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MARKETING METRICS AND ITS USAGE A CASE OF RESTAURANT INDUSTRY

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Abstract

After summarizing the theoretical foundations, this paper describes the current states of marketing metrics in Albania. Marketing is broadly defined as the steps that companies follow in order to achieve customer preference and its own goals. This study is focused on the restaurants of Durres, Albania. Throw this study we show that both financial and non-financial measures are used from restaurants in order to continue to predominate. We develop a generalized framework around some measurement categories like financial, competitive, Brand value metrics, Customer value metrics, Word of mouth and referral value metrics, Retention and acquisition metrics, Cross-buying and up-buying metrics, Multi-channel shopping metrics, and Product return metrics. Then we explore the use and the perceived importance of metrics by category, and associations with orientation and performance. This study shows the importance of metrics in restaurants and the benefits that restaurants have from measurement.

Keywords: Marketing metrics, marketing, analytics, restaurant sector

INTRODUCTION

In order to justify their investments managers should find the right form to link marketing metrics, future consumer value and firm performance. There are some key metrics in which managers and companies should focus more in order to help their company to justify the expenditures. This paper is more concerned about restaurants industry and the way restaurants can measure their customer value and identify challenges in order to be at the top. In the last two decades there have been a significant increase in the number and type of metrics used by manager for marketing strategies, goal achievements and firm performance. According to Rust et al. 2004 marketing metrics serves to increase marketing accountability within the firm and to justify spending valuable firm resources on marketing initiatives to top managers.

Metrics can help managers identify future customers and firm value by creating linkages between marketing strategy and financial outcomes. Technology is a very powerful and helpful mean of measurement. It helps today manager to measure frequency and to calculate prices for a certain category of clients. It helps to store data and to create compare and contrast files in order to understand changes from one period to another one. New channels of information distribution are considered very helpful for the companies today, especially internet which has a significant increase in availability and complexity of metrics. The identification of new drivers of customers and firm value, for example word of mouth and referral behavior are drivers that attract customers or make them not visit our business. Especially in the case of restaurants, the industry we are studding, this new drivers are very important because humans by nature are driven by curiosity and want to try things that have impacted the others or vice versa, do not like to visit places that made the others to have a negative experience.

This paper is concerned about this key elements that must be measured in order for restaurants to me successful and about the linkage between finance and marketing. We will mention the financial concepts and the way they are used to help marketing in précising prices and profiting from an investment. Thus we help restaurant managers to use the right metrics for a proper decision making.

LITERATURE REVIEW

In the fast changing world of the business we notice that companies try to survive by using forms that help them to stay in the market and why not, to be successful in the market. Durres is a city by the sea side that is visited by a big number of tourists during all the year. This tourists do not only visit the city for tourism purposes but also for business ones. This makes the restaurants of this city to have a high frequency of visitors. In such conditions the restaurants managers should try ways to attract as much clients as possible during all the years. More and more restaurants are accounting on marketing analysis and marketing promotions. The last two decades it has been introduced a new method of marketing measures; metric marketing. For most people metric marketing is like marketing analysis and in most cases people get confused from this two concepts. But in reality marketing analytics are the tools needed to measure marketing performance and marketing metrics are measures of performance.

Farris, Bendle, Pfeifer and Reibstein (2006: 2) are some of those who established that "*today marketers must understand their addressable markets quantitatively*". Likewise, it is understood that choosing the right metrics in order to quantify marketing activities is complex and difficult (Farris, *et al*., 2006: 3). Literature in this field provides evidence that marketing metrics as a section of the discipline of marketing is still underdeveloped within the common practice of enterprises. Especially restaurants that are categorized as small and medium sized enterprises, lack the expertise and knowledge regarding this matter.

