

Hang The Innocent

By Jerry W. Thomas

The restaurant industry at times seems to be largely made up of wild-eyed, seat-of-the-pants, roll-the-dice entrepreneurs. Success has led some to believe that the axis of the universe runs down their spinal columns; arrogance is the coat they wear; they know what consumers want; God tells them what consumers want. Ignorance has led other high-level executives in the industry into a self-delusional over confidence that they—and they alone—know what is best for their restaurant businesses.

Both the arrogant and the ignorant (and these are not mutually exclusive) don't believe in marketing research. They don't do marketing research. They claim to be totally innocent of marketing research. To these chieftains of the food service industry, the following thoughts are respectfully submitted.

You are all guilty of marketing research. You've committed marketing research yourself, by looking, tasting, smelling, walking around, and asking questions. You've sought your mate's opinions, and those of your friends and employees. And some of you have actually paid a professional to do marketing research. Thus, none of you are innocent. You have all committed marketing

research—even though you might not have thought of it as “marketing research” at the time.

So what is marketing research? All of the above, and all are valid to some degree. Marketing research consists of both informal and formal research. Marketing research is listening, looking, reading, and asking questions—let's call this informal research, and there's nothing wrong with informal research. Marketing research is collecting data in an unbiased manner and translating that data into information, which can help solve marketing problems—let's call this formal research. And there's nothing wrong with formal research. Marketing research includes experiments, surveys, product tests, advertising tests, promotion tests, motivational research, strategy research, customer satisfaction monitoring, and many other techniques.

Do you really need formal marketing research? Maybe, maybe not! If you are totally objective, a good listener, extremely patient, and have lots of time to personally perform these functions informally, you might not need any formal research. Ask your mate or a close friend if you are objective, a good listener, extremely patient . . . I know of one company whose sales will approach one billion this year, and its decisions are based

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What types of formal research are most valuable?

- Strategy research
- Product testing
- Advertising pretesting
- Operations research, and not in the classical sense, but research that evaluates and improves service levels, as perceived by your customers.

almost entirely upon informal research, but that company's leaders are very, very good at listening to their customers, and everyone in the organization is trained to listen to customers. Still, this company is very much the exception. Typically, most companies can benefit from at least some formal research.

What types of formal research are most valuable, and when should you consider research? It depends, of course, but here are some general rules:

- **Strategy research is critical.** What's the grand scheme? Where are you going? What's the optimal target market for your restaurant concept? What is the optimum strategic positioning for your concept? How will you differentiate your concept from other restaurants? What's the best product line for your concept? What's the best package (store design)? Answers to these fundamental questions are essential to the long-term success of a restaurant chain.
- **Product testing is the single most important research you'll ever do.** Everyone tends to think their menu items are wonderful, much better than those of competitors. Rarely is this self-delusional assumption true. If you are not regularly and systematically testing your products, you don't know if they are any good or not. It doesn't matter if they taste good to you. What's important is how they taste to your customers. Most of the time customers will not tell you that your products are not very good. They're too polite, too concerned

about hurting your feelings. Test the most important items on your menu first, to make sure they are as good as you say they are. Then test the menu items of lesser importance. When you develop new products, test them to make sure they are good. You can even use product testing as a technique to monitor food quality over time. Product testing is a never-ending quest for continuous improvement of your menu.

- **Advertising pretesting is extremely important.** Much media advertising is wasted because the commercials are simply not very effective. Advertising directors, marketing directors, and advertising agencies exhibit a tendency to fall in love with their creative "offspring," and sometimes are very resistant to subjecting their "delicate art" to the crucible of consumer opinion. Our pretesting of advertising over the years reveals that much of it can be greatly improved, often at relatively little incremental cost. Advertising is simply too important to trust creative decisions to the opinions of a few executives. The only reliable jury is the consumers who make up the target audience for a restaurant.
- **Operations research is a very important type of research within the restaurant industry,** and I don't mean "operations research" in the classical sense, but research that evaluates and improves service levels, as perceived by your customers. What are key elements of perceived service? How can perceived

service be improved? How can you recruit better employees? How should your employees act? These and similar questions can all be answered by marketing research. Operations are absolutely critical in the food service industry because they are intertwined with the product itself. A great product served late, cold or by a surly employee doesn't help your business.

