Marketing communication approaches and independent restaurant success and failure in an urban restaurant industry in the Eastern Mediterranean

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Abstract

Previous, but very broadly-focused, research has indicated that substantial differences may exist in marketing approaches used by successful and failed independent restaurants. If true, then future studies investigating marketing in the independent restaurant industry should prioritize research on those methods used predominantly by successful restaurateurs. There is little point investigating methods that guide restaurateurs on how to use marketing approaches that enable them to fail better! In this study, we examine for the first time, in-depth using a qualitative questionnaire, how marketing communication approaches used, differ between successful and failed independent restaurateurs. Substantial differences were found between the two sets of restaurateurs. Recommendations for prospective independent restaurateurs and those who have recently established their restaurants are discussed. Complimentary studies in other locations, and on franchise (chain) restaurants, are urgently required in order to determine if the substantial differences identified in this study occur across the board.

Keywords: restaurants, marketing communication, sales promotions, customer relationship marketing, customer retention.

Introduction

Although there is a multitude of research on specific elements of marketing in the restaurant industry, including studies on menus, coupon use (Myung *et al.* 2006), discount depth (Lin *et al.* 2015), relationship marketing (Robinson *et al.* 2005), customer loyalty (Jang & Matilla, 2005), how customers choose where to dine (Ha & Park, 2016), internet marketing and social media marketing (DiPetro, 2017), surprisingly very few studies have considered if, and how, marketing may differ between successful and failed restaurants. This is counterproductive, especially when it comes to providing useful recommendations for restaurateurs on the ground. For example, in their study on the use of online discount vouchers (namely Groupon) Edelman *et al.* (2016) offered practical advice for those restaurateurs considering whether to offer online discount vouchers. This advice, although well-intentioned, will become obsolete if it turns out that successful restaurateurs tend not to use, or rarely use, online discount vouchers though. What is more is that the studies which have given thought on how marketing may differ between successful and failed restaurants, although very broad in their consideration of marketing, have tentatively suggested that substantial differences do exist – particularly in the case of independent restaurants. There is an urgent need to address this issue in the research literature if we wish to focus our efforts better and provide truly beneficial advice to restaurateurs on the ground.

The aims of this study were to 1) provide a review of the current literature that provides insights on how marketing may differ between successful and failed restaurants; and 2) conduct the

first in-depth investigation to establish if differences in marketing approaches exist, specifically in methods of marketing communication, between successful and failed restaurateurs.

The influence of marketing on restaurant failure and success

The foundation to success for any restaurant is their ability to 1) attract new customers; and 2) retain customers; consistently over time (Enz, 2004; Dipertro, 2017). As the likelihood of restaurant failure tends to be at the highest during the first 2 years of trading (Parsa *et al.* 2005; Self *et al.* 2015; Healy and Iomaire, 2018), it becomes apparent that establishing this foundation may be of particular importance during this initial phase of a restaurant's life-span.

Camillo *et al.* 2008, during their analysis of literature on restaurant success and failure, identified that establishing the foundation to success was dependent on the use of a combination of five critical factors: strategic choices (e.g. restaurant location); competition (e.g. restaurant density in the surrounding area); marketing (e.g. advertising); resources and capabilities (e.g. financial capital) and owner-manager traits (e.g. level of experience). Although each of the critical factors are considered to be influential in establishing a complete foundation to success, both Parsa *et al.* 2005 and Camillo *et al.* 2008 noted that factors that were more strongly associated with the internal environment of a restaurant were more important than factors that were more strongly associated with the external environment of a restaurant. Marketing is one such critical factor (Luo & Stark, 2014). Unfortunately, the current literature on restaurant failure and success (Camillo *et al.* 2008; English 1996) has so far only considered marketing in a broad sense – and often in too broad a sense so as to render findings unproductive to restaurateurs on the ground. No research has focused solely on one particular aspect of marketing or attempted to clarify if any particular aspects of marketing, such as from the 4Ps of the marketing mix (Figure 1), is, or are more influential than the other aspects.


Figure 1. The 4Ps from the traditional marketing mix (Bowie and Buttle, 2004).

For example, during interviews with successful and failed independent restaurateurs, Parsa *et al.* (2005) concluded that "marketing strategy did not seem to be critical to a restaurant's success." Conversely, Camillo *et al.* (2008), also using interviews with successful and failed

independent restaurateurs, identified that a common trait amongst the successful restaurateurs in their study appeared to be the use of a marketing plan. The difference between these studies though we suspect is superficial and is a consequence of inadequate definition to the restaurateurs (and readers) of what each of the authors considered to be a "marketing strategy" or "marketing plan." Parsa *et al.* (2005) for example stated the following:

> Likewise, marketing strategy did not seem to be critical to a restaurant's success. The owners whom we interviewed rarely used advertising or promotions. One owner mentioned marketing as a critical factor but went on to discuss the target-market awareness, at the same time stating specifically that advertising is not necessary. On the other hand, public relations, community involvement, and customer relations were all considered important to their business operations. The successful owners, when asked about marketing, all discussed these types of relationships in the community over advertising or promotions.

