SEVENROOMS

Revenue Management:

A How-To Guide for Restaurants

Introduction

The last few years have been undeniably challenging for the restaurant industry. However, we're not here to dwell on that. Instead, we're here to give you actionable strategies for building resilience in the years to come.

Resilience begins with revenue management, which powers informed business decisions that can protect your restaurant and promote its growth. In this guide you'll learn how to use data to make the most of every table and each guest to maximize revenue. You'll also learn how to implement these tactics within the SevenRooms platform.

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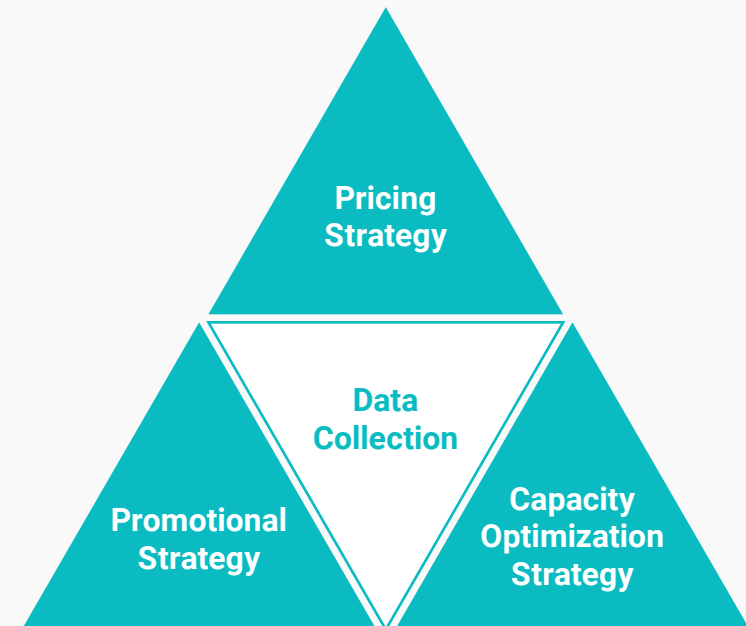# What Is Restaurant Revenue Management?

What Is Restaurant Revenue Management?

Revenue management is the practice of using data to forecast customer behavior and optimize pricing, marketing and availability to maximize sales.

Restaurant revenue management starts with data collection. By leveraging technology to capture valuable guest data, you can make informed decisions about **pricing, promotions and capacity optimization.**

When implemented properly, revenue management will help your restaurant:

- ✔ Maximize direct, commission-free covers
- ✔ Increase lifetime guest spend
- ✔ Improve seat utilization and profit margins
- ✔ Reduce no-shows and cancellations
- ✔ Enhance the overall guest experience

Pricing Strategy

Data Collection

Promotional Strategy

Capacity Optimization Strategy

Data Collection: Laying the Foundation for Revenue Management

The first step in creating an effective revenue management strategy is to gather data about your restaurant's guests and operations. Utilizing technology like your reservation and online ordering platforms, CRM, POS and email service provider, operators are able to build a database that is robust, centralized and actionable.

Essential Data to Gather

Kickstart your data-collecting efforts with these 7 core data points:

Cover Counts (Daily & Over Time)

Party Size Mix

Turn Times

Booking Channel Mix

Spend per Booking Channel

Waitlist Quote Accuracy

Cancellation & No-Show Rates

Additional Data to Consider

Expand your revenue management strategy by incorporating these 4 additional data points:

Online Ordering Customer Location
Track where your pickup and delivery orders are coming from.

Customer Preferences
Understand your clientele to personalize your marketing efforts.

Guest Feedback via Post-Meal Survey
Keep a pulse on customer relations by automatically sending post-meal feedback surveys.

Wait Time
Track how efficiently your walk-in guests are being seated, and reduce waitlist abandonment.