A metric is a measuring system that quantifies a trend, dynamic or characteristic. In all business disciplines, managers use metrics to explain phenomena, diagnose causes, share findings and project the results of future events. Throughout the worlds of science, business and government, metrics encourage rigor and objectivity. They make it possible to compare observations across regions and time periods. They facilitate understanding and collaboration.
From the literature we notice that we can find two definitions of metrics, an academic one and a practical one. Academically the term metrics is more related to mathematics, where metrics defines the notion of distance (Schweizer & Sklar, 1960, p.313). In the management literature, a metric is described as "a measuring system that quantifies a trend, dynamic or characteristic" (Farris et al., 2009, p.1). Ambler (2000, p.61) regards a metric as "a performance measure that top management should review", that "matters to the whole business" and that "implies regularity". Other terms that are used in the literature, often interchangeably to metrics, include *key performance indicator* (KPI) (Kaplan & Norton, 2000; Raithel et al., 2012) or simply *measures* (Llonch et al., 2002; van Veen-Dirks, 2010). Metrics is a term that is used also in finance but there exists a difference between financial measurement of metrics and marketing one. According to marketers metrics are "based on customer or marketing mindset such as awareness, satisfaction, and market share", while according to finance literature "metrics that are either monetary based, based on financial ratios, or readily converted to monetary outcomes such as net profit, ROI, target volume" (Mintz & Currim, 2013:2).

This happens academically while practitioners see metrics in another perspective. For example, the research officer of a consultancy in the tourism area stated that *"we would use, I suppose KPIs more than metrics",* and provided a comprehensive definition:*"It is a way of identifying your trends within your business, it's a way of benchmarking yourselves against your competitor (…) you have to make sure that they are quantifiable, that they are measurable, that there is an end result, that they match the objectives of your business, that you are in.*

In theory, *metrics use* refers to the "employment of metrics as decision aids (e.g., for considering, benchmarking, or monitoring)" (Mintz & Currim, 2013, p. 6). In this respect, an interesting question was which type of metrics, financial or marketing, managers considered when they made decisions. Financial metrics traditionally play a dominant role when it comes to managers' attention (Bendle et al., 2010). Over the past decades, the use of financial metrics has become common practice as they are established as an integral part of mandatory financial reports (Beyer et al., 2010), and thus familiar to most managers regardless of their discipline (Danielson & Scott, 2006; Hanssens, Rust, & Srivastava, 2009). Studies confirm that managers outside the marketing domain are often systematically biased towards financial metrics (Homburg et al., 2012). There is a debate on the usefulness of financial metrics, as they have been criticized for encouraging short-sightedness (Mizik, 2010) and being historical, or backward-looking (Homburg et al., 2012; Prince, 2008). On the other hand, the positive role of marketing metrics has been highlighted in the literature. Mizik (2010, p.609) demands that "marketing researchers need to explore and better understand the role of various marketing metrics and the amount of incremental information they provide to traditional accounting performance measures in depicting the health of a firm". In practice, both managers and industry experts agreed that while customer data has become more important, marketing metrics are increasingly available to use this data effectively: *"The power of social media is definitely huge but there is more and more tools out there now that can be used by the hotel management team in terms of looking at averages, industry standards, but also looking at their own competitive set"*. While overall, each manager reported a different set of metrics in use, there appeared to be a set of key metrics specific to each industry segment, for example, *"you do find that the main KPIs in the [hospitality] industry are average room rate, occupancy, revenue per available room, food cost, and beverage cost"* (#4, consultant).

According to the studies there are seven key marketing metrics that can be related to the financial outcome.

1. Brand value metrics
2. Customer value metrics
3. Word of mouth and referral value metrics
4. Retention and acquisition metrics
5. Cross-buying and up-buying metrics
6. Multi-channel shopping metrics
7. Product return metrics

The seven of them can help companies, in our case restaurants for two main purposes. The first use of this retail or marketing metrics is for strategic and tactical marketing campaigns. According to Kumar et.al 2007 a marketing manager can use each customer predicted value to determine which customer category to target next time. According to Kumar and Petersen 2005 a marketing manager can use the customer predicted value do determine the selected customers for a certain marketing campaign in order to encourage up-buying, cross buying, or multichannel buying. The second use of this metrics is related to predictions in short term or long term. As an example, in short term the goal of a restaurant is to increase the awareness for the dishes it offers. Thus, the restaurant will try to increase the overall percentage of customers in the market that are aware of the dishes this restaurant offers over a certain period of time, which may be three to six months. On the other hand a long term goal may result as a continues short term achievements in order to increase overall brand equity.