Parsa *et al.* (2005) definition of "marketing strategy" in this instance only appears to apply to the promotion aspect of the marketing mix, and more specifically, only to two specific elements from the marketing communication mix within the promotion aspect of marketing (namely advertising and sales promotions; Figure 2). Arguably the successful restaurateurs here did, in fact, appear to have a "marketing strategy" but it was specifically a marketing strategy that was predominantly focused on using public relations (which includes community involvement) and personal selling (customer relations). There is the suggestion that successful restaurateurs in the Parsa *et al.* (2005) study tended to use marketing communications in a more-targeted manner and with a focus towards forming long-term relationships with their customers, whilst failed restaurateurs tended to use communications in a mass (non-targeted) manner with a focus towards transactional (short-term), one-time sales.
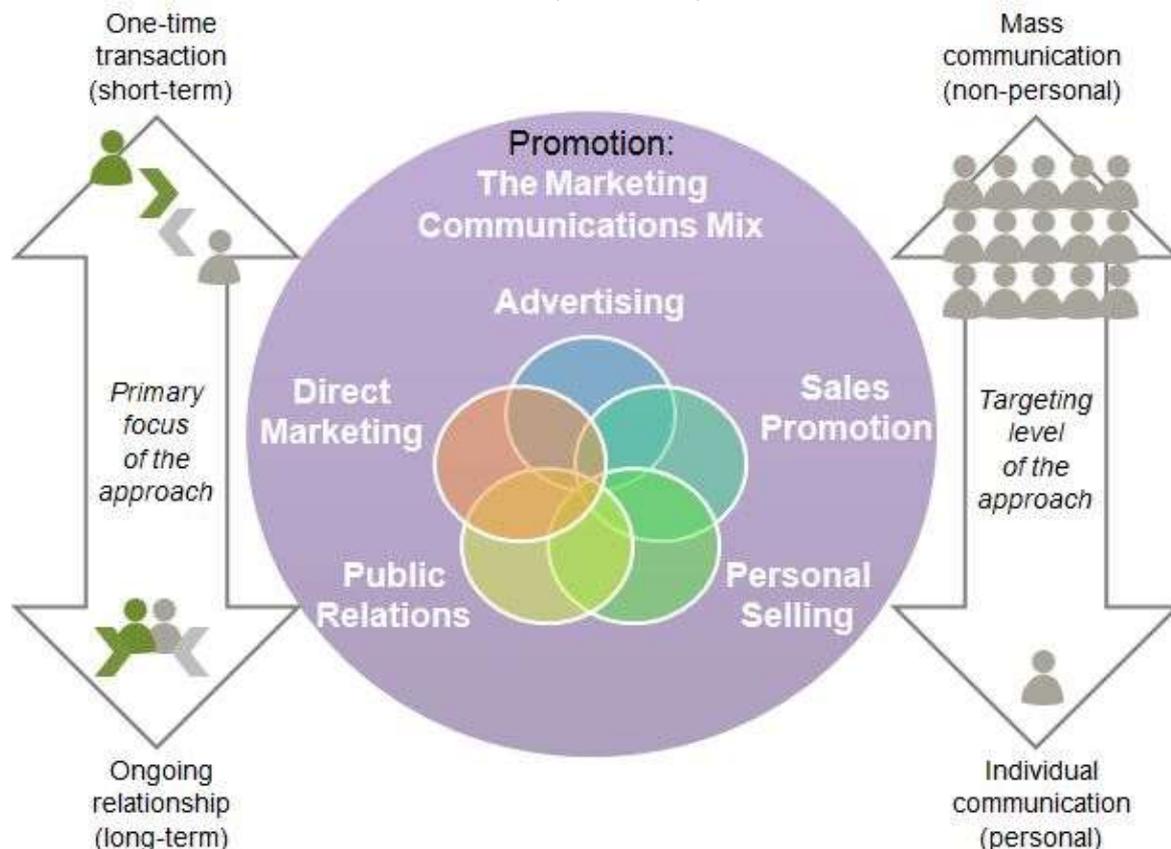
Figure 2. Overview of the marketing communications (or promotion) mix (Bowie and Buttle, 2004).
From figure 2: Different elements of the mix can be used alone or in combination to create marketing approaches. Marketing approaches can be used for mass communication through to personal, individual communication (targeting level). Marketing approaches can be used to encourage one-time transactions from a customer or to encourage a long-term relationship with a customer (primary focus).

In comparison, Camillo *et al.* (2008) asked restaurateurs "do you have a marketing plan?" which is a very over-generalized question and open to the restaurateurs' individual interpretations of what a "marketing plan" is. For example, six restaurateurs in the study indicated they had either a formal education via a hospitality or culinary program, or extensive work experience in the hospitality industry. Their interpretation of "marketing plan" was likely substantially different from those restaurateurs without a formal education or extensive industry experience. On further dissection of the successful restaurant case studies provided by Camillo *et al.* (2008) though there are tentative suggestions that the successful restaurateurs in this study also tended to focus on marketing communication approaches that were strongly focused towards forming long-term relationships with their customers:

- House of Prime Rib: "The employees is like family, and patrons are the extended family."
- Belle Arti: "Their success can be attributed to...interpersonal relationships and their guest-centric focus."
- Zuzu: "The owner can often be seen interacting with guests, actively seeking their feedback, and working to earn their loyalty."

In a further example of existing studies on restaurant failure considering the influence of marketing too broadly, English 1996) suggested that in El Paso Texas independent restaurants' higher failure rates, in comparison to those of franchises and corporate chains, were due to lower expenditures on "advertising and market promotions" by the independent restaurateurs:

> "Over half of the restaurants spent less than $100 a month on their promotional activities. In fact, many of them were proud to state that: "We don't do any advertising …just 'word of mouth' is sufficient." If this is the case, then why do McDonald's, Burger King, Kentucky Fried Chicken, Pizza Hut and other pre-eminently successful operations, devote millions of dollars to advertising and promotional activities?"

Advice to independent restaurateurs from English (1996) appeared to be that they should spend more money on advertising and promotion strategies from the marketing communication mix, as this is what national and/or international chains do and is why they are successful. Unfortunately, English (1996) did not go further in exploring whether the suggested relationship between expenditures on mass advertising promotions and the likelihood of failure existed within independent restaurants alone or within chain (franchise) restaurants alone. This consequently renders their advice as inappropriate and even potentially misleading for independent restaurateurs. Future studies investigating marketing disparities between successful and failed restaurants, unless using careful selection to incorporate a direct competition perspective, would be better to explore independent restaurants and chains (franchises) separately. Additionally, the fact that many independent restaurateurs from the English (1996) study gave the firm opinion that 'word of mouth' worked for them, again adds further evidence that the majority of their marketing communication approaches actually rely on public relations approaches, personal selling approaches and direct marketing approaches that are relatively targeted and focused on building relationships with their customers.

Our conclusions from the existing literature lead us to hypothesize the following for independent restaurants:

H1: Successful and failed restaurateurs tend to use different key approaches from the marketing communication mix during their initial years of trading (up to 3 years).

H2: Successful restaurateurs tend to use direct marketing, public relations and personal selling strategies from the marketing communication mix at a medium-high (personalized) targeting

level. Additionally, their strategies tend to place a strong focus on building on-going relationships with their customers.

H3: Failed restaurateurs tend to use advertising and promotion strategies from the marketing communication mix at a low-medium (non-personalized) targeting level. Additionally, their strategies tend to have a low-medium focus on building on-going relationships with their customers.

To test these hypotheses, in-depth studies focused solely on marketing communication approaches used by successful and failed independent restaurants in a variety of locations, which have substantially different demographic and cultural influences, are required. Also, to adequately test these hypotheses, potentially confounding factors, such as restaurant size and restaurant segment, which may be influential on restaurant failure in each location, must be controlled for where possible. Here we present the first in-depth study investigating whether differences in marketing approaches, and specifically in methods of marketing communication, exist between successful and failed restaurateurs from a small town restaurant industry in Cyprus, in the Mediterranean.