Restaurants capture 8,725 new email addresses and associated customer preferences in their first 12 months with SevenRooms, on average, which accounts for **60% of all of their bookings.**

The 3 Pillars of Data-Driven Restaurant Revenue Management

In order to effectively maximize your restaurant's revenue, you'll need to lay a strong foundation with data collection and build upward with a three-pronged approach that includes:

Reservation Book Optimization

Pricing & Payments

Marketing & Promotions

Book Optimization: How To Turn Your Reservation Book Into a Money Maker

Your reservation book isn't just a calendar. It's a powerful tool that can be sharpened in order to increase profits and enhance the guest experience. **Book optimization** means improving your online reservation channels, floor plan and table capacities to **maximize inventory utilization.**

Booking Channel Optimization

Diners have more ways than ever to reserve a table at a restaurant: in person, over the phone and online via direct and third-party booking platforms. For restaurants, each channel comes with its own costs including admin time, commission fees and software licenses. That's why, for operators, it's critical to make sure these channels are working for you.

Are Your Booking Channels Working for You?
Consider these questions to find out:

- How much does it cost to acquire new customers on each channel?

- How does lifetime guest value compare per medium?

- How are bookings distributed among these channels and does this distribution support our business goals?

- What kind of guest data can we access through each booking channel?

3 Ways to Optimize Your Reservation Book

1. Prioritize Direct Booking Channels

Drive guests toward the most cost-effective booking channels. Strategically place links to your direct booking channel across your website, Google My Business listing and social profiles, and pay third-party commission fees only when you need more traffic during harder-to-fill time slots.