According to Keller, 1993 there exists a conceptual model that measures brand equity from the customer perspective. Following his steps many studies began to create a link between customer equity and shareholder value. Kerin and Sethuraman (1998) found a positive, but decreasing returns, relationship between brand value and shareholder value. However their sample only included firms that were listed on the “Most Valued Brands” list.

Using a list of brand values from market capitalizations from publicly accessible data, Madden et al. (2006)found evidence that increases in a brand’s strength were related to increases in shareholder value. Leone et al. (2006) points out, while there are some links between brand equity and customer equity, the literature exploring links between brand equity and customer equity is sparse. This gives a great opportunity for research to continue to develop methods to link brand and customer equity.

There have been developed many studies that has set out to develop metrics that measure the value of customers, whether it is at the individual level in the form of customer lifetime value or at the aggregate level (customer equity). Up to this point, the purpose of measuring customer equity has been for optimal customer selection in marketing campaigns and to measure marketing effectiveness post-campaign. Rust et al. (2004b) use survey results from consumers located in two different northeastern US towns to determine drivers of customer choice and customer lifetime value. In addition, they are able to project the return on marketing expenditures for different types of campaigns in each of the companies studied and account for competitive information using a brand switching matrix. Gupta et al. (2004) use information from publicly traded companies to estimate customer equity and firm value. They find that as long as a firm is able to project its customer growth pattern and estimate its current customer margin that it is feasible to determine customer equity and overall firm value. This is especially important in situations where firms have short histories of transactions, are involved in a high-growth period, and have a negative cash flow due to early capital investments. Additional research by Kumar and Shah (forthcoming) was able to find a direct relationship between customer lifetime value and shareholder value. This suggests that if marketing managers can continue to run marketing campaigns to increase customer value this will directly lead to increases in shareholder value.

Reichheld (2003) come to the conclusion that business growth is related tight with the customers word of mouth. Many researches in marketing are orientated toward this approach, and have made many studies. Hogan et al. (2003) were able to show the value lost over time when a customer feels a failure from a firm, using the Bass model for the diffusion ofnew products and a Monte Carlo simulation. This lost value was not only a function of lost purchases, but it was also a function of the lost word of mouth the customer spread about the product causing losses of potential future sales. Even more troubling to this finding is the fact that customers who are acquired via word of mouth are significantly more profitable in the long-term than customers who are acquired via advertising and promotion. Villanueva et al. (2008) found that customer who were acquired using costly, but short-term marketing advertisements and promotions give fewer than half the profits of customers acquired using cheap, but long-term investments in word of mouth marketing. This makes it even more important to identify the customers who are valuable with regard to word of mouth and referral behavior and attempt to retain those customers. A study by Kumar et al. (2007) using data from a financial services and telecommunications firm found that customers with a high CLV are often not the same as customers with a high customer referral value, making it is especially important to know which customers are spreading word of mouth. Thus, it is critical to not only measure the value of word of mouth and customer lifetime value, but also to continue researching ways to link additional metrics such as customer word of mouth and referral behavior to marketing strategy and then to financial performance.

