

Community Appeal

Small Business Series: A Chicago pizzeria blends traditional and cutting-edge marketing to build goodwill and inspire a loyal local following.

WEB EXCLUSIVE

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Oct. 12, 2005 - Running a successful restaurant requires more than just serving tasty food. To lure repeat diners, restaurant owners need to master marketing. And that requires far more than just buying advertising—which may not make the most economic sense for small, independent businesses. "What they need to do is publicity and marketing, which is low cost or no cost," says Douglas Robert Brown, author of "The Restaurant Manager's Handbook." Spending anywhere from two to seven percent of revenues on marketing is standard and "reasonable," says Lisa Klein Pearo, assistant professor of marketing at Cornell University's School of Hotel Administration. As part of our small business series, we return for a fourth and final visit to Nick's Pizza & Pub in suburban Chicago to hear how owner Nick Sarillo uses low-cost promotion techniques to attract new customers to his two restaurants—and get frequent diners to return.



Two years ago, a good friend told Shawna Egan that the servers at Nick's were always "so kind and sweet" to her autistic daughter. So when Egan, president of the Cary Children's Center for Autism, and her board decided to hold a fundraiser that was "a little creative, something that wasn't terribly pricey that everyone could enjoy," they thought of Nick's.

The result: the center raised \$14,000 at its first annual fundraiser at Nick's Crystal Lake, Ill., restaurant and \$18,000 at the second event. More than 250 people paid \$40 each to raise money for autism while sipping beer and noshing on donated pizza. "Honest to God, I've just never encountered an organization that cared so much," says Egan. Since then, The Center For Autism has held board meetings at Nick's, and Egan's parents even threw her a surprise birthday party, with 20 guests, at the restaurant. "I always tell everybody, that's where you've got to go for pizza," she says.

This year Sarillo expects to donate about \$45,000 to local groups (out of total revenues of about \$7.5 million from his two restaurants). "That's fabulous," says restaurant author Douglas Robert Brown, who notes that the fundraising events get publicity in the local paper at "little to no cost." The Northwest Herald newspaper, for example, ran a short preview story last fall about a Nick's fundraiser for Kade Schipper, 4, who has had four open-heart surgeries, and the local oldies radio station broadcast the event at lunchtime. The event raised \$2,300 for Kade's family. "It seems like they [Nick's] are just such a part of the community," says Kade's mom, Kathy Schipper.

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The fundraisers do far more to promote good will and word-of-mouth referrals than impersonal direct mail and newspaper ads. "He doesn't have to spend his resources to tell people that a Nick's experience is special or different. People tell other people that," says Pam Murtaugh, a Madison, Wis.-based management consultant who has worked with Kraft, Motorola—and Nick's.

In addition to the big quarterly fundraisers, like Kade's, in which Nick's donates all his net profits for the day, the restaurant also holds fundraisers for any local nonprofit organization on Mondays, Tuesdays and Wednesdays and returns 15 percent of total sales from guests who come in with special flyers that day. It's a win-win for Sarillo, who gets new customers and great press in addition to keeping the restaurant full on the slower days early in the week.

Sarillo does do a little conventional advertising—in local high school football programs, in the yellow pages and in "My New Home" welcome baskets given to families who've just moved to the area. To track his customers better and to reward them for returning, he also started using magnetic-strip frequent-diner cards last fall. Overall, he spends about three percent of his net sales on marketing—or about \$120,000 a year at his Elgin, Ill., location and \$105,000 a year in nearby Crystal Lake.

For independent restaurants, like Nick's, becoming part of the local culture can be essential in an industry that is increasingly driven by corporations. "It gives them a way to compete against some of the larger chains that are doing a lot of the more traditional advertising," says Cornell's Lisa Klein Pearo. "Loyalty is key. The more loyal customers they have, the less time and money they need to spend bringing in new people. If they have a strong enough following of people who come in

regularly, they'll be able to spend less and less on marketing. Loyal customers bring in more customers through word of mouth."

Word of mouth was big for Nick's on Sept. 15, when the Crystal Lake and Elgin restaurants raised money for the American Red Cross to help victims of Hurricane Katrina. Regular customers "expected" Nick's to do something, says Sarillo. Guests and staff members raised \$6,500 (including more than \$2,000 from employees who volunteered their time that day) and filled two 48-foot semis with blankets and nonperishable foods. In Crystal Lake, the restaurant did more than \$12,000 in business instead of the usual \$7,000 for the day. "It's a real easy way to feel like they have a way to help, just by eating," says Sarillo, who planned his fundraiser even before he heard of the National Restaurant Association's similar nationwide Dine for America event on Oct. 5.

Sarillo focuses his efforts on wooing a core clientele rather than playing to a huge audience. Often restaurateurs "go off spending a ton of money doing broad-based advertising to a lot of people who never would come to them," says Bill Marvin, a.k.a. "The Restaurant Doctor," and author of "There's Got to be an Easier Way to Run a Business." "People drive by two or three places to get to you, but they're not going to drive by 20 or 30. [Some restaurateurs] basically spend money trying to put their message in front of people that wouldn't come to them in the first place. Most independent restaurants draw from two to three miles from the place."