2. Limit Small Capacity Tables to Avoid Under-Selling

Maximize table capacity during peak hours. Avoid under-selling by reconfiguring your reservation book so that smaller parties are prevented from occupying larger tables during or just before primetime.
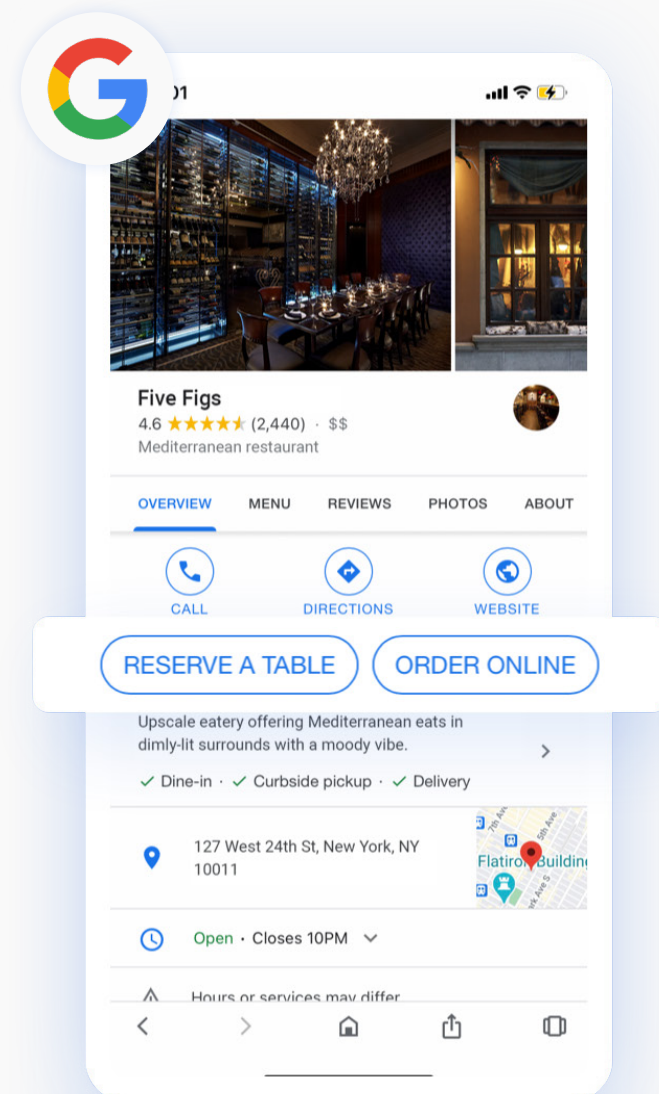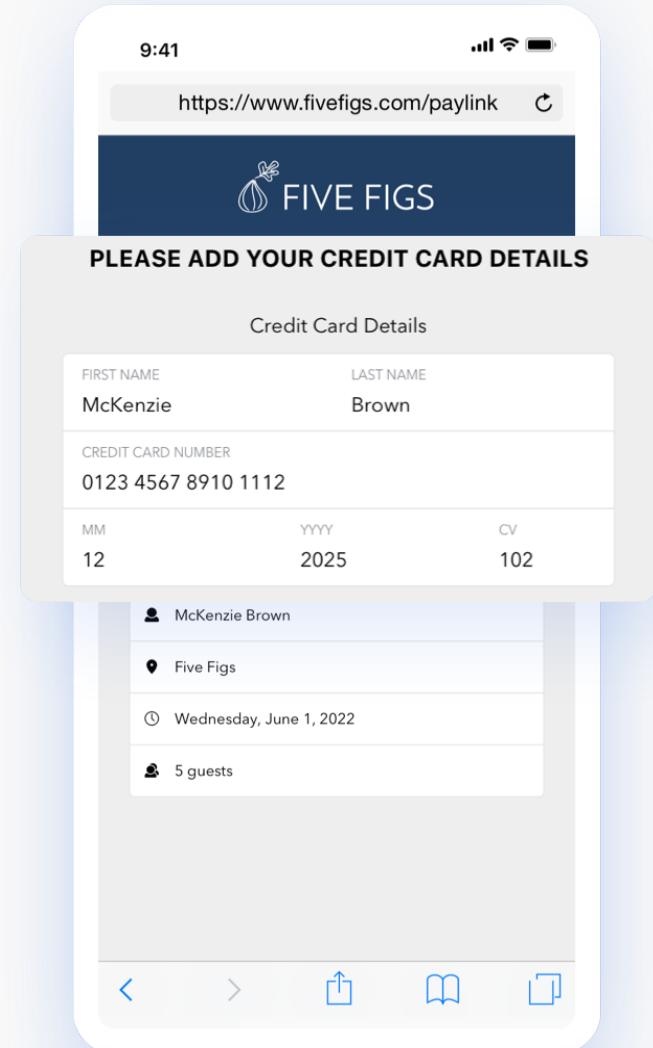
The 3 Pillars of Data-Driven Restaurant Revenue Management

3. Make Guests Feel Invested

No-shows mean lost revenue and create a frustrating experience for guests and staff alike. Avoid surprises at peak times by asking guests to put their card on file or make a reservation deposit. When guests are invested in their bookings, they're more likely to show up or to cancel within the refundable grace period, giving you enough time to refill those tables.

SevenRooms offers a direct solution that charges zero commissions and gives you full ownership of the entire guest journey. With robust reporting tools and streamlined payments, optimizing your reservation book has never been easier.

Floorplan Management Optimization

Keeping tables full and turning optimally is the second key component of book optimization. **Consider these questions before diving into this topic:**

- Which seating areas and/or tables should we block for reservations?

- Which ones should we leave open for walk-ins?

- How should we configure online reservations?

- How long does it take for parties to dine?

