

## STARBUCKS: KING OF RESTAURANT LOYALTY

### SMALLER CHAINS CAN SCORE WELL ALSO

In a business where sales results have been soft for several straight quarters, earning loyalty from your best customers has become vital. And in the challenged restaurant business, a new study from **Foursquare** finds that **Starbucks** leads the top 50 chains in gaining that loyalty.

The **Quick-Service Restaurant Loyalty Index** is based on foot traffic trails, not customer perceptions, with data coming from a panel of users that have been active on Foursquare apps for at least a year and have opted-in to provide location awareness. Loyalty is measured in four metrics: visit frequency, market penetration (the percentage of quick-serve customers measured for regions where the chain operates), share of wallet (the percentage of total QSR visits the chain captures) and a "fanaticism threshold," the number of visits required to be in the top 1% of a chain's customers.

While big chains took all the top five spots in the rankings (**Starbucks**, **McDonald's**, **Dunkin' Donuts**, **Tim Hortons**, and **Chick-fil-A**) Foursquare found that size does not guarantee success. Regional brands such as

**Whataburger** (number six of the 50 brands studied) and **The Coffee Bean & Tea Leaf** (number eight) each made the top ten along with **Sonic Drive-In**, **Taco Bell** and **Panera Bread**.

Restaurants known as breakfast brands generally scored high, proving how crucial that daypart has become in a chain's success, especially as other research recently conducted in the industry has found the dinner daypart dropping considerably in diner frequency. (**The NPD Group** recently determined per capita dinner visits averaged 57 in the past year, down 8% in just four years). It's been found that afternoon customers are not as likely to return as often as morning customers, helping produce impressive loyalty indices for big chains like Starbucks, Dunkin' Donuts and Tim Horton's as well as smaller banners such as **Peet's Coffee**, **Krispy Kreme** and **Einstein Bros. Bagels**. QSR notes businesses understand it's much easier to grow a business by getting the existing customer base to come back rather than attracting new customers, and given the habitual nature of breakfast and the frequency and loyalty it drives, the morning daypart may play a more important role in building a restaurant's business than previously thought.

That inclination to the morning may have provided the impetus to **Bruegger's** being named "The Fanatics' Favorite" by Foursquare at number 15 overall, an impressive ranking given the chain ranked only number 46 in market penetration. Taco Bell was named "The Mover," climbing two rank placings, helped by menu innovations and "some offbeat marketing tactics." But a brand seen as being in trouble was **Steak 'N Shake**, which dropped in fanaticism, penetration and frequency, falling ten rankings in just one year.

### ADVERTISER NEWS

**Costco** is on an October-September fiscal year, so the numbers from last month also complete quarterly and yearly numbers. Excluding gas (which had caused total comps to jump in September), same-store sales were up 7.1% in September, 5.8% for the fiscal fourth quarter, and up 3.7% for the full year.....**Sears** is getting another loan from CEO Eddie Lampert's hedge fund, this time another \$100 million for "general corporate purposes." The loan carries an 11% interest rate.....The strike against **General Motors** in Canada continues and *Automotive News* reports **Chevrolet** dealers are starting to feel the pinch on **Equinox** inventories. As of 10/1, there were 43,453 available Equinoxes in the U.S., down from 74,400 in June. Equinox is one of the top-10 selling vehicles in the country.....**Kellogg** is buying protein-bar maker **RXBAR** for \$600 million, joining other foodmakers in efforts to diversify by picking up healthier options. RXBAR's CEO said the company will continue in business as a separate unit of Kellogg, but hopes to benefit from the parent's distribution, research and



development capabilities. *Marketwatch* notes the top 25 food and beverage companies have lost billions of dollars in market share in the last couple of years, with smaller companies seeing the gains.....After giving up a curbside pickup initiative last year, **Target** is trying again at about 50 locations in home state Minnesota. Drivers use a Target app to tell the store they are on the way and get designated parking spots for store employees to make the transfer.....**Walmart** has bought **Parcel**, a New York-based delivery system to handle deliveries both from physical stores and its **Jet.com** online site. The plan is to utilize Parcel just for the Big Apple initially, but of course it could be expanded if successful.....On a different Walmart note, one of its holiday commercials will take a direct shot at **Amazon** over shipping costs. Walmart will offer free shipping for orders over \$35 and says "We just don't think you should have to pay \$99 a year for the privilege of free shipping".....Although the usual practice is for **Alimentation Couche-Tard** to rebrand acquired convenience stores into the **Circle K** banner, the acquirer will make an exception when it takes over **Holiday Stations** and will allow locations to keep the Holiday brand. The chain consists of 522 c-stores (148 franchised) in 10 states.....With water now producing higher volumes than carbonated drinks for beverage companies, **Coca-Cola** is adding another mineral water brand to its portfolio. It's buying Mexican premium sparkling mineral water **Topo Chico** which is currently available in parts of 35 states but does 70% of its business in Texas. Coke's plan is to "extend its reach while preserving its heritage."