The best marketing is getting a reputation as a restaurant that's more than just another place to dine. "The world doesn't need one more place to eat," says Marvin. "If you want to be competitive, there's got to be a reason for me to

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think of you. What are you doing that's distinctively different?" he adds. Sarillo's menu write-ups about how he builds his restaurants out of 100-year-old barns gives people something to talk about and defines the business. "That's a story. If you don't tell the story, you can't count on people to pick it up on their own," says Marvin.

Nick's is also smart to avoid going coupon crazy. Dollars-off coupons "undercut the value of your basic product," says Marvin. Brown, author of "The Restaurant Manager's Handbook," concurs. Too many discount coupons bring in "the wrong kind of customers" who just want a bargain price and may never return, he says. "Domino's and Little Caesars [national chain pizzerias], they cheapen themselves with coupons," says Sarillo.

Enter frequent diner cards—which give Nick's diners a financial reward for repeat visits and help Sarillo build his customer database. Last fall he introduced "eFrequency" cards, which electronically register when visitors come in and what they order and then reward them with money off their check depending on how much they spend. They can double as gift cards, which Sarillo and his business partner Chris Adams realized were a popular present. Already Nick's has sold 1,100 gift cards (with an average of \$30 on each card), and has 11,000 total eFrequency cards in circulation. The cards are a "great" way to build a customer database, with detailed information about customers, including e-mail addresses, birthdays, anniversaries and favorite dishes, says Brown. "The No. 1 thing restaurants do a horrible job of is [knowing] who their customers are." Cornell's Pearo adds, "A frequent-diner card is a method to get your existing customers to come back, to increase the loyalty of your existing customers—not to bring new people in. Now they can tell who are the most profitable customers, and they can allocate their spending so they spend more money making these people happy so they'll keep coming back."

Frequent-diner cards also help restaurants with "targeted marketing," says Asa Cloin, senior product manager for eServices, part of Radiant Systems' Hospitality Division and the maker of Nick's frequent-diner cards. "You're much more finely tuned, and you're aiming more directly at your target. Your marketing dollars go much farther. It does me no good to market apple pie to a customer who never orders apple pie." (By the beginning of next year, eServices expects that its frequency cards will be up and running at 1,300 restaurant locations.)

Nick's also gives out coupons for a free individual pizza and soda pop to teachers, who use them to reward kids for good grades or attendance. In September, Sarillo gave out more than 500 of the coupons in each school district—for the third year in a row. About 80 percent of coupons are redeemed, usually with kids coming in with their whole families who are often ready to spring for a whole meal on top of the free item. And being associated with schools is a big plus with parents. "It completely reinforces that Nick's is all about family," says consultant Murtaugh.

In addition, Nick's provides teachers a 20 percent discount, and it offers the same deal to people who stay at the Country Inn and Suites Hotels near its Crystal Lake restaurant. "That's the way to get people from out of town coming in," explains Matt Calabrese, Nick's controller. To attract longer-term customers, Nick's pays to be part of newcomers' welcome baskets. This year, Nick's expects to give out 9,000 "My New Home Coupons" and redeem about 15 percent of them. "[Appealing to] newcomers is terrific. That's reaching out," says Pearo.

Nick's spends about \$5,800 per month on ads in the local yellow pages. "You have to be there," says Pearo. She also likes to see restaurateurs track how many people found the restaurant

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through the yellow pages (and through other promotions and advertising). Nick's does. Last year, for example, controller Calabrese figured out that more than 600 diners used a one-time-only \$2 coupon from the yellow pages. "The goal [with the yellow pages] is to get someone in the first time," says Calabrese. "Those [ads] last for an entire year, rather than a newspaper that's going to run it for a week or two." They are also important because a quarter of Nick's business is carryout.

Nick and his team have decided not to spend money on broadcast advertising. "Radio and television are very expensive, and we're still a small company," says Adams, Sarillo's business partner. "More traditional advertising like coupons in newspapers and the ones you get in the mail, they're extremely indirect. They just kind of shotgun them out to everybody."

Sarillo has another unique marketing tool that is popular with both staff and customers. When servers start on the job they get their own box of 100 business cards which they can hand out as personal coupons simply by writing: "come into Nick's for a free munchie." Sarillo tells servers to give them to people who've been particularly kind, or "created a moment of magic," as he describes it. He himself recently gave a "moment of magic" card to a janitor at nearby Elgin Community College who walked him across a parking lot to help him find a building.

Finally, Nick's gives tours of its kitchen to local groups like the Boy Scouts and Girl Scouts—and even lets the kids make and eat their own pizzas. Before they leave, they get a bag of Nick's signature peanuts (with the carryout menu) to take home. "It really connects the child with Nick's pizza," says Calabrese. And it leaves them begging mom and dad to take the whole family out to dinner there—over and over again.

If you have questions about the restaurant business for Nick Sarillo or his business partner, Chris Adams, you can write to them at: www.nickspizzapub.com

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