- **Customer surveys conducted in-store are relatively inexpensive and can provide good information** about who your medium to heavy users are, which can help in target market identification, site selection, and sometimes media planning.

- **And there are many other types of research that might be valuable,** depending upon your specific needs, such as awareness and usage surveys, promotion testing, media evaluation, menu development, architectural design optimization, site location evaluation, store density optimization per market, etc.

When should you do research? Research should have a purpose, a reason. Do research to help you make decisions. Do research when you can't afford to be wrong on a decision. Do research when the risks are great. Do research when the opportunities are big. Do research when you must convince your management or your employees. Do research only when benefits exceed the costs of research. Don't spend \$20,000 researching a \$10,000 decision. For whatever reason, let's assume you've decided your company might benefit from some marketing research.

How do you go about choosing a research company?

You might start the process by calling companies in your area that do a lot of marketing research (large packaged-goods companies or advertising agencies) and ask for recommendations. Call others in your industry for suggestions. Look in the Yellow Pages. Once you've identified several possibilities, arrange to visit the research companies to meet their employees and see the facilities. Ask to see quality-control manuals. Describe your problems or research needs, and ask the research companies to submit proposals along with costs. Typically, proposals are free. Look for quality of thinking. Do they really understand what you want? Does their approach seem to make sense? Chemistry is important. Honesty and integrity are supremely critical. Do you feel good about the people who will be working on your account? Will they be willing to tell you things you don't want to hear? In a way that you can tolerate? Based upon the visit, the chemistry, and the proposal, choose a research company and give them a small project first. If they do a good job, then trust them with more important jobs.

Never, never choose a research company just because its prices are the lowest. Typically, research costs are a small part of the marketing budget or a project's budget. Don't save \$2,000 or \$3,000 on a research project and run the risk of making wrong decisions that could cost your company several hundred thousand dollars, or several million dollars.

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What should you avoid? What are the danger signals when evaluating research suppliers?

- **Magic techniques. Exotic approaches.**
Revolutionary technology. Let them experiment on your competitors. Rule One: If you don't understand it, don't buy it.
- **Guaranteed solutions.** They guarantee to solve your problem. They are absolutely certain they are right. They are in possession of the Holy Grail. Let them bring salvation and ultimate truth to your competitors. Rule Two: Not every problem can be solved by marketing research.
- **Astronomical prices.** If the prices quoted for research are extremely high, you should be wary and careful. Make sure you are getting extra value for the extra price. Equally risky are the companies that quote extremely low prices; be especially careful in using these companies. Rule Three: Make sure you get good value for your money.

How do you get the most from the research company you choose?

- **Build a relationship.** Involve the research company in your business. Generally, the more you work with one company, the better the job that company will do for you.

- **Set forth clear objectives.** Tell the research company what decisions you wish to make. Be sure the research firm understands your objectives.
- **Look in on the research while it is in process.** Listen to some of the telephone interviews. Observe the focus groups or depth interviews. Watch the interviewers at work.

Once a study is completed and you've reviewed a draft of the report and its recommendations, ask the research company to present the results of the study to all of your key people in one room, at one time. This is an absolutely essential step for two reasons: first, many people don't read research reports; second, even if they do read them, many people don't understand research reports. A real live presentation with all the key decision makers in one room allows the researcher to explain the results, answer all questions, and clear up any confusion or misunderstandings. A great added benefit of a presentation is that it helps your key executives reach a consensus on what the research results mean and what actions need to be taken.

If you heed some of this advice and do some of these things, then you just might escape the economic gallows that await the arrogant and the ignorant.

About the Author

Jerry W. Thomas is the President/CEO of Decision Analyst. The author may be reached by email at jthomas@decisionanalyst.com or by phone at **1-800-262-5974** or **1-817-640-6166**.

Decision Analyst is a global marketing research and analytical consulting firm. The company specializes in advertising testing, strategy research, new products research, and advanced modeling for marketing-decision optimization.



604 Avenue H East ■ Arlington, TX 76011-3100, USA
1.817.640.6166 or 1.800. ANALYSIS ■ www.decisionanalyst.com