Methodology

This study was conducted in late 2018 and was based on the successful versus failed restaurateur survey via interview approach used by Parsa *et al.* (2005) and Camillo *et al.* (2008).Instead of using a convenience (non-probability) sample though; we used a stratified random sampling approach (detailed below). Surveys were conducted via interviews rather than self-completion questionnaires as interviews allowed for more elaborate and personalized replies from the restaurateurs (Phellas *et al.* 2011). Although this research is not deemed to be of a sensitive nature we gained both pre and post- interview informed consent from restaurateurs (Kvale, 2008). Restaurateur confidentiality and privacy was maintained throughout the study (Kvale, 2008).

This qualitative study was part of a larger quantitative study on restaurant failure rates in the town of Kyrenia in the northern part of Cyprus between December 2015 and December 2018 (Aydinel, 2019; Figure 3). Within this larger study only independent, full service restaurants (Canziani et al. 2016), with a minimum seating capacity of 25 were considered. Consequently, the same types of restaurants were used for this study.
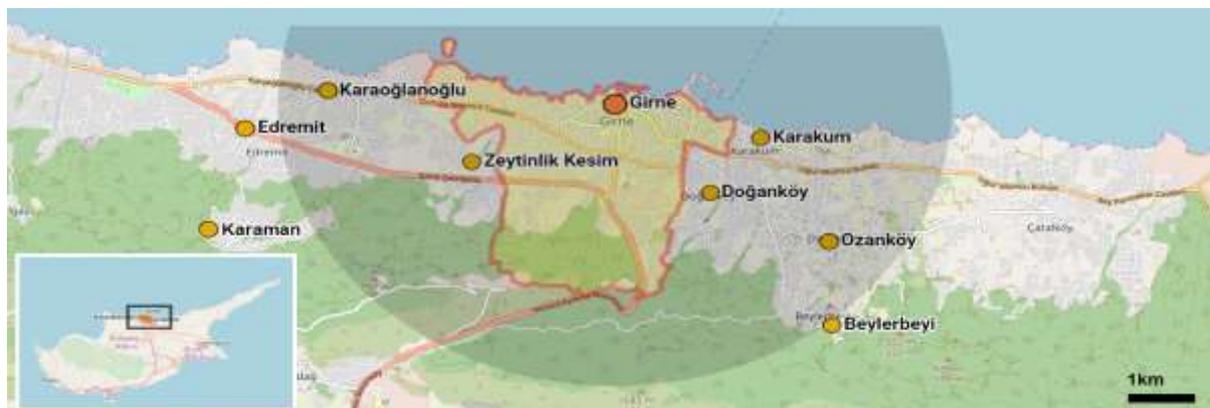
Figure 3. Map showing the location of the study area (Source: Aydinel, 2019).

Results from the larger study indicated that for the purposes of this study we would be required to control for several factors that appeared to be heavily influential on restaurant

failure rates in the area. As a result, we selected a subset of restaurants which all had the following three characteristics:

1) The restaurateur was paying a monthly fixed cost for rental/lease of the premises in which their restaurant was located;

2) The restaurateur had no other additional sources of income other than from those earned by the restaurant;

3) The restaurateur had established their restaurant on a premises which previously had another restaurant (i.e., their restaurant had replaced a failed restaurant).

This subset of restaurants was selected as they represented the restaurants that tended to have the highest chance of failure in the local industry. Restaurants from this subset were then divided into failed restaurants (had ceased to be in business between 6 to 36 months of initial establishment), successful restaurants (had been in business for a minimum of 5 years) and transition restaurants (all remaining restaurants that had been in business between 36 months and 5 years). For the purpose of this study, transition restaurants were then excluded from the subset of restaurants. From the remaining restaurants (n = 56), we then selected at random, across three different cuisine segment types (local, international, mixed), restaurateurs to conduct interviews with. Restaurants were defined as local if more than 75% of their menu included Cypriot and/or Turkish dishes; as international if more than 75% of their menu included dishes from a single international cuisine (Italian, Chinese, Mexican, American or similar), and mixed if their menu fit neither of these previous categories. Random selection equally across the three cuisine segments was necessary as these cuisine segments had been found to influence restaurant failure rate (specifically mixed cuisine restaurants exhibited a higher chance of failure). The use of one specific cuisine segment though was not possible though as our desired sample size of 15 successful restaurateurs and 15 failed restaurateurs would then not have been achievable. Kwortnik (2003) recommended a minimum sample size of 12 for this type of qualitative research project for which the goal is to gain a deeper understanding of a suspected phenomenon with rich data emerging. Our total sample of thirty was therefore sufficient.

A piloted questionnaire was used for all interviews (Appendix 1). The questionnaire was designed to obtain details on the types of marketing communication mix strategies used by restaurateurs, and gathered information from the types of medium used (e.g. newspaper, radio or television) through to front-of-house employees training approaches used. Successful restaurateurs were asked to specifically focus on marketing communication approaches they had used during their initial years (up to 3 years) of establishment and not those that they were presently using.

Each type of marketing communication used by restaurateurs was first categorized as either advertising (A); direct marketing (DM); public relations (PR) or personal selling (PS) using guidance from relevant literature (Bowie & Buttle, 2004). In the restaurant industry as sales promotions tend to be used as a supplement to the other methods of the marketing communication mix we additionally designed the questionnaire in a way to establish whether a sales promotion (such as a discount or similar promotional offer) was used in conjunction with another marketing communication approach or not. To categorize at this level restaurateurs were asked to specify whether the main purpose of the marketing communication method they had used was information-orientated (IO) or sales promotion-orientated (SPO).

For example, a restaurateur may use locally distributed printed media (such as leaflets) with the main purpose of providing information; either about an upcoming event or because of updates to a take-out menu. This would then be categorized as adverting and information only

(A + IO). Alternatively, a restaurateur may also use locally distributed printed media (such as coupons) with the main purpose of providing a specific, time-limited promotional offer (such as a percentage discount or two for one offer). This would then be categorized as advertising and sales promotion (A + SP).