Increases in customer retention and acquisition are elements to successful marketing strategies. However, restaurants need to be careful not to make decisions about customer acquisition and customer retention in isolation. Research by Thomas (2001) used data from an airline pilot service organization and alatent-class Tobit modeling framework to show that customer acquisition and retention are inherently linked. Thus, the firm would never want to only maximize acquisition rates or maximize retention rates to maximize profitability since customer retention relies directly on which customers were acquired. This would only lead to acquiring and retaining customers who are not profitable in the long term. Reinartzet al. (2005) used data from a high-tech B2B firm which simultaneously modeled acquisition likelihood, relationship duration, and customer profitability. The authors found that it is necessary to quantify trade-off between investments in acquisition and retention in order to maximize firm profitability. Fader et al.(2005) used data from CDNOW to link RFM (Recency, Frequency, and Monetary Value) to CLV using iso-value curves. Research by Verhoef (2003) shows how establishing a series of direct marketing campaigns or even loyalty programs that build affective commitment and potentially lead to increases in future customer purchase behavior. However, the end result is that while some linkages have been established between customer acquisition, customer retention, and CLV, there are still significant opportunities for research in marketing to advance these measures and linkages.

Cross-buying and up-buying gives firms the chance to continue to increase revenue and profit contributions from current customers, since it has been shown that customers who cross buy are more profitable than customers who do not (Kumar et al. 2008a). The difficulty in implementing strategies to effectively increase cross-buying and up-buying is in determining: (1) which customers are likely to cross buy, (2) which new products those customers are likely to purchase, (3) what marketing message to send those customers, and (4) when those customers are likely to cross buy. Kumar et al. (2008a) used data from a major catalog retailer to identify the drivers and consequences of customers who cross buy in different product categories. Managers can use these drivers, such as average inter purchase time, to identify the ideal customers within the firm's database that would be most responsive to cross-selling and up-selling campaigns. These studies, though, only provide results of experiments with a few individual firms. There is still a great opportunity for research to explore the effects of cross-selling and up-selling strategies on customer and firm profitability across different firms and industries.

The challenge of most companies is to understand how each of the buying channels can impact customer purchase behavior and customer profitability. Research has shown that customers who shop in multiple channels are more profitable than customers who shop in only a single channel. Using data from a high-tech B2B firm, Kumar and Venkatesan (2005) show that customers who shop across multiple distribution channels are more likely to score highly on various customer-based metrics such as revenue and likelihood to stay active. Venkatesan et al. (2007) use data from an apparel retailer to show that customer who purchase across more distribution channels have a higher future profit potential. Thomas and Sullivan (2005) use data from a major US retailer to develop a six-step process of how to manage marketing communications with multichannel customers. Pauwels and Neslin (2008) uses data from a major catalog retailer to quantify the impact of opening a brick-and-mortar retail store when the only channels the firm previously used was catalog and Internet. However, with the continuing growth of retailers across many different channels, several questions still remain. These research questions include how to effectively migrate customers to different channels or how to measure the impact of channels where no purchases occur, for example using the Internet for search and the brick and- mortar store for purchase. This leaves ample opportunities for future research to develop metrics that measure the impact of multi-channel shopping on customer profitability.

Recent research has shown that products returns do play a major role in the exchange process and customers who do return a moderate amount of products are, ceteris paribus, the most profitable in the future. Petersen and Kumar (forthcoming, 2008) used data from a major

US catalog retailer to first show that customers who return from 10 to 15% of purchases purchase more than customer who return too many or too few products. The authors also showed that product returns are a key driver in the computation of CLV and firms that do not incorporate product returns directly into calculations of CLV will over estimate CLV and improperly allocate marketing resources. In addition, Anderson et al. (forthcoming) develop a structural model that shows that it there is an option value of product returns that is measurable, suggesting that omitting product returns from an estimation of demand creates a bias and that it is possible to find optimal product return policies for different firms. This is mainly due to the fact that customers who have satisfactory product return experiences tend to purchase more in the future and have a stronger positive relationship with the firm. Anderson et al. (2008) use data from a mail order catalog firm to compare varying cross-item and within item attributes and their impact on demand. One main finding was that the lower the price of the item the less likely the item would be returned. Additionally, Petersen and Kumar (forthcoming) empirically determined several antecedents of customer product returns, including variables such as cross-buying and multichannel shopping behavior. However, the sparse research on customer product return behavior still leaves a significant opportunity for future research to continue to build product return metrics that can be useful for managing customers for profits. in such conditions managers need to also understand which metrics will provide relevant information about the past and the current financial position of the firm (backward-looking) and which metrics will help managers lead firms into the future (forward-looking). Next, we provide some discussion on the differences between backward-looking and forward-looking metrics and which metrics can be linked to future financial performance.

