

Casual  
**Dining Chains**  
Need a **NEW RECIPE**  
for Success



NORTH AMERICA'S CASUAL DINING INDUSTRY IS IN TROUBLE. Fast casual brands better feed diners' growing hunger for new tastes and experiential formats, while pure-play fast food chains continue to provide lower cost and greater convenience. Some pundits argue consumers have completely lost their appetite for the traditional sit-down dining experience. However, we believe there is still hope... if casual dining brands stop relying on the wrong things to drive consumer engagement.



Texas Roadhouse staff aren't just encouraged, but trained and rewarded for creating a fun and exciting dining experience that guests can't help but talk about.

There is no denying that macro socio-economic trends have negatively impacted the middle class, resulting in a drastic re-calibration across a host of industries. America's casual dining chains appear amongst the hardest hit because most restaurant owners grew fat on unsustainable pre-recession spending habits that resulted in over-saturation and mass commoditization.

However, the market is experiencing a course correction (evidenced by bankruptcy filings for Logan's Roadhouse, Johnny Carino's, Champps, Fox & Hound, and Bailey's). Restaurant brands who have withstood the downturn should now exploit the right-sized marketplace and consume more than their fair share of the large discretionary spend of out-to-eaters. What is required is casual dining brand marketers to willingly forsake their bad habits and embrace proven cult brand principles.

#### SERVE UP WHAT MATTERS MOST

Casual dining success does not require incremental investment. Rather, it requires a redeployment of existing resources, most notably, shifting spend away from mass media and margin-eroding deals. Enlightened brands in all categories have discovered that shouting and bribery only result in temporary, low margin trial. The preferred, sustainable approach is to compete by exceeding specific consumer expectations (easily identified through proper research) and shift emphasis from customer acquisition to advocacy.

Getting people to buy should not be the objective of marketing investments. Instead, the goal should be to get people to buy in. Cult followers, much more so than customers, both purchase and refer. According to Gallup<sup>1</sup>, "...a customer who is fully engaged represents an average

23% premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer. In stark contrast, a passive or actively disengaged customer represents a 13% discount in those same measures." Furthermore, referral marketing research reveals that customers acquired through word-

of-mouth convert at a higher rate, spend more, are more loyal, and have higher Net Promoter Scores. Engaged customers are, quite simply, more valuable, making advocacy the only viable marketing objective.

Creating cult followers involves a completely different playbook than casual dining chains have been using.

It requires a shift from buying impressions to making impressions. Finite resources must be used to help customers believe they are getting more out their patronage than just a full belly. We suggest six specific areas where brands can get started.

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### **ONE: BE REMARKABLE** Give 'Em Something to Talk About

Word-of-mouth for dining started when Eve said to Adam, "You've got to try this!" It continues today with millions of food-porn social media posts. Unfortunately, most people talk about food and not the brands serving it. At the 2016 NRA Show, Bret Thorn, Senior Food Editor at Nation's Restaurant News, described casual dining brands as, "...resisting change and clinging to the success they've had with the concepts that were once vivid and exciting to consumers." If nothing else, decline of the category proves tried-and-true has become tried-and-tired.

Consumers are increasingly willing to pay for a higher-quality meal, better service and a shareable experience. Brands that are winning today are those delivering unique experiences that provide diners with the value of stories they can relate to others. Giving diners something to talk about is equally—if not more important—than giving them great food to eat.

Texas Roadhouse has based its explosive growth on a combination of oversized food portions and a boisterous, Texas-themed dining atmosphere that the chain's PR Director, Travis Doster describes as, "An assault on the senses." Customers derive value from both the enormous meals and the exciting environment in which they're served (including free peanuts and shell-littered floors). According to Morgan Stanley, Texas Roadhouse is recommended by customers more than any other restaurant chain<sup>2</sup>, and is enjoying the best growth in the category. Founder, Kent Taylor, explains, "The biggest compliment I get when I talk to people coming out of our stores is not that they had great food or great service, but that they had fun."

