

Nation's Restaurant News | Redeeming value: Coupon use grows at a steady clip

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By Mark Brandau

Douglas Wright, president of Upper Saddle River, N.J.-based U Gotta Try, launched the online-coupon service last month because, he said, hope is not a strategy.

“If I’m a restaurant owner, I want somebody to refer me, and all I can do is provide great customer service and hope,” Wright said. “I’m not a believer that hope does anything in a business environment like today.”

To remove hope from the marketing equation, Wright developed U Gotta Try, an online application for Facebook that lets fans of a restaurant recommend the eatery to friends by passing along a printable e-coupon. U Gotta Try’s restaurant clients then can track each time a coupon is redeemed, as well as who referred the new customer, allowing the operator to reward its most outspoken fans with special offers of their own.

Several online outlets for coupons have expanded or proliferated this year, at a time when more customers are seeking ways to save on restaurant meals. Web-based tools are empowering both chains and independents to cost-effectively attract new guests, track redemptions and return on investment, and harness existing customers’ powers of referral.

Putting coupons online simplifies the process, Wright said, and gives customers an informal way to recommend a restaurant in a more natural way.

“People are more open on Facebook than in person, and it’s the same with a referral to a restaurant,” he said. “As soon as I get home from a meal, I can go online and send a coupon to a friend. But in person, unless I see a friend tomorrow who asks me for [dining] suggestions, I’m probably not going to say anything about the restaurant.”

U Gotta Try’s first test client, Michael’s Pizza & Pasta in White Plains, N.Y., has benefited from the service, said co-owner Todd Magliato.

“The cost of this is very cheap,” Magliato said of the \$390 annual subscription. “To direct-mail coupons to 10,000 homes once costs about the same to do U Gotta Try for the whole year. I’m definitely going to stick with it, because I think it’s going to grow my business.”

In its first month, the service produced eight referrals for the pizzeria, Magliato said, most of whom had never tried Michael’s before.

Value-focused websites, such as Restaurant.com and Entertainment.com also have seen increases in coupon downloads this year, reflecting what Cary Chessick, chief executive of Arlington Heights, Ill.-based Restaurant.com, sees as a fundamentally shifted consumer mind-set.

Restaurant.com, which has more than 11,000 partners, mostly independents, recently expanded its online-coupon service to include chain restaurants, supplying systemwide custom reports so brands can track offers for specific locations or all their units. Casual-dining chain Ted’s Montana Grill has been the site’s test multiunit partner since June 2008, and Phillips Seafood and Sagebrush Steakhouse recently signed on.

Restaurant.com’s service is a completely pay-for-performance model, Chessick said. Restaurants don’t give any payment to the website; their costs are incurred only for the amount on the coupon whenever a guest redeems a Restaurant.com offer. The site then does follow-up surveys by e-mail

with coupon users and compiles the data for its restaurant clients.

“The fact that we package up for restaurants a platform that puts none of their capital at risk, fills their tables on a profitable basis, builds them a consumer database around survey information, and all in an easy, accessible and user-friendly format, is right for the time we’re living in,” Chessick said. “It’s also right for the new consumer mind-set, that saving is savvy.”

Gena Weaver, vice president of marketing for 55-unit Ted’s Montana Grill, agrees that thrift has become more acceptable, making value sites like Restaurant.com an essential complement to the usual advertising methods.

“We think big picture, and we try to make all our marketing initiatives work harder by weaving them together,” Weaver said. “During these times, it’s not just coupon-clipping moms. We have savvy customers online looking for deals, and we want to be responsive to the market.”

The sites customized reports have yielded crucial customer trend information, she added.

“We’re introducing Ted’s to new guests,” she said. “About 36 percent of guests using a Restaurant.com gift certificate said they’d never tried Ted’s before, and 93 percent said they’d come back. That spoke volumes for us.”

In 2008, Restaurant.com generated \$275 million in coupon redemptions, according to company estimates.

Another coupon provider, Entertainment Publications of Troy, Mich., noted a spike in offer redemptions from its online and print coupons for businesses in 150 trade areas across the country. Ryan Torresan, merchant marketing manager for the company, said restaurant patrons are more open to online coupons, as redemption rates for downloaded coupons increased 25 percent from the first quarter of this year to the second.

However, usage of Entertainment’s print coupon booklets remains robust, because those packets are distributed as fundraising tools at high schools and community groups.

According to Entertainment’s figures, Detroit is the metro area with the highest coupon activity. In nearby Livonia, Mich., Entertainment’s offers have helped upscale-casual sports bar Doc’s Sports Retreat maintain positive guest counts for the past four years, even as Michigan has felt some of the worst effects of the recession, said general manager Todd Clickner.

“Couponing definitely gets you new faces and allows you to build a sales base,” he said. “Most people now are looking to get more value out of their restaurant experience.”

Clickner said couponing accounts for roughly 13 percent of Doc’s business, with 7 percent coming from just Entertainment’s offers, and has helped stave off a major drop in guest traffic. The 450-seat restaurant does about \$80,000 to \$90,000 a week in sales.

“We’ve seen a lot of regular customers coming back,” he said, “and some only use their coupons once and still come back without them. If you get your staff moving in the same direction and they get behind it, then it’s a great avenue to build guest counts.”