Next, each type of marketing communication used by restaurateurs was categorized by the authors by the level of targeting (low, medium or high) and by primary focus (transaction-orientated (TO) or relationship orientated (RO); Figure 2). Additionally, each type of marketing communication used by restaurateurs was categorized by whether it tended to incur a direct cost (DC) or an indirect (IDC) cost to the business. An example of a direct cost would be any that incurred any external payment to a third party, such as a newspaper, in order for the restaurateur to advertise or conduct any other kind of marketing communication with them. An example of an indirect cost would be a restaurateur spending their time updating their restaurant's social media page or additional time training employees.

Table 1 provides an overview of all the marketing types used by the 30 restaurateurs considered in this study and the categorizations which the authors applied. We are aware that some of the methods of the marketing communication mix can inherently be associated with a specific level of audience targeting, communication focus or cost type. Advertising for example, by definition (Bowie and Buttle, 2004) has a low level of targeting – it is communication to the masses. Additionally, advertising tends to incur direct costs only. Direct marketing, on the other hand, tends to incorporate a range of targeting from the medium level to the high level, and can incur indirect or direct costs (if a third party external payment is involved to acquire the targeting for example). Sales promotions tend to be transaction orientated in the majority of circumstances, while personal selling, at least in the restaurant industry, can be transaction orientated (e.g. through active up selling or the mention of specific sales promotions) or more relationship orientated (e.g. guest interaction, product recommendations and advice).

Table 1. Marketing approaches used by restaurateurs in this study categorized by core elements of the marketing communication mix; whether they included a sales promotion (SPO versus IO); targeting level (L = low, M = medium, H = high); primary focus (transaction-orientated, TO or relationship-orientated, RO); and by type of cost incurred (direct, DC or indirect, IDC).

	Information Orientated *(IO)*	Sales Promotion Orientated *(SPO)*
Advertising *(A)*	- Randomly locally distributed printed media *(L / TO / DC)* - Leaflets - Posters - Take-out menu - Externally displayed printed media (L / TO / DC) - Banners - Posters - Menu display - Chalkboards (or similar changeable display) - Traditional advertising via local mass media *(L / TO / DC)* - Printed newspapers, magazines or similar - Online newspaper, magazines or similar websites - Television - Radio - Mobile provider (text message service)	- Randomly locally distributed printed media *(L / TO / DC)* - Vouchers / Coupons - Take-out menu - Externally displayed printed media *(L / TO / DC)* - Banners - Posters - Chalkboards (or similar changeable display) - Traditional advertising via local mass media *(L / TO / DC)* - Printed newspapers, magazines or similar - Online newspaper, magazines or similar websites - Television - Radio - Mobile provider (text message service) - Modern advertising via social media networks (or search provider that allow for

	• Modern advertising via social media networks (or search provider that allow for some level of targeting by age/gender or similar attributes *(M / TO / DC)*
	  - Facebook
	  - Twitter
	  - Instagram
	  - Google or other search engines
		some level of targeting by age/gender or similar attributes *(M / TO / DC)*
		  - Facebook
		  - Twitter
		  - Instagram
		  - Google or other search engines

Direct Marketing (DM)	• Targeted locally distributed printed media *(M / TO / DC)*
	  - Leaflets
	  - Posters
	  - Take-out menu
	• Internally displayed printed media *(M / TO / DC)*
	  - Table or place settings
	  - Television display
	• Ex-situ existing customer engagement *(M / RO / IDC)*
	  - Restaurant social media page updates / engagement
	  - Email and/or text messaging communication
		• Targeted locally distributed printed media *(M / TO / DC)*
		  - Vouchers / Coupons
		  - Take-out menu
		  - Loyalty scheme cards (repeat visit cards)
		• Internally displayed printed media *(M / TO / DC)*
		  - Table or place settings
		  - Television display
		• Ex-situ existing customer engagement - *(M / RO / IDC)*
		  - Restaurant social media page updates/engagement
		  - Email and/or text messaging marketing communications
		• Use discount websites (e.g. Groupon) (M/ TO / DC)

Public Relations (PR)	• Sponsorship or similar involvement at the local community event or a local charity event (L / TO / DC)
	• Commission based referral and/or affiliate marketing (M / TO / DC)
	• Paid, commission or incentivised influencer and testimonial marketing (M / TO / DC)
	  - Incentivised reviews/testimonials
	  - Fabrication of restaurant crowdedness
	  - Influencer or celebrity endorsements
	• Customer feedback and/or data capture requests *(M / RO / DC)*
		• Customer feedback and/or data capture requests *(M / RO / DC)*

Personal Selling (PS)	• Management considers in-situ customer relations, customer engagement, and customer relationship building as their most important managerial task (H / RO / IDC) • Front-of-house employees trained in in-situ customer relations, customer engagement, and customer relationship building (H / RO / IDC) • Front-of-house employees trained in up selling (H / TO / IDC)	• Managerial level, personalized loyalty scheme (H / RO / IDC) • Front-of-house employees trained to emphasize menu promotions (H / TO / IDC)

Finally, the questionnaires used also obtained details on the frequency of use for each type of marketing communication the restaurateurs used. Frequency was categorized as never; once (as a trial then never again); rarely (once every 6-12 months); regularly (once every 1-2 months), often (more than once a month) and daily.

Interviews were conducted by the lead author during November 2018 and took between 60 to 90 minutes to complete per restaurant owner. All interviews were conducted in person at independent locations that were convenient for both parties to meet. Following the interviews, the qualitative data were analysed using coding to establish frequencies, trends, and patterns.

