

# EMPLOYING PRECISE GUEST FEEDBACK

## RAM RESTAURANT GROUP

In January 2016, Seattle became one of the first jurisdictions in the nation to embrace a \$13-an-hour minimum wage. Since its implementation, studies assessing the wage increase have come out, often using the restaurant industry as a primary example because of the high proportion of workers who are paid the minimum wage. Both positive and negative studies agree on this same conclusion: the increase in minimum wage impacts business.

### UNDERSTANDING THE IMPACT

We spoke with RAM Restaurant Group’s Director of Marketing Technology, John, to learn just how impactful Seattle’s minimum wage increase has been for his business: “it has been pretty significant for our sector in particular and we’ve already gone through a couple iterations of our policy.”

As many restaurant operators know well, running a profitable restaurant starts with a math equation in which prime costs (food and labor) remain significantly below total profit. In looking at industry standards for table service restaurants, operators are likely to see labor costs between 30% – 35%, and food costs anywhere from 25% – 38% of revenue – depending on the restaurant concept and the mix of sales. These statistics suggest that restaurants should keep prime costs between 60% – 65% to see a bankable bottom line.

With the labor portion of prime costs increasing, RAM knew a price increase impacting guests was soon to follow – and consumers never like price increases! Already foreseeing the negative reactions. John came to Venga to understand the best method for implementing this change from the diner’s perspective.

### EXPERIMENTAL POLICY CHANGES

In order to maintain profitable, The RAM team tried two different approaches in response to Seattle’s minimum wage increase. John recalls, “we started with adding a 19% gratuity charge to our checks. We called it a service charge, similar to other companies who adopted that format in Seattle. We also tried 5% cost of living adjustment.”

To cement RAM’s approach to labor cost increase, John couldn’t just rely on subjective opinion. He needed significant data from the most important source – diners. Before Venga, that meant John was losing a whole weekend of his time, “back in the day I’d have to go and search through our yelp profile and kinda comb through Google and Tripadvisor and everywhere I could... it was really clunky just using a spreadsheet”

### MAKING INFORMED ADJUSTMENTS

Feeling the pressure, the RAM team needed to make a decision about how to move forward. What is the right format for this policy? Would an overall pricing increase be better from a reputation standpoint?

Venga’s Keyword Search feature for analyzing diner reviews was the right tool for John to inform the right policy adjustment: “I did a keyword search on 5% and found a bunch of examples of what people were saying and was able to quickly pass that onto our Sales and Branding Leader, as well as our CEO.”

After a thorough review, the RAM team moved forward with the 5% cost of living. By using Venga, RAM was empowered with direct feedback from guests to set a policy their customers could support. Because in the end, the diner’s perception is a restaurant’s reality.

The screenshot shows the Venga Feedback interface. On the left, there are filters for 'All Locations', 'Individual Subgroup(s)', and 'Individual Location(s)'. The 'Keyword' field is set to '19%'. Below that, there are 'From' and 'To' date pickers, and a 'Max Results' dropdown set to 500. A 'Search' button is visible. Below the filters, there is a 'Keyword Sentiment' section showing a 3.5% (Neutral) average sentiment over 64 measurements. A 'Keyword Usage' section shows: Highly Positive: 4.7%, Slightly Positive: 1.6%, Neutral: 93.8%, Slightly Negative: 0.0%, and Highly Negative: 0.0%. A 'Refine' section shows 'Total Occurrences: 222 (< 1% of total reviews)' and a 'Rating' breakdown: 1 (46%), 2 (19%).

The main area displays 'Search Results' with a table of reviews. The table has columns for DATE, LOCATION, RATING, SOURCE / QUESTIONS, and ANSWERS. The reviews listed are:

DATE	LOCATION	RATING	SOURCE / QUESTIONS	ANSWERS
Jan 6, 2016	RAM - Northgate	1	Facebook Review	I was about to enter your establishment before I saw your sign that said you were charging automatic 19% gratuity regardless of the size of your party I will not be attending any events at your restaurant in the future.
Jan 28, 2016	RAM - Northgate	2	Yelp Review	Burger was mediocre. It had good ingredients but the bun was soggy when it came out and the quality of the beef looked and tasted very cheap (almost like a fast food patty), service was okay at best, but the 19% (service charge) is ridiculous.
Mar 17, 2016	RAM - Northgate	1	Yelp Review	Watch out for the new 19% service charge" scam! ... But advertising low menu prices and then adding 19% in addition to taxes and such is a blatant bait and switch.
Apr 27, 2016	RAM - Northgate	1	Google Review	I understand the auto gratuity is in place because of the \$15 minimum wage but that doesn't mean that you can ignore your table for 20 mins and still be expected to be tipped 19%.
Apr 19, 2016	RAM - Northgate	1	Yelp Review	Used to come here for dinner dates it's been awhile and the food was good but I was not happy when I saw a 19% service fee ...
Apr 11, 2016	RAM - Northgate	1	Facebook Review	Food was just okay, we had horrible service, probably due to the fact that the server already knew they were getting a 19% tip as it was required we do so.
Feb 11, 2016	RAM - Northgate	4	TripAdvisor Review	Be aware that this restaurant chain ads 19% service charge automatically to the tab.
Mar 5, 2017	RAM - Northgate	1	Google Review	Do you like paying 19% service fees?
May 26, 2016	RAM - Northgate	3	Yelp Review	One could make a case for the automatic 19% added to the bill because of the Seattle minimum wage.

Learn more about Venga