The all-too-common mistake many casual dining chains make is trying to be good at lots of things, but excelling at none. The category value drivers are so well known—food quality, variety, atmosphere, loyalty discounts, special offers, service—that most brands dabble enough to be satisfactory, but never dazzle at anything. This approach dilutes buzz worthiness while contradictory investments compete for resources and mindshare.

Restaurants shouldn't excel at 'grab-and-go' while also improving their dining experience, or emphasize high quality ingredients while at the same time touting low-priced value meals, or stress high-touch service while also implementing new digital solutions to remove the hassle of human interaction. Casual dining marketers would be more effective if they determined what they can be best at, and then dominate that specific area as if their entire business depended upon it (because it does).

## TWO: EXUDE ETHOS Give 'Em Something to Care About

When it comes to embodying and communicating an ethos that consumers care about, fast casual brands have trumped casual dining chains. Chipotle, Shake Shack, Chick Fil-A and Pita Pit are shining examples of restaurant brands standing for more than just good food. They represent values and lifestyle choices that resonate with their core consumer. Perhaps the ultimate poster child for purpose-driven marketing is Panera Bread: They expertly blend community giving with customer appreciation and healthy eating in such a manner that they've earned 60% market share for their category.

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Ironically, many restaurants began with a noble brand purpose. Their founders sincerely wanted to provide their communities a cool hang out spot, a chance to experience a new cuisine, or to cater to an underserved cohort within a marketplace. But as their successful brand scaled, they

standardized, and what was once hyper relevant for a specific market became less meaningful to others. The vast majority of casual dining brands that achieve national scale, fail miserably at resonating with purpose-based marketing because they focus more of their efforts on being consistent than making a meaningful contribution to their communities.

While casual dining brands are publicly suffering, it is the executive decisions made in private that have bred complacency (an unwillingness to try something new) or fear (don't do anything that may harm status quo). Leadership's focus has shifted from doing what's right, to doing what's least likely to disrupt. So many new competitors enter the restaurant category each year because there is so much white space available for risk takers willing to try new things amongst the conservative category leaders playing defence and hoping not to lose.

Product-centric or discount-based messages result in transactional relationships with no emotional connection. Partakers will stop coming the moment a more convenient or affordable or tasty option appears. But emotional connections are the essence of cult brands' success. Emotions tied to brand ideals and a noble purpose engenders loyalty and prompts consumers to bypass less costly or easier-to-access alternatives.

Creating emotional connections requires conversations and brand behaviors involving things people actually care about. It's why Patagonia invests so heavily in the environment; why Red Bull sponsors extreme sports; why Lululemon spends \$0 on advertising but hosts yoga classes in their stores; why Nike stopped advertising on the Super Bowl and built Nike+ instead, and why Harley-Davidson spends most of its marketing budget nurturing their community of motorbike enthusiasts.

Casual dining brands would be wise to invest in the causes their best customers care about more than commercials they mistakenly think their customers are paying attention to.

### **THREE: BE INSPIRATIONAL** **Leverage Your Best Asset—People**

Perhaps no marketing activity is more effective, or more personally fulfilling, than treating internal staff as vital audiences worthy of a brand's best efforts. Employees—especially customer-facing personnel—are the brand incarnate, and have the unique ability to single-handedly create or destroy a brand's reputation. Human resources or operations are less qualified than the marketing department to engage these vital stakeholders in meaningful, memorable, and measurable ways.

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Building upon Texas Roadhouse founder Kent Taylor's people-first philosophy, the brand's focus on employee happiness differs from competitors who, by contrast, focus almost exclusively on taking care of guests. To protect a brand's culture amidst the chain's expansion—which often erodes culture instead of building it—Texas Roadhouse invests heavily in employee training to ensure the spirit of fun continues to thrive. "Living Legends" is a formalized framework for employee recognition, developed as a toolbox for operators to build the brand culture within individual restaurants by communicating tools, training, goals and brand messaging in one universally understood format.