Results

Successful restaurateurs exhibited a strong tendency to use public relations and personal selling strategies from the marketing communication mix, while failed restaurateurs indicated that they had predominantly made use of advertising and direct marketing strategies, followed by public relation strategies from the marketing communications mix (Figure 4 page 10).
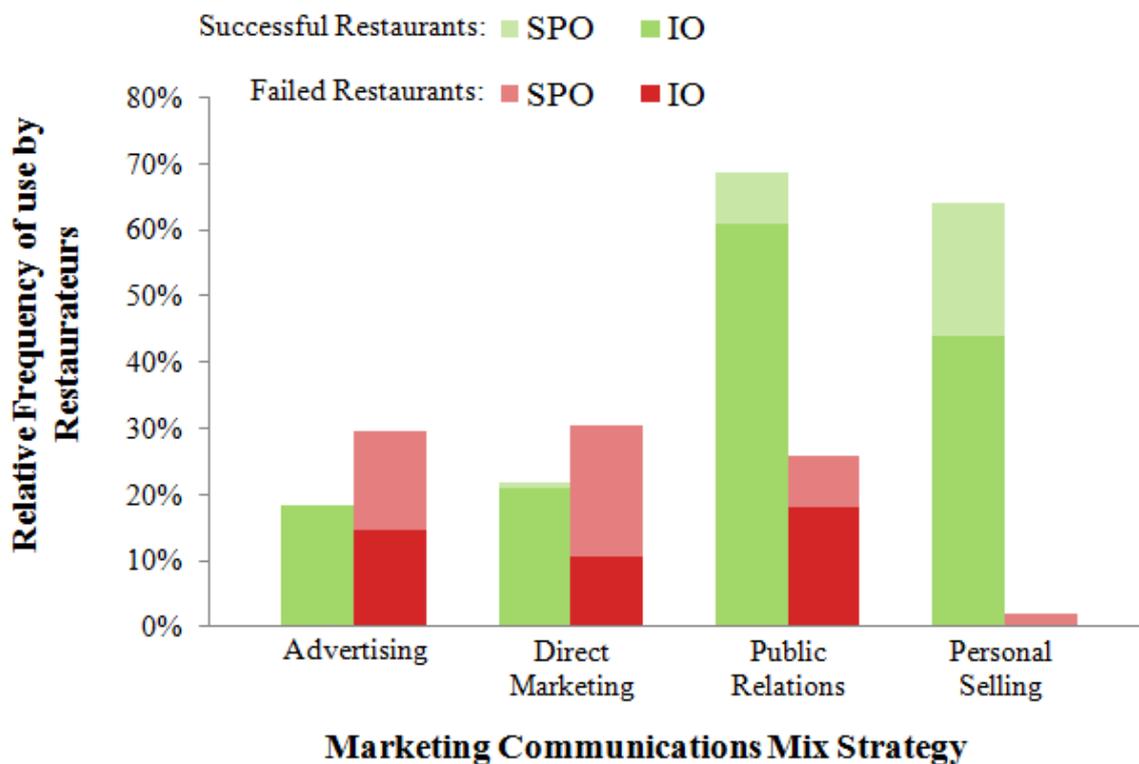

Figure 4. Relative use of elements from the marketing communication mix strategy by successful (green) and failed (red) restaurateurs in this study. Lighter shades indicate approaches used which also incorporated a sales promotion (SPO). Darker shades indicate approaches used which did not include a sales promotion – i.e. they were information-orientated (IO) only.

When it is also considered whether strategies used by the restaurateurs tended to be used in an information-orientated (IO) or a sales promotion-orientated (SPO) manner it became apparent that successful restaurateurs, when using advertising and/or direct marketing almost never used sales promotions (Figure 4). The two successful restaurateurs who had used sales promotion in direct marketing had only done so once. In both cases, this was for a trial of the discount website FirsatKibris (the local version of Groupon).

In comparison, failed restaurateurs, when using advertising and/or direct marketing approaches incorporated a sales promotion of some kind at least half of the time (Figure 4). For example, 12 of the 15 failed restaurateurs indicated they had used Firsat Kibris. 11 of the 12 noted they had used it regularly, the remainder only rarely.

Other 'popular' approaches using advertising or direct marketing in combination with a sales promotion (SPO) offer amongst the failed restaurateurs were the random distribution of coupons (12 of 15); adverts in local newspapers or magazines (12 of 15); adverts on local online news or similar websites (11 of 15); loyalty scheme cards distributed to any customer which came into the restaurant (8 of 15); and adverts on the restaurants external chalkboards (8 of 15).

In regard to advertising and direct marketing approaches that were information-orientated all of the restaurateurs (successful and failed) had external menus displayed. More than 50% of both the successful and failed restaurateurs indicated they distributed take-out menus in the local area (10 and 9 respectively); advertised on Facebook (10 and 9 respectively); and updated or engaged with their customers on their restaurant's social media pages (11 and 8 respectively). Social media page updates and engagements were done often or daily. Advertisements on Facebook were done rarely or regularly. In regards to take-out menus restaurateurs tended to do this anytime they updated or made changes to their menu – which they indicated was rarely. In comparison, less than 10% of both successful and failed restaurateurs used paid advertising on local television channels or paid advertising on Instagram. Substantial differences between successful and failed restaurateurs, however, arose in their use of information-orientated external chalkboards (15 versus just 3); table or place setting displays inside the restaurant (13 versus 7) and television displays inside the restaurant (8 versus just 2). All of the successful restaurateurs indicated they updated their external chalkboards (or similar displays) either often or daily. Internal table and television displays were updated regularly.

Regarding public relations approaches all of the restaurateurs (both successful and failed) indicated they had used sponsorship of local community events and/or local charities (an information-orientated approach). Nearly all commented though that although they appreciated this was a form of marketing that their primary reason for the sponsorship was to support the local community or local charity rather than to attract customers. 5 successful and 4 failed restaurateurs indicated they obtained customer feedback or conducted customer data capture without offering any incentive. 8 successful and 8 failed restaurateurs indicated they did this by offering customers a discount or free item on their next visit.

Between 60-85% of the successful restaurateurs' used commission-based referrals and/or paid, commission based or incentive-based influencer marketing. No failed restaurateurs used any of these strategies at all, and over half enquired of the authors for more information on what these approaches entailed exactly. All of the successful restaurateurs indicated that they had used these strategies intensively during their first 6 to 12 months in business but then slowly reduced their use as they felt they were no longer required (i.e. they were crowded enough and were obtaining enough reviews from actual customers that they no longer felt the need to fabricate them).