Many marketing metrics used by firms currently are backward-looking, or at best present-looking, in nature (Zeithaml et al. 2006). Examples of backward-looking metrics include measures of customer satisfaction relating to past purchase experiences, measures of service quality relating to past service experiences, and measures of perceived loyalty that reflect the customer's perception of their own behavior up to the current time period. Many of these backward-looking metrics, along with several other operational and behavioral measures, are provided for easy viewing on a periodic basis (e.g., quarterly, monthly, weekly, daily, and even real-time) for top managers through marketing dashboards, see Reibstein et al. (2005) for a detailed description of marketing dashboards. These backward-looking metrics serve the purpose of helping marketing managers quantify the effectiveness of past marketing campaigns that provide a clearer picture of current firm performance. These forward-looking metrics harness the power of past customer attitudes and behaviors to try and offer some predictive capabilities about future customer behavior and firm performance. As a result, many of the backward-looking metrics have been used as predictors of future customer behavior and firm performance. However, the results tend to be mediocre at best. For example, when firms measure customer satisfaction, by the time the data is received and analyzed, it reflects yesterday's perceptions of satisfaction. It also does not include any information about competitors' actions or potential customer prospects. All of these factors cause customer satisfaction to be a less than adequate predictor of future customer behavior or firm performance.

Venkatesan and Kumar (2004) uses behavioral information about past customer interactions with the firm to predict future customer behavior and customer value. The authors use variables such as average interpurchase time and cross-buying behavior and relate these variables directly with future purchase frequencies and future contribution margins. In addition, these findings have led to research in marketing which has been able to account for competitive interactions with customers. Kumar et al. (2008c) impute each customer's competitive purchase behavior by analyzing deviations in each customer's average interpurchase time. With regard to customer acquisition, Reinartz et al. (2005) account for a prospect's likelihood to buy from a firm for the first time by comparing demographic profiles of prospects with those of current customers who are profitable. The end result of these forward-looking metrics, has been to allow manager to more strategically plan effective marketing actions and better justify the spending.

METRICS AND RESTAURANT INDUSTRY

*For years, company marketers have walked into budget meetings like neighborhood junkies. They couldn't always justify how well they spent past handouts or what difference it all made. They just wanted more money – for flashy TV ads, for big-ticket events, for, you know, getting out the message and building up the brand. But those heady days of blind budget increases are fast being replaced with a new mantra: measurement and accountability (*Dr. Roger J. Best, 2011*).*

There have been studies in the market about the effect that financial crises is having on the hotel industry. There was a collective agreement of managers that despite the financial crisis, financial metrics still dominate or have become even more important. To the majority, marketing metrics were only relevant if they could be related "down to the bottom line" (#3, general manager). To the question whether purely financial metrics have decreased in importance as a result of the recession, one hotel director (#2) answered: *"No. You would look at it even more in the recession. (…) They [marketing metrics and financial metrics] do go hand-in-hand, but I suppose financial would just tip the top".* Interestingly, it is external stakeholders, primarily bankers, that require more detailed financial data from hoteliers and thus drive hoteliers' focus on these metrics.