- What's the maximum number of guests we can serve at once?
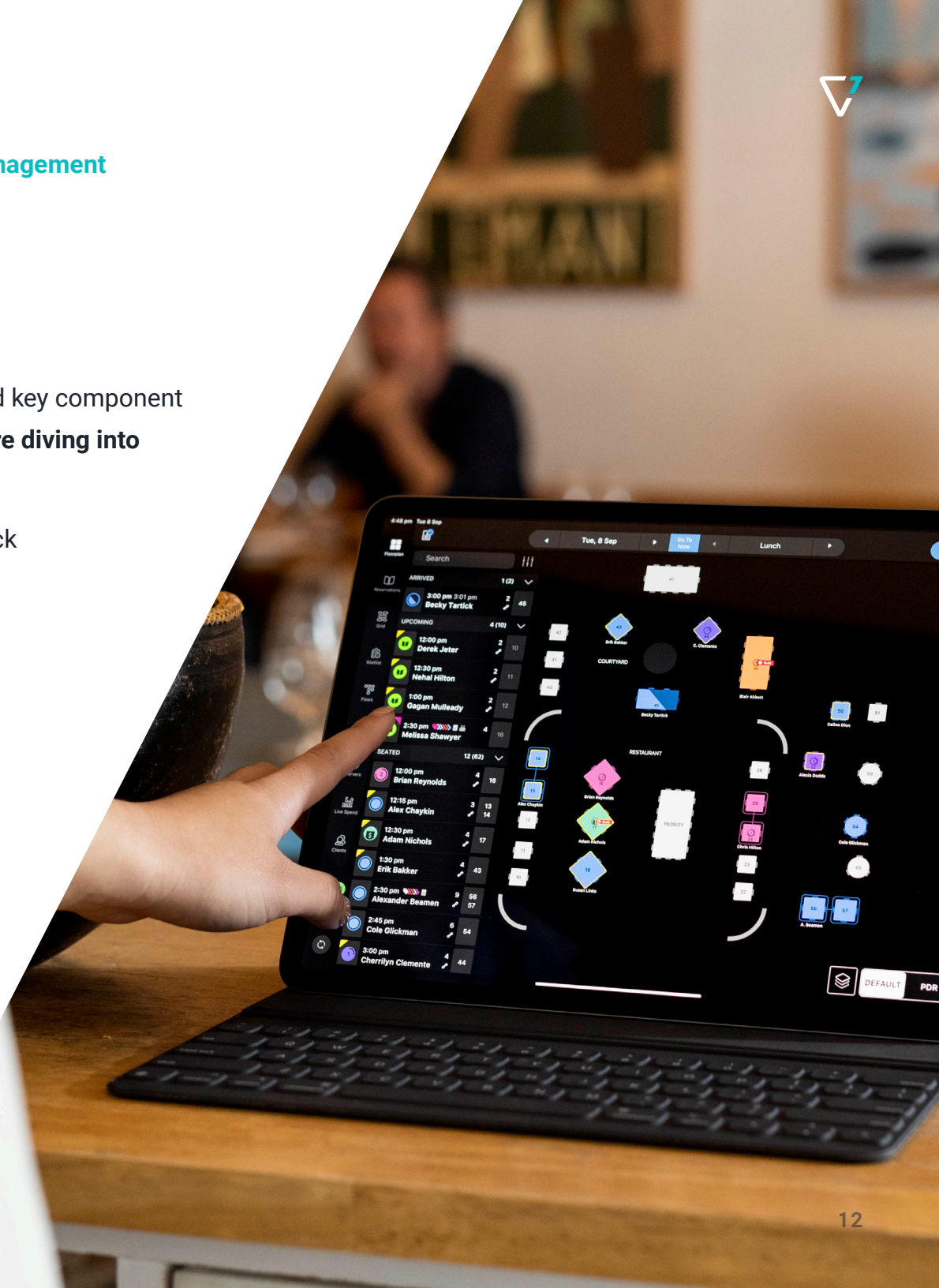
3 Ways to Optimize Your Floorplan

Follow these best practices to make the most of your tables and floorplan.

1. Monitor Turn Times

Closely examine how your reservation slots compare to how long parties spend at tables. If there's misalignment, update accordingly to get as many covers in seats as possible.