"You can't have Legendary Food and Legendary Service without Legendary People having Legendary Fun," says Mark Sampson, senior director of Legendary People for Texas Roadhouse. It's an approach that has earned Texas Roadhouse greater levels of employee satisfaction and an impressive 30% reduction in staff turnover. Texas Roadhouse was the only casual dining restaurant to be named one of the top 50 places to work by Glassdoor.

Too few casual dining brands have "people strategies" that are so impressive they are inundated with thousands of unsolicited applications; the press provides millions of dollars worth of earned media touting their employee practices; or customers go out of their way to select the brand because of how their employees are treated which, in turn, positively impacts how customers are treated. But that behavior does exist within other industries, such as retail (Zappos and Wegman's), airlines (WestJet and JetBlue), and technology (SAS and Google). It's time for casual dining to catch up and step up.

### **FOUR: BE RELATABLE** **Mirror Customers In Your Brand Persona**

Most marketers agree with the statement, "Don't try to be every-thing to everyone," yet few are willing to do anything that may offend anyone. The sea of sameness that is the casual dining category is the result of every brand trying to appeal to every customer segment in every market.

Cult brands succeed by personifying a personality, or displaying desirable human attributes, that appeal to their best consumers on a really human level. Sometimes this is achieved through marketing communications, like Apple's "I'm a Mac" campaign that forced consumers to decide if they wanted to be the cool, casual dude, or the frumpy, awkward nerd. Other times, relatability is achieved by how well a brand exudes its persona through multiple customer touch points. Casual dining chains have more opportunities than most brands to convey to customers that, "We get you.", "We're into the same kinds of things.", "Let's be friends.". Exploit these opportunities by first developing a solid understanding of the brand's ideal customer, their interests, and values, then demonstrate that understanding while guests wait to be seated, spend an hour or two hours dining, and engage with off-premise brand activations, social media, mobile apps, and email.

Cracker Barrel is one chain that's been investing in becoming more beloved by younger consumers. The chain has introduced new elements into their marketing



Cracker Barrel is stocking its country stores with unconventional items, like vintage sodas, that hold high appeal among younger consumers.

mix and restaurant environments that are atypical and unconventional, but highly interesting to the key customers with whom the brand desires a relationship. Best known for its old-fashioned atmosphere and Southern food, Cracker Barrel has expanded its retail mix to include vinyl records, fashionable retro-inspired apparel, vintage sodas and candies that younger diners find not only interesting, but completely relatable. And the brand is also exploring new marketing communications channels, like Snapchat, to drive relevance and further brand engagement among millennials.

Alternatively, the expanding Canadian pub chain, El Furniture Warehouse, has based its growth on its founders' connection to skateboarding, surfing and snowboarding culture. Through a sponsorship deal, all restaurant staff are outfitted with Vans sneakers, providing instant credibility among skateboard enthusiasts as their shoe brand of choice. Skateboard decks and snowboards don the walls, while TV screens stream extreme sports throughout. The food offering, too, has seemingly been designed through a mutual understanding of their diners, featuring traditional pub items all priced evenly under five bucks.

## **FIVE: BE INVOLVED** Most brands talk. Cult brands listen.

With today's mobile and social media-powered consumers' intent on instantly broadcasting their sentiments and feedback to the world, customer comment cards or receipt requests asking for input no longer cut it. Cult brands, like Starbucks, have become expert at harvesting ideas generated by their best customers and biggest fans to improve their offering and experience, celebrating each customer-contributed innovation along the way.