As a result of the recession, the banks *"were asking for more information, so it has forced the hoteliers to improve their financial reporting"*

There are thousands of possible metrics your restaurant could be using to evaluate its success. Unfortunately, most of those numbers will fail you in one of two ways. A percentage of them won't provide you with actionable insights. Without knowing what to do as a result of those numbers, they might as well be meaningless. The rest of them fall into another category. They are too narrowly focused. These metrics are great at telling you how a specific function of your marketing is functioning .But they tell a broad enough story of the overall health of your marketing efforts. So we've sorted through lots of metrics, and found 5 that can help you get a pulse on your restaurant's marketing efforts. This metrics are used to measure restaurant frequency and to analyze the number of clients and ways we choose to control our clients traffic.

(a) Website Traffic

One of the oldest form of measuring is Traffic. Restaurant traffic measurement means taking a look in the number of clients that frequent the restaurant for a certain time during the day. Measuring this traffic makes the restaurant manager to understand the hours in which he should put more effort with the staff in order to fulfill the client's needs and it helps him understand which are the hours during which he can create offers or promotions to increase the number of clients frequency, like happy hours.

In order to understand how the offers is changing customer behavior we can see the changes we have in traffic frequency from month to month. Another context for traffic is the percentage of the visitors that are repeat visitors. Having a high percentage of repeat visitors means that the form you have created to attract the customers is useful and sticky. Nowadays we can make traffic analysis through traffic spikes. Social networks like Facebook, Instagram etc can help us understand how many people may like a dish, an offer or something new we have in the market. Traffic spikes can be a very useful notification tool, not only useful but also easy to be spread and to collect reactions from customers.

(b) Inbound Sources

In the previous paragraph we defined traffic measurement as an important element for understanding what functions in measuring customer frequency, but what impacts clients to increase restaurant frequency? Where this traffic does comes from? If we continue with the happy hours example, and we say we are making a promotion in a local newspaper, or in our facebook page. After the promotion we make we start to measure the traffic in our restaurant. In facebook we may notice that our pictures or offers take many likes but how many of this people do really try to visit our restaurant. What if people that chose to come have taken the information from the newspaper. Analyzing your inbound sources can be an effective way to learn how you restaurant is being found by new customers. Looking at traffic is a great start, but breaking down where that traffic is coming from is a crucial step to understanding where your new customers are coming from. It's always worthy spending few minutes reviewing the inbound sources to learn what's working now and uncover some of our restaurant marketing weaknesses.

(c) Average Response Time on Social Media and Review Sites

From year to year customer requirements change. In order to stay in the market especially in service industry like restaurants is very competitive. One of the key success elements is taking in consideration the changing attitudes of clients, and not ignoring them. Through information taken from the book of opinions, from internet, from letters, from client comments we should try to measure the elements in which we should put more efforts in order to be at the top. Measuring this type of responses the restaurant manager has the ability to cultivate relationships with clients across media platforms. This kind of relationship makes clients feel important and encourages them to give their real opinion about the restaurant, dishes and service they take when they visit you.

(d) Number of customer contacts

The bank of contacts a restaurant has is an element that shows the number of clients we have in order to make a direct promotion for a dish, a music night, happy hours, etc. registering clients help the restaurants to understand the category of clients they have and to understand what may satisfy their needs. Knowing the category of clients that frequents the restaurants helps managers to choose the staff, to prepare tables, to arrange the environment, etc. This kind of measurement may result very useful and may help managers to contact clients in the case they notice that for a certain period of time a certain client is not frequenting anymore.

If in the previous section we analysed the measurement of traffic in the restaurant industry, now we will analyze the selling metrics, promotions, prices, etc. Of all the theories in restaurant marketing, one of the most crucial to implement is the concept of metrics; of measuring every activity that you do, analyzing its effectiveness, throwing out what is ineffective and doing more of what is. It's a simple concept and one that when applied will turn your restaurant marketing

spend into an investment (each dollar spent brings in x revenue) rather than a cost (each marketing campaign costs x).
Which will make your restaurant business even more profitable.