For information-orientated personal selling approaches between 60-80% of successful restaurateurs used these approaches while no failed restaurateurs used any of these approaches. Employee training for failed restaurateurs appeared to focus only on the practical elements of front-of-house service and very basic levels of customer service. Every single successful restaurateur said they used what we termed as "managerial level, personalized loyalty schemes," while no failed restaurateurs used this approach at all. None of the successful restaurateurs used any public menu promotions, so their employees were consequently not trained in this. Only 2 of the failed restaurateurs mentioned that they encouraged employees to mention menu promotions to their customers. Overall the marketing approaches used by successful restaurateurs tended to involve medium to high levels of targeting; be orientated towards building relationships with customers; and incur more indirect costs than direct costs (Figure 5 a-c). On the other-hand marketing approaches used by failed restaurateurs tended to involve low to medium levels of targeting; be orientated to achieving

only transactions with customers; and incur more direct costs than indirect costs (Figure 5 a-c).
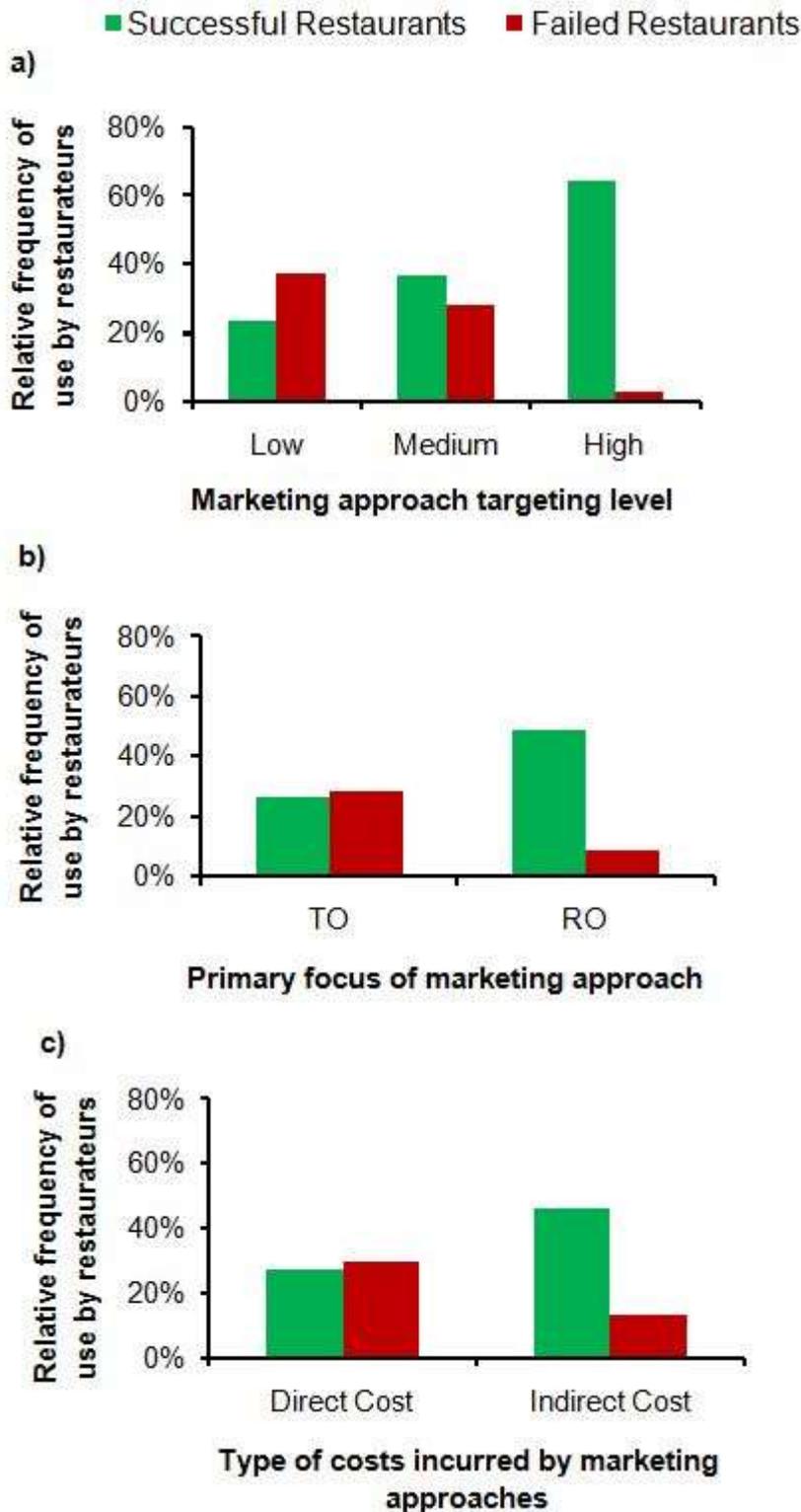

Figure 5. Relative use of different marketing approaches by successful and failed restaurateurs by targeting level (a); primary focus (b); and main cost type incurred (c).

Discussion

This is the first study of its kind to explore specifically how the use of different marketing communication strategies may impact on a restaurants likelihood of success. Results supported our three hypotheses interpreted from existing broad-level studies. Successful restaurateurs tend to use different marketing approaches from failed restaurateurs during their initial years of trading. Although successful restaurateurs use all approaches from the Marketing Communications Mix, they had a strong tendency to favour public relations and personal selling approaches. They also tended to emphasize marketing approaches that build relationships with their customers. This is likely why the approaches they use also tended to be highly targeted (personalized) and incur more indirect costs than direct costs.

Recommendations for prospective and recently established independent restaurateurs using key insights on marketing approaches used by successful restaurateurs

1) ***Focus your marketing efforts and expenditures more on existing customer retention than new customer attraction. Build relationships with your customers.***

   We noted previously that the foundation of any successful restaurant is their ability to 1) attract new customers; and 2) retain customers; consistently over time. Successful restaurants in our study, although they used some approaches that were orientated to attracting new customers (notably without sales promotions involved), they tended instead to focus predominantly on marketing approaches that were orientated towards retaining customer – relationship building approaches.

   Several of the successful restaurateurs in our study used no marketing approaches orientated towards attracting new customers at all. During the interviews when we enquired as to why this was the case the over-arching answer was that their existing customers would bring the new customers. One of the successful restaurateurs expanded further and explained "My main aim with any new customer that walks through the door is to turn them into a regular customer. If you focus on that goal – you win. Existing customers bring new customers. We convert those new customers to regulars; they then bring more new customers; we convert those customers too; and so on. I don't believe there is any other way of doing it that works as well".

   We suspect, focusing on customer relationship-orientated marketing approaches may not only be an important element in driving a customer's intention of return but is also a vital element in encouraging positive word-of-mouth (WOM) endorsements – which then attract new customers (basically for free). Previous studies have explored the effects of food quality, atmosphere, service quality, convenience, price, value, and trust on customer return intention and potential for positive WOM and found all to be important (Kim *et al.* 2009; Ranaweera & Prabhu, 2003; Tripathi 2018; Yan *et al.* 2013). The findings of this study suggest that the use of overlaying relationship-orientated marketing approaches on top of these other factors is also important. Using customer relationship marketing orientated approaches likely enhances the effect of these other key factors on customer retention and WOM.