Casual dining brands need real-time feedback mechanisms to instantly correct problems, and they also need collaborative forums empowering customers and fans to inform innovation. More brand leaders need to

lead instead of fast follow, and they can maximize their ideation while minimizing their risk if they devote the necessary resources (typically a fraction of the cost they spend shouting via the airwaves) to harness the power of closed communities that fast-track adaptive or disruptive innovation to products, services, processes, marketing strategy, etc. Considering traditional innovation commercialization failure rates are between 50% and 90% for new offerings, casual dining brand stewards are well served to learn new skills in regards to crowd-sourcing and co-creation.

Casual dining brands should also not underestimate the power of the psychological appeal to co-create the end product at point-of-purchase. Consider the rise of you-build-it-we-make-it fast casual pizza chains like PizzaRev, Pieology and Blaze Pizza. Or that Subway has outgrown McDonald's on the premise of mass customization. Empowering customers, and involving in them in the creation of their experience, is a game changer for an industry that was founded on the secrecy of behind-closed-doors meal preparation. In 2014, the build-your-own segment grew 22%, doubling the 11% growth for made-to-order in the same period.

## **SIX: BE PERVASIVE** It's What You Say and How You Say It

Pervasiveness is about a brand's ability to envelop consumers' lives by becoming so unignorably relevant that they can't help but like—even love—them, often by doing things seemingly unrelated to their main business. Casual dining brands can pervade consumers lives in two primary ways: Through near-ubiquitous location of physical restaurants, or by engaging them in new, more relevant ways outside of the four walls.

One place casual dining brands are striving to grow their relevance is in the grocery store aisle. Retailers are embracing restaurant-branded offerings from TGI Friday's,



Waffle House restaurants now serve as official "Roadie Roadhouses," where drivers and senders can connect to unload a shipment.

pimped-out brunch called the Grand Cru Slam that comes with a bottle of Dom Perignon champagne.

To drive online engagement, Denny's created an animated series, designed specifically for viral social media play.

With nearly 2,000 locations, Waffle House is fairly ubiquitous. In an effort to raise their relevance, they forged a very non-traditional partnership with tech startup Roadie, the mobile app-based community that connects people with deliveries to ship to drivers going in their right direction. Open 24 hours a day, Waffle House restaurants now have become part of the network of pickup points for Roadie, offering an always-open place for drivers to rendezvous with both senders and receivers.

P.F. Chang's, California Pizza Kitchen, Wolfgang Puck, and even Hooters because they know consumers are more likely to purchase a brand they already like over one they don't know. Consumers are embracing them too, as a way to replicate the restaurant experience at home.

In an effort to raise its relevance amongst younger consumers, Denny's introduced millennial-targeted spin-off called The Den, locating restaurants near college campuses across the U.S. The Den's menu itself is designed to appeal to millennials' eclectic culinary interests, with breakfast-inspired sandwiches like the Huevos Crunch Burger. The flagship in New York City boasts a full bar and a \$300

## CONCLUSION

The casual dining category is not beyond repair. Attaining the benefits of a cult-like status is possible, if brands start demonstrating a commitment to the principles outlined above. Many consumers are willing to pay up or wait a little bit longer for a higher-quality product, better service or a shareable experience. Brands that win will be those who figure out how to provide diners with something great to eat, and something great to talk about. ■



### Chris Kneeland

I graduated with a Master's degree in marketing communications from Northwestern University and worked client-side at John Deere and The Home Depot prior to selling my soul to join an ad agency (Rapp) in Dallas, Texas. In 2010, I moved to Calgary to run Watermark Advertising. Then, in September 2012, I resigned to start a Cult.

e: [chris@cultideas.com](mailto:chris@cultideas.com) t: @CultIdeas



### Rob Howard

Over my 20-year marketing career, I've worked with super-brands like Nike, Prime Restaurants, Pita Pit, Michaels and The Home Depot. Today, I'm Cult's Chief Engagement Engineer, helping brands transform ordinary customers into devoted fans with irrational loyalty. I enable brands to create meaningful, profitable connections with consumers in ways that traditional marketing can't.

e: [rob@cultideas.com](mailto:rob@cultideas.com) t: @HowNowWow

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