PRO TIP

By monitoring and adjusting their turn times, this 90-seat restaurant with an average guest spend of $50 was able to generate nearly $6,000 of additional daily revenue. That's $1.8M per year – a staggering **33% increase in revenue.**
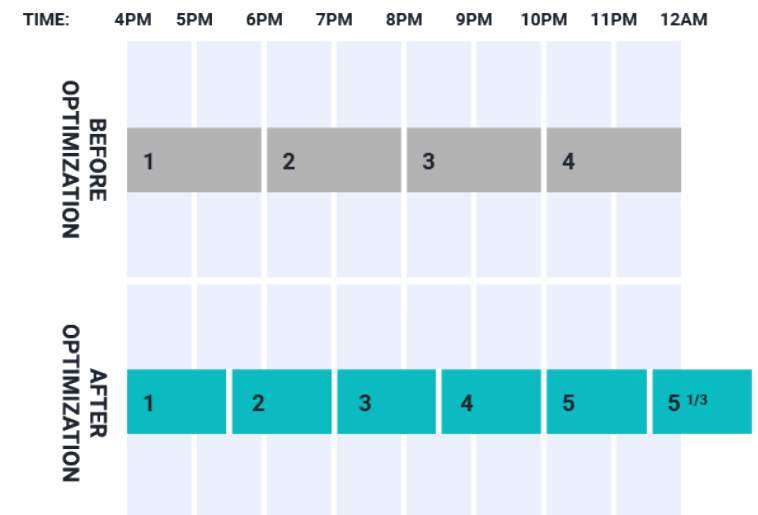
2. Limit Small-Capacity Tables During Primetime

Another way to maximize how many guests you can serve is to prioritize large parties during peak hours. As with the other floorplan optimization strategies presented here, even **incremental changes can yield tangible results.**

PRO TIP

By preventing parties of 2 from occupying this 4-top during primetime, this operator not only saw an increase in check size during peak hours; they managed to push the more in-demand two covers to a later time slot. As a result, they **boosted their nightly revenue by 90%.**

	6PM	8PM	10PM	REVENUE GENERATED
BEFORE OPTIMIZATION	●	●		$400
AFTER OPTIMIZATION	●	●	●	$760
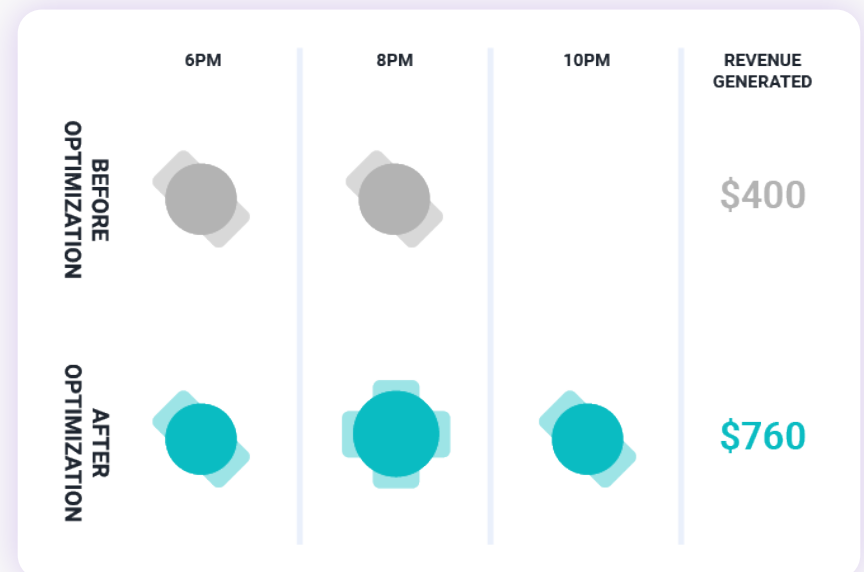
3. Leverage Automation

Where you seat guests matters. However, even when you've optimized your reservation book and have access to guest data, knowing where to put diners can be challenging. Just like how in chess every move creates a different end result, every seating assignment can lead to a greatly different outcome in terms of revenue.

PRO TIP

Lean on your technology partners to do the hard work for you. SevenRooms' <u>auto-assign seating algorithm</u> reviews more than 10,000 combinations per second to find the best fit for every guest.
