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Maximizing Guest Retention

Customer feedback can be a great tool to improve operations, but gathering that feedback can be a challenge.

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Guest retention is a cornerstone of success in restaurant operations, directly impacting profitability and long-term growth. While attracting new customers is important, building loyalty among existing guests offers far greater value, as repeat customers tend to spend more, visit more frequently, and provide invaluable word-of-mouth referrals. In an industry where competition is fierce and margins are tight, retaining guests not only reduces marketing costs, it creates a consistent revenue stream that helps stabilize operations.

Unfortunately, when it comes to identifying issues that affect guest retention, traditional survey methods in restaurants often fall short. First, these surveys typically rely on feedback that may come in days or weeks later, which may not capture the immediate and specific issues guests experience during their visit. Response rates can also be low, as guests may find traditional surveys time-consuming or irrelevant, resulting in a narrow and incomplete dataset.



Managers often conduct table visits to seek out issues, but those may not get honest responses. Online reviews are an option as well, but anyone who's ever received an online review for their business knows those are typically outliers.

Additionally, traditional surveys also fail to provide real-time insights, leaving management unable to address issues promptly and risking further dissatisfaction.

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As a result, these methods may not fully reflect the true nature of guest expectations in the dining experience. With that in mind, how can operators effectively gather the feedback they need to address issues and improve operations?

The cost of losing a customer

Losing a restaurant customer is significantly more costly than retaining existing customers, both in direct and indirect ways. Although the direct cost of losing a restaurant customer depends on a variety of factors, here's a hypothetical scenario:

Let's say a customer typically spends \$30 per visit. Losing them as a result of a negative experience means missing out on that amount per lost visit. If they dine in twice a month, that's a \$60/month loss. Extend that over a year, and a single lost customer can cost an operation \$720/year in lost revenue. Just 10 lost customers can add up to \$7,200/year.

Indirectly, if an unhappy customer leaves a bad review online or shares their negative experiences with friends, the loss multiplies. Consumer research firm [Brightlocal](#) estimates that nearly 98% of U.S. consumers use a review site to help in their buying decisions. Using a conservative estimate, if each of those 10 unhappy customers persuades three others to avoid the restaurant, the loss can add up to nearly \$29,000/year or even more.

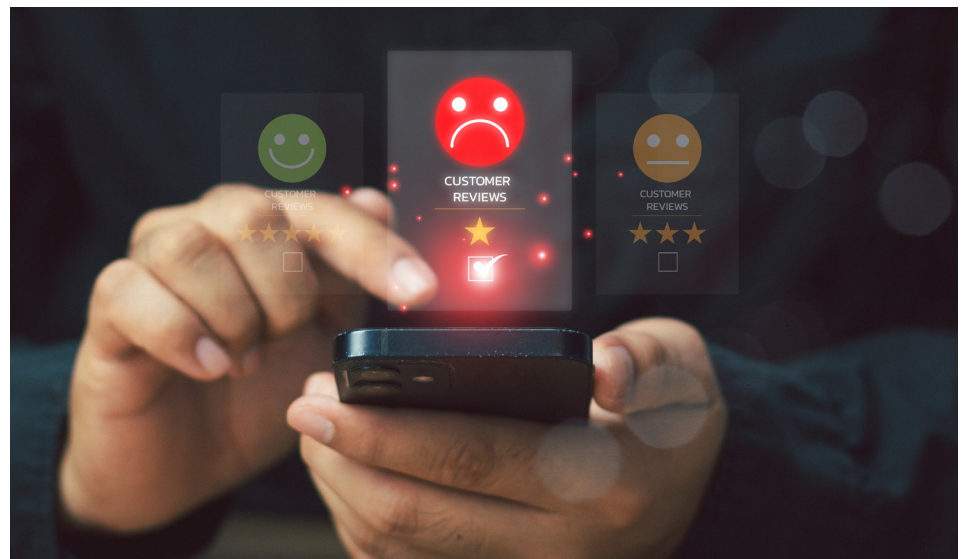


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The actual cost can be even higher. An article posted on the website [Dynamic Business](#) claims that a single negative online review can cost a business as many as 30 customers.

Additionally, acquiring a new customer typically requires a substantial investment in marketing, promotions, and advertising. According to marketing research firm [Focus Digital](#), the customer acquisition cost, or CAC, for a QSR or fast casual restaurant can top \$83 or more.

Retaining existing customers, on the other hand, is more cost-effective, leveraging established relationships and trust.

Loyal customers not only visit more frequently and spend more per visit but also often become brand advocates, promoting the restaurant through word-of-mouth and online reviews. Additionally, retention strategies often yield higher returns on investment compared with the cost of lost customers and the expense of attracting new ones.

The response rate challenge

Obviously, the primary way operators find out about the negative experiences that result in customers not returning is by feedback from the customers themselves. Unfortunately, relying on customers to report issues can be risky.

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Statistics compiled by the business resource website smallbizgenius.com indicate that more than 90% of customers who have a negative experience won't report it to a manager. Instead, they'll just leave and not come back. Operators also rely on comment cards or email surveys to uncover issues. Unfortunately, those methods often see response rates as low as 5%, according to online survey maker [SurveyPlanet](https://surveyplanet.com).