Marketers and people engaged in business know that anything that can be measured improves. If we actively track our sales, they improve. If we track the rate of complaints, we end up with less complains. Theoretically and practically it makes sense. If we focus on something and therefore understand what the issues are and what needs to be addressed then we can make improvements. And it is surprisingly something that very few people do, including your competition.

Measuring everything that you do can become an effective way of creating a competitive advantage with your marketing. It's also a way to see your marketing in terms of something that can be improved on instead of just as a success or failure. If your ad doesn't work, instead of seeing it as a lousy campaign, you can merely improve on it and see how you fare.

Successful marketers are persistent about measuring the efficiency of absolutely everything that they do. They try many things and if they are successful, they keep doing those things. If they aren't successful they eliminate them. These highly accomplished business owners and managers also have a set of standard metrics that they use as benchmarks to better understand their business.

Most likely you have some measurements already in place, such as your average revenue per head and the margins that you make on certain menu items. These help you better manage what you produce, how you price, and what you sell. In a similar way there are also very important metrics you can use to manage your marketing spend and activities. These restaurant marketing metrics include:

• LTV (lifetime value of a customer), which is simply how much a customer is worth to you over the lifetime of his or her relationship with your business.

• ROI (return on investment), which is calculated to measure the performance of one investment relative to another (for marketing activities you should use the following calculation: Profit/marketing spend = ROI), and CPA (Cost per Acquisition) which tells you how much it costs you to get a new customer (you should use the following calculation:
Marketing spend / new customers = CPA).

The relentless use of metrics is one of the most important secrets of the success.

ILLUSTRATION

One manager believes that hiring a band to play on Friday and Saturday nights is not worth a $400 investment, which is equivalent to $3200 per month, $38,400 annually. Due to the fact that sales have only increased by $1000 on each day for the restaurant as a whole, the band does not seem to be a main reason for people coming into the restaurant. In fact, if the band did not play, sales would most likely stay very constant.

Assuming the average selling price (ASP) or revenue per customer is $20, and the average variable cost (AVC) per customer is approximately $12.40, the contribution per customer is $7.60.

Contribution per Unit ($) = ASP ($) – AVC ($)

= $20 – $12.40

= $7.60

Taking this figure into account, we can determine the contribution margin with the formula below:

Contribution Margin (%) = Contribution per unit ($)/Selling price per unit ($)

CM (%) = $7.60/$20

CM (%) = 38%

In order to determine whether the band investment is generating a large enough return, the restaurant needs to calculate their **Return on Marketing Investment (ROMI)**. ROMI can be determined by the following formula:

ROMI (%) = [Incremental Revenue Attributable to Marketing ($) x

Contribution Margin (%) – Marketing Spending ($)]/Marketing Spending ($)

ROMI (%) = [$1000 x 38% - $400]/$400

ROMI (%) = -5%

Based on this negative ROMI figure, it is recommended that the restaurant uses other metrics to support the fact that this marketing effort is not worth their time or money. According to Marketing Metrics, estimating **incremental sales** of a particular marketing effort is almost always used as a justification for marketing spending on that program. Incremental sales for this restaurant are estimated to be $8000 per month ($1000 x 8 band days).