   It is commonly argued in the restaurant and hospitality literature, as well as in other industries, that the cost of attracting new customers is higher, and sometimes up to five or six times higher, than the costs of retaining existing customers (Bowie &

Buttle, 2004). At the same time, it is also recognized that new customers tend to contribute less to profits than existing customers (Bitran & Mondschein, 1997; Verhoef & Donkers, 2001). Consequently over the long-term focusing on customer retention then improves the likelihood of a restaurant being successful as it saves on marketing expenditures and increases profits at the same time. Using customer relationship marketing approaches seems to then be a key 'how to' in establishing a successful restaurant.

2) ***Use sales promotions only as part of marketing approaches that are primarily focused on building a relationship with your customer. Where possible use sales promotions that are highly-personalized and make the customer feel valued.***

The only time successful restaurateurs tend to use sales promotions is when they are strongly linked to building a relationship with the customer rather than gaining a one-time transaction from the customer. One of the key marketing approaches all the successful restaurateurs used in this study was the managerial level, personalized loyalty schemes. This is where the restaurateurs, or similar high-level employees, provide highly personalized – but subtle – discounts and/or complimentary items to regularly visiting customers. No 'loyalty card' or similar solid medium is involved – it is purely based on a direct relationship between the restaurateurs, or their employees, and their customers. When asked why this approach was so important one restaurateur stated that "It ensured their customers felt special and that they were valued by our restaurant – which in truth they are. It is like any good friendship – both sides need to contribute equally to the relationship".

Concerning this marketing approach, several of the successful restaurateurs explained at length that the type of discount and depth of discount was variable and depended on several different factors. For example, one of the restaurateurs explained that they have some good customers who come on a very regular basis and that consequently they always receive a discount on their bill of anywhere between 10-15%. The restaurateur then explained further that if these same customers came in with a larger group of friends than normal, or were making a 'big night' and ordering more than what they tended to order on an average night, then the restaurateur would additionally start giving the customer some complimentary menu items. "For me in this instance, it's almost like the customer and we are co-hosting their guests. They've brought their friends or family to our establishment as they trust us, and know we will do everything we can to make sure they have a great time. When we give some complimentary items, everyone is the customer's group is impressed not only with the restaurant but the customer that brought them there as well. We make more money, and the customer is delighted as they've given their friends or family a great night out".

Although more investigation is required into how these managerial level, personalized loyalty schemes work in this restaurant industry they appear to be related to how often a customer visits, how much a customer tends to spend, whether the customer brings in new customers with them or is regularly part of a large group of 'big spenders' and similar attributes. The restaurateurs and their managerial employees do not keep 'records' of what customers are spending though – it's all done ad-hoc. They truly know their customers.

As far as we are aware, no existing literature has considered this type of personalized discount provision in the restaurant industry specifically. Jang and Matilla (2005) did identify during their study in the U.S. that customers in both fast-

food and casual dining segments appear to favour loyalty rewards that are immediate, necessary and monetary based. The method used by the successful restaurateurs in this study is based on such rewards but importantly adds a very personalized element to the reward scheme.

Elsewhere, previous studies have considered how the use of non-personalized coupons, with varying depths of discount applied, influence the likelihood of customer return. In those studies they found that although discounts, and particularly substantial discounts, can be somewhat effective in retaining customers, the food quality, service quality and brand image of a restaurant tend to have a more important part to play (Lin *et al.* 2015; McCall & Bruneau 2010; Myung *et al.* 2006; Taylor & Long-Tolbert, 2002). Our findings build further on this work by suggesting that highly personalized discounts are more beneficial to an independent restaurant interested in improving customer retention rather than non-personalized coupons.

Further evidence that personalized sales promotions are successful comes from national UK supermarket chains, such as Tesco. These supermarkets incorporate a level of personalization into their loyalty schemes through the use of a customer's shopping data, and this strategy has proved successful (Rafiq & Fulford, 2005; Turner & Wilson, 2006; Felgate & Fearne, 2015). As many existing restaurant loyalty schemes are based on long-term point systems, and tend to provide non-personal rewards, the development of a customer loyalty scheme or program that is more personalized and also provides immediate and monetary rewards is sorely needed (Nastasoiu & Vandenbosch, 2019).

Findings in this study also tentatively suggest that customers should not have detailed prior knowledge of the rewards they are going to receive. Jang and Matilla (2005) noted a similar finding in their study where casual dining customers suggested they were looking for rewards that were exciting and entertaining over pure monetary savings. Nastasoiu and Vanenbosch (2019) similarly noted that a certain degree of opacity in loyalty reward schemes is of benefit.

3) *Ethically fake it 'til you make it – but only if all your ducks are in a row.*

We discussed above how the successful restaurateurs in this study focused on a customer retention strategy through using customer relationship orientated marketing approaches – though this is likely in addition to providing good food and good service and meeting customer needs and wants. Consequently, they then instigated a type of feedback loop using existing customers and WOM to attract new customers. The findings of this study suggest that in order to instigate this feedback loop initially successful restaurateurs contrived marketing approaches that provided them with, what could be referred to as, superficial levels of crowdedness, popularity, and reputation. This was predominantly achieved through commission-based referral methods (a kind of affiliate marketing) and/or paid or incentivised influencer marketing, such as celebrity endorsements. As far as the authors are aware, from survey responses, restaurateurs' marketing approaches did not include unethical methods, such as falsifying reviews, Restaurateurs used these approaches in order to attract the first sets of new customers which they could then try to convert into regular customers and start the feedback loop. Using such marketing approaches though, can only be successful if other elements (food and service quality) of the restaurant are up to standard, and if the restaurateur's primary focus is on customer retention using the previously discussed relationship-orientated marketing approaches.

The use of these kinds of marketing approaches by successful restaurants is not surprising, as previous research has identified that the phenomenon of herd behaviour (how people, in general, tend to follow other peoples' choices and opinions) is present in the restaurant industry (Ha *et al.* 2016). Review ratings and crowdedness influence how a customer chooses where to dine and consequently being able to manipulate these factors would be beneficial to any restaurant, but particularly in their early stages (Tse *et al.* 2002; Ha *et al.* 2016).

Celebrity (or similar influencer) endorsements are a strategy heavily used by large restaurant chains in the U.S. – because they work (Till, 1998; Magnini *et al.* 2010). Findings in our study show here though that such strategies are not just for large national restaurant chains though, and if done well can also be hugely beneficial for independent restaurants as well. Of interest in this study, was that several of the successful restaurateurs said that rather than finding celebrities per se – whom would cost a fortune – they focused on what they referred to as local influencers or 'networkers' instead. Several also noted though that this wasn't necessarily an easy process and they did make mistakes along the way – by selecting inappropriate influencers for example. Existing research on how to choose appropriate influencers has so far focused on celebrity selection in large chain restaurants (Magnini *et al.* 2010). This study highlights the need for additional work to investigate the same issue for independent restaurants in specific local areas.

The ethical implications of these kinds of marketing approaches, particularly in regard to incentivized referrals, reviews and testimonials are quite complex (Grant, 2012). It is of vital importance that prospective restaurateurs and existing restaurateurs intending to use or already using such methods do so in a legal and ethical manner (Dohse, 2015; Grant, 2012).

4) ***Avoid using sales promotions in any marketing approaches directed to a mass audience. Generally publicised discount websites, locally distributed coupons, and advertised discounts in printed and online media outlets are especially to be avoided.***

Except on one occasion for two of the successful restaurateurs, none ever used sales promotions in any of their marketing approaches that were directed towards the wider public. Opinions of successful restaurateurs in our study, in regard to offering public sales promotions, appeared to mirror those interviewed by Parsa *et al.* (2005) in their study – which was that sales promotions of these kinds devalued their businesses in their eyes. Additionally, several of the successful restaurateurs went further and said that if they ever felt the need to turn to such kinds of public sales promotions that they would know then that there was something intermittently wrong with their restaurant that needed to be 'fixed'. No amount of discount offers would end up fixing the core problem, this would likely just pro-long avoidance.

For the two successful restaurateurs who indicated that they had tried the local discount website (FirsatKibris) as a method of attracting more new customers felt using the website had attracted "the wrong kind of new customers", which we clarified with them as being customers who don't spend anything extra on top of the voucher and never come again unless they have a voucher of some kind. Consequently, neither ever used the approach again. In comparison, several of the failed restaurateurs commented that they had initially intended to use the website only rarely but out of desperation to attract new customers had ended up using the service regularly. Many came across very bitter about the discount website with several commenting that the customers which came seemed almost determined never to spend anything extra nor never seemed to return unless they had a new

offer voucher in their hand to use. One failed restaurateur commented that "It was the worst decision I ever made using that website. The first few times I got all excited as it packed us out – but slowly it started to dawn on me that it just wasn't working. I realize now that it was a like trying to put a band-aid on a broken leg – a futile attempt to turn the business around".

Results from this study are unsurprising, as it has been shown previously that the use of sales promotion in restaurants tends to only increase profits in the short-term, and rarely enhances customer retention or long-term profits (Philander *et al.* 2015). Additionally, other studies have indicated that such methods do tend to attract the wrong kind of customers – specifically those customers that are not in any way beneficial to the restaurant in the long-term (Raab *et al.* 2009). Dholakia (2010) identified that restaurants in the United States using Groupon seemed particularly susceptible to these issues over other businesses.

5) ***Customer relationship building and customer engagement marketing approaches must feature prominently in all employee and managerial training.***

Nearly all the successful restaurateurs in this study emphasized the importance of training employees (and themselves in some cases) on marketing approaches (which are technically also customer service approaches) that help them engage with customers and build relationships with them.

One of the successful restaurateurs additionally explained that in employee training, they always emphasized to employees that interacting with and developing friendly relationships with customers, was always a win-win situation for everyone concerned. The customer would enjoy exceptionally good service and feel valued, the employees would be more likely to get good tips; and the restaurant would make more money. This owner also commented that they felt employees turnover was relatively low at their establishment because encouraging customer interaction meant employees enjoyed their job more – even stating "it really is win-win for everyone."

In comparison, it became clear from the interviews with the failed restaurant owners that employee training conducted tended to focus only on practical service training and less on customer relationship building and engagement. Several mentioned that they had always not felt to bother to put too much effort into training their employees intensively because of low employee retention. One complained that they seemed to only ever get local students applying for positions and that they were unreliable. This owner strongly felt that there was a lack of good employees to hire in the local area and that this contributed significantly to the failure of their restaurant. If this was the case though then why were none of the successful restaurateurs complaining of the same issue?

We suspect the differences here between successful and failed restaurants are as a consequence of the relationship between employee satisfaction and customer satisfaction that has been identified in previous studies (Jung and Yoon, 2013; Han et *al.* 2016). The tendency for restaurateurs to focus on training employees in marketing approaches related to customer relationship and engagement or not may be acting as a proxy measure for the level of general employee satisfaction. Han *et al.* (2016) for example found that customer incivility was positively correlated with employee burnout and turnover intention. The relationship-orientated marketing approaches used by restaurateurs may act to support their employees better in dealing with and/or preventing customer incivility in the first

place. Consequently, an added benefit of using such approaches could be that employee satisfaction is increased and employee turnover is decreased. The knock-on effect on customer loyalty (retention; Jung & Yoon, 2013) then provides a continuous positive feedback loop for this approach – as retaining customers leads to reduced costs and enhanced profits (Bitran & Mondschein, 1997; Bowie & Buttle, 2004; Verhoef & Donkers, 2001).

Conclusions

Marketing communication approaches used by successful independent restaurateurs differ substantially than those used by failed restaurateurs. Although further work is first needed to investigate if these differences exist in other independent restaurant industries around the world, especially in those located in areas of intense competition (such as areas with the high restaurant densities and high proportions of national franchises), we recommend that future research on marketing communication approaches in independent restaurant industries should prioritize improving investigating marketing communication approaches only used by successful restaurateurs. There is little point considering approaches that will only help restaurateurs to fail better!

Similar research investigating other aspects from the basic marketing mix (the 4Ps) or enhanced marketing mixes (the 7Ps or 8Ps) for example (Rafiq and Ahmed, 1995; Morrison, 2010), also need to be conducted between successful and failed independent and/or franchise (chain) restaurants for the same reasons as this study was conducted. If pricing strategies for example used by successful restaurateurs differ substantially from failed restaurateurs this will again indicate areas where research should be prioritized in order to best benefit the industry.

Exploring strategies of successful restaurateurs will surely help our research to also resonate with restaurateurs 'on the ground' more effectively. The massive success of Stephen Covey's (2004) book, "The 7 Habits of Highly Effective People" is a testament to this. We hope this study and complimentary studies in the future may inspire a well research-based version of this book specifically for restaurateurs.

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