The result of relying on traditional feedback methods is that the vast majority of issues resulting in a negative customer experience will go unseen. But if traditional feedback-gathering methods are so ineffective when it comes to identifying and resolving guest issues, what solutions deliver better results? One such solution is the Ovation guest feedback platform.

The Ovation platform is designed to facilitate seamless communication between restaurants and patrons. Starting with a two-question, SMS-based survey, Ovation enables establishments to gather real-time feedback from guests, whether they dine in-house, order takeout, or use delivery services. This approach, referred to as a "Digital Table Touch™," encourages higher response rates compared to traditional methods, providing restaurants with immediate insights into customer satisfaction. Restaurants using the Ovation platform often see response rates three or more times that of traditional feedback methods.

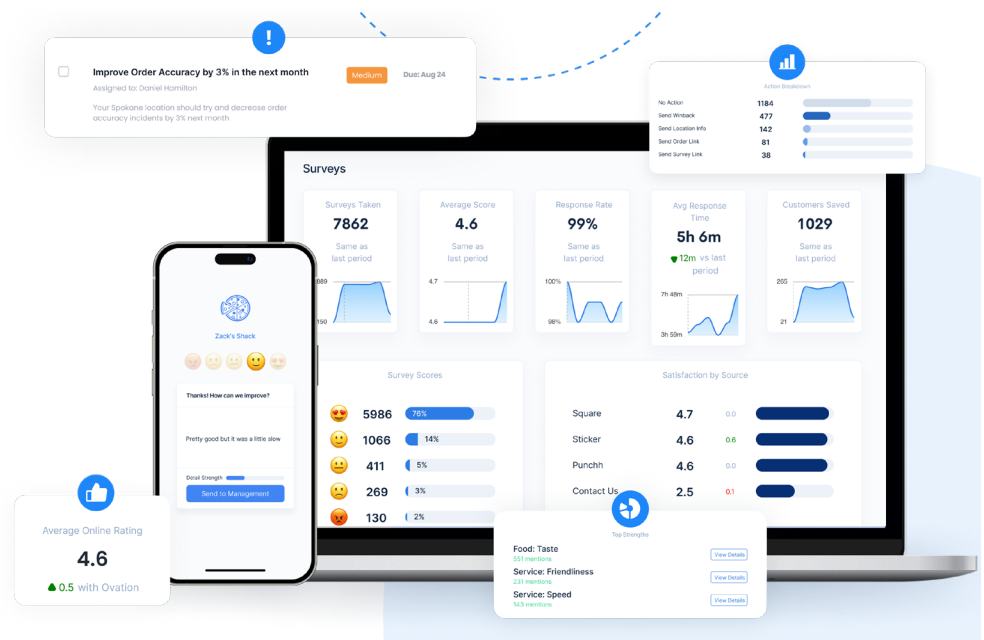


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One of Ovation's key features is its real-time guest recovery system. When a customer expresses dissatisfaction through the survey, the platform alerts restaurant management, allowing them to promptly address the guest's concerns. Through Ovation's chat interface, staff can engage directly with unhappy guests, offering solutions or incentives to rectify issues and further enhancing retention. Numbers vary, but one set of estimates analyzing data collected from 150,000 customers of a fast casual restaurant over 18 months indicates that operators see a 68% retention rate when they respond to unhappy guests compared with just 13% for those who don't respond.



Photo: Ovation Up, Inc.

Beyond immediate feedback and recovery, Ovation provides restaurants with valuable operational insights. By analyzing feedback data, the platform identifies trends and areas for improvement across various aspects of the dining experience, such as service speed, food quality, and ambiance. These insights enable restaurant operators to make informed decisions that enable them to continually enhance their offerings.

Additionally, addressing issues can result in what's known as the "service recovery paradox," a situation in which a customer's loyalty to a brand is

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increased after the company has addressed their concerns compared to how they would regard the company if no problem had occurred. That notion is backed up by studies conducted by marketing firm Ascendant indicating that 97% of consumers are more likely to maintain loyalty to a brand that implements changes based on their feedback.

Turning a negative into a positive

Guest retention is more important than ever in today's competitive restaurant landscape, and the Ovation platform offers a powerful solution to build lasting customer loyalty. By providing real-time feedback tools, actionable insights, and personalized engagement features, Ovation empowers restaurants to identify and address guest concerns swiftly while creating memorable dining experiences. With Ovation, restaurants can not only improve guest satisfaction but also turn loyal patrons into enthusiastic brand advocates, driving long-term success and profitability.

The spiraling cost of losing an existing restaurant customer



Assuming an average ticket value of \$30

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|---|---------|
| • 24 lost visits per year: | \$720 |
| • Guest discourages three others from visiting: | \$2,160 |
| • Cost of \$83 to replace a lost customer: | \$83 |
| • Total cost of a single lost customer: | \$2,963 |

Ten lost customers can cost an operator a whopping **\$28,800 per year** in lost revenue, plus an additional **\$830** in customer acquisition costs.

ABOUT THE SPONSOR:

Ovation is a guest experience platform for multi-unit restaurants that starts with a 2-question survey to drive revenue, streamline guest recovery, and easily improve operations. Thousands of restaurants, including leading brands like Dave's Hot Chicken, MOOYAH, and Newk's Eatery, are using Ovation to get more feedback through frictionless surveys, recover guests through real-time communication, boost their online reputations, and improve through AI-driven insights. Discover how Ovation can transform your restaurant's guest experience at ovationup.com.

