts, RBC Capital Markets, Restaurant RX Consulting, Sandelman & Associates, Technomic and The NPD Group.

Related Information and Links

Denise Lee Yohn Inc.

<http://deniseleeyohn.com>

DigitalCoCo

<http://www.digitalcoco.com>

Nation's Restaurant News

<http://www.nrn.com>

National Restaurant Association

<http://www.restaurant.org>

The Nielsen Company

<http://www.nielsen.com>

Technomic

<http://www.technomic.com>

Yahoo!

<http://www.yahoo.com>

Contact

eMarketer, Inc.
75 Broad Street
Floor 31
New York, NY 10004

Toll-Free: 800-405-0844
Outside the US: 212-763-6010
Fax: 212-763-6020
sales@emarketer.com

Editorial and Production Contributors

Susan Reiter	Managing Editor
Nicole Perrin	Senior Editor
Meg Prossnitz	Editorial Assistant
Dana Hill	Production Manager
Joanne DiCamillo	Production Artist
Stephanie Gehrsitz	Production Artist
Allison Smith	Director of Charts
Alison Berge	Chart Editor
Elissa Hunter	Editor
Chris McNinch	Chart Data Specialist

About eMarketer

eMarketer is a business service unlike any other. **eMarketer** does not conduct research. It aggregates and analyzes all the available research, surveys and data on a given topic. So you see far more than a single source could ever provide. **eMarketer** doesn't deliver one point of view—it gives you thousands. Providing overviews and insights available nowhere else, **eMarketer** reports on the reports, analyzes the analysts and dissects the data.

A Trusted Resource

eMarketer serves as a trusted, third-party resource, cutting through the clutter and hype—helping businesses make sense of the numbers and trends. **eMarketer's** products and services help companies make better, more informed business decisions by

- Streamlining research sources and reducing costs
- Eliminating critical data gaps
- Providing an objective, bird's-eye view of the entire landscape
- Better deploying and sharing information across the company
- Building solid business cases backed up by hard data
- Reducing business risk
- Saving valuable time

To learn more about subscriptions to eMarketer, call 800-405-0844 (outside the US and Canada, call 001-212-763-6010), or email sales@emarketer.com.