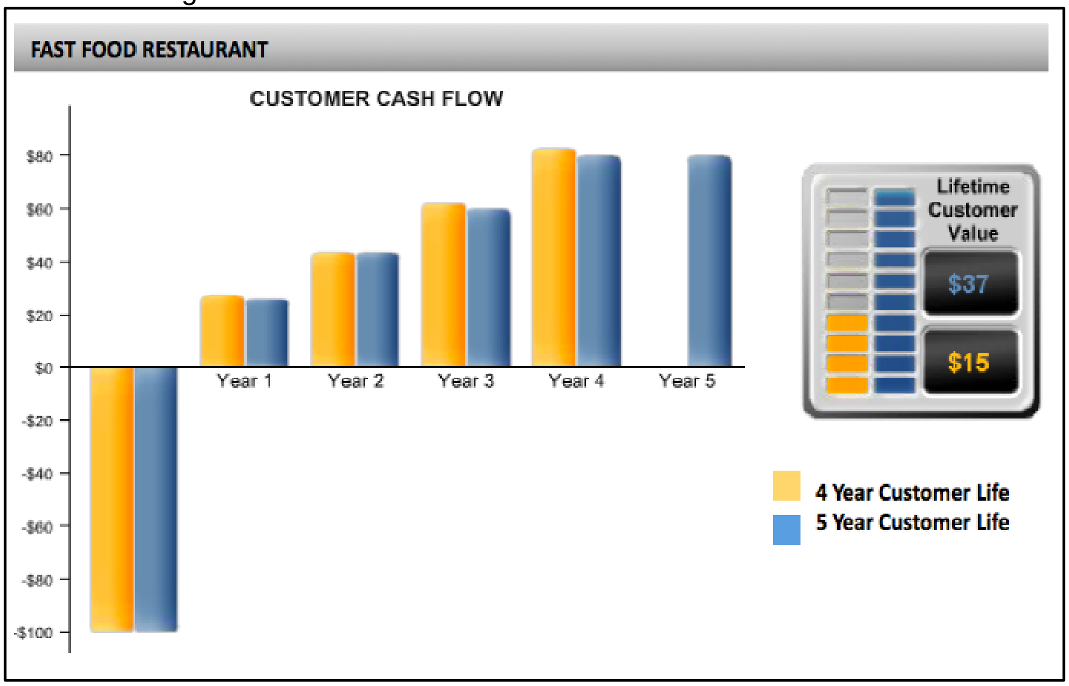
In order to calculate the sales lift from hiring bands every weekend, **baseline sales** are needed, which are equivalent to the expected sales without any marketing efforts. The estimated baseline sales for this restaurant are $220,000 per month.

Lift (%) = Incremental sales / Baseline sales
= $8000/$220,000
Lift (%) = 3.63%
Cost of incremental sales ($) = Marketing Spending ($) / Incremental sales ($)
= $3200/$8000

Cost of incremental sales ($) = $0.40
The calculations above determine that the restaurant is currently spending $0.40 per incremental sale, and experience 3.63% sales lift from hiring the bands to perform eight times a month. Due to the low sales lift and negative ROMI, it can be concluded that this marketing effort is unprofitable and should be discontinued immediately, especially if the restaurant is experiencing a loss in profits and is considering shutting down all operations.

Keep in mind that these metrics are only some of the many you can use to determine whether your marketing efforts are making a big enough impact on your restaurant sales.

Figure 1: Customer Cash Flow & Lifetime Customer Value



Is Your Customer Profitable?

An important customer performance metric is customer profitability. A business often spends a considerable amount of money acquiring and retaining a new customer. The customer purchases have to more than offset these expenses over the course of their customer life for that customer to be profitable. Because this happens over time, we need to discount future purchases and expenses in order to determine the **Lifetime Value of the Customer**. Our illustration focuses on an average fish restaurant customer.

CONCLUSIONS

Marketing metrics nowadays in considered one of the most helpful form for measuring the customer behavior toward a business. We took in consideration the restaurants industry as long as today is considered one of the most competitive one. When we analyze the restaurants industry we cannot analyze only the product, food, beverages etc, this because in many restaurants you can find quite the same products. The differences in this industry are connected with the service they offer and the way this service is delivered. This is why we have divided the metrics for this industry in two different groups. Metrics related to customers and metrics related to finance. We divided the metrics in two groups, the first one is related to the measurement of customer behavior and the way we relate them with the restaurant industry while the second group is related to the financial measurement that companies can do. We came to the conclusion that if the customer behavior measurements are done in the proper form we can understand when is the right time to make offers, and to make the biggest effort in order to attract more customers. If the financial measurements in the meantime are done correctly the company from the investment can gain more money, and in here we have both client and restaurant satisfied.

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