## CABLENET CHATTER

ESPN is reporting that the **2017 WNBA Finals**, in which the **Minnesota Lynx** defeated the **Los Angeles Sparks**, was the highest-rated finals for the league since 2003. The five-game series averaged a 0.5 metered market rating, up 24% compared to last year, according to metered market ratings from Nielsen. Wednesday's Game 5 on ESPN was the highest rated of the series posting a 0.8 rating, doubling last year's Game 5 rating of 0.4. The final game of the series delivered a 7.9 rating in Minneapolis, followed by Hartford (2.4), New Orleans (1.4) and Birmingham (1.2). The telecast averaged a 0.9 in the Los Angeles market.....

**Andrea Tantaros**, the former **Fox News Channel** anchor, has hired new lawyers in her ongoing sexual harassment suit against the network. The new legal team has asked a judge to permit her to add the **Roger Ailes Estate** as a party to the litigation. Tantaros suffered a setback in her first lawsuit against Fox News and filed a second suit in March. In the new complaint, Tantaros is claiming that Ailes ordered the hacking of her personal computer and more. She also claims she was terrorized on social media through "sock puppet" accounts. Fox is moving to dismiss and denying some accusations while also insisting upon arbitration. Ailes was originally a co-defendant, but after the former Fox News chief died on May 18<sup>th</sup>, he was dropped from the case.....**The Walking Dead** executive producer **Gale Anne Hurd** told the audience at **New York Comic-Con** that the upcoming eighth season of the **AMC** hit will be about an "All Out War" between the various factions on the zombie apocalypse series. She said, "There's a lot I can't tell you, but I will say that even if you follow the comic book, get ready because Season 8 is big and it is badass." The new season of **The Walking Dead** will premiere on **AMC** on October 22<sup>nd</sup>..... The future of **Nicky, Ricky, Dicky & Dawn** is uncertain following the departure of **Mace Coronel** from the cast. A spokesperson for **Nickelodeon** said the network and Coronel "mutually parted ways" during the summer, noting that "it was a mutual decision" and a decision on Season 5 had not been made. **Deadline** is reporting that there have been rumors of simmering tensions on the set of the hit sitcom for a while and there have been growing issues and personality conflicts among the young cast. Coronel and the network abruptly cut ties in August with around five episodes left to film of the show's 14-episode season. Production was completed without him, wrapping up on September 22<sup>nd</sup> for a 2018 premiere..... **Leland Orser** (Berlin Station) is set for a lead role opposite **Chris Pine** in **One Day She'll Darken**, **TNT's** limited drama series directed by **Patty Jenkins**. The series is based on the autobiography of **Fauna Hodel**, who was given away by her teenage birth mother to a black restroom attendant in a Nevada casino in 1949. The story continues as Fauna investigates her past and follows a sinister trail that leads to **Dr. George Hodel**, an infamous Hollywood gynecologist, who was suspect in the Black Dahlia murder of **Elizabeth Short** in Los Angeles in 1947

## BUSINESS BYTES

- You might not think online sales would be important to a company like **PepsiCo**, but you'd be wrong. **Bloomberg** reports the beverage/snack foods company actually has a 200-person unit headquartered in NYC that's dedicated to developing business by focusing on marketing and packaging for online sellers as well as traditional bricks-and-mortar retailers that are trying to grow their own online business. The two-year-old unit is on pace to hit \$1 billion in annual sales and PepsiCo Chief Financial Officer **Hugh Johnston** says "That business is growing like crazy. We run it more like a tech company than we do a

consumer-products company, and it's a real star of the portfolio for us right now."

- Just how big a threat is **Tesla** to existing automakers and especially to dealerships, as Tesla avoids the existing franchised dealer system? Despite "production bottlenecks" that caused the company to miss goals for its **Model 3**, the company delivered 26,150 cars and SUVs during the third quarter, mostly **Model S** sedans and **Model X** crossovers. Company founder **Elon Musk** had earlier warned the first six months of production of the new

sedan could be "manufacturing hell" as the Fremont, CA factory learns how to make the vehicle, but the company now says "We understand what needs to be fixed and we are confident of addressing the manufacturing bottleneck issues in the near-term." Tesla does not use dealers to sell its vehicles—it instead utilizes company-owned showrooms and online sales and is building a string of charging stations for owners to utilize. Earlier this year, Tesla's stock "market cap" surpassed both **Ford** and **General Motors** for a while.

## ECONOMIC NEWS

The monthly jobs report from the **Labor Department** was "predictably awful" according to one analyst as the total amount of jobs in the country fell by 33,000 (the first time in seven years the monthly change was a decline). But the loss was clearly hurricane impacted with the leisure and hospitality category down 111,000 jobs alone as hotels and restaurants in Texas and Florida were closed. Retailing was also down but there were gains in transportation and warehousing, seen by **Associated Press** as a positive sign ahead of the holiday season that's likely to rely increasingly on online shopping.

## ACCOUNT ACTIONS

**Jack in the Box** has named Dentsu Aegis Network's **Carat L.A.** as its media agency of record for traditional and digital media buying and planning for the fast-food chain, which has over 2,200 locations. The selection follows a review launched this summer and ends a 15-year relationship with incumbent **Horizon Media**, which participated in the review along with six other agencies, according to **AdWeek**. **Kantar Media** says Jack in the Box spent around \$24.5 million on measured media in the first quarter of the year, and nearly \$92 million in 2016.



According to reports, Netflix is raising its prices next month. Wow, that is gonna be quite a burden on whoever's password I'm using.

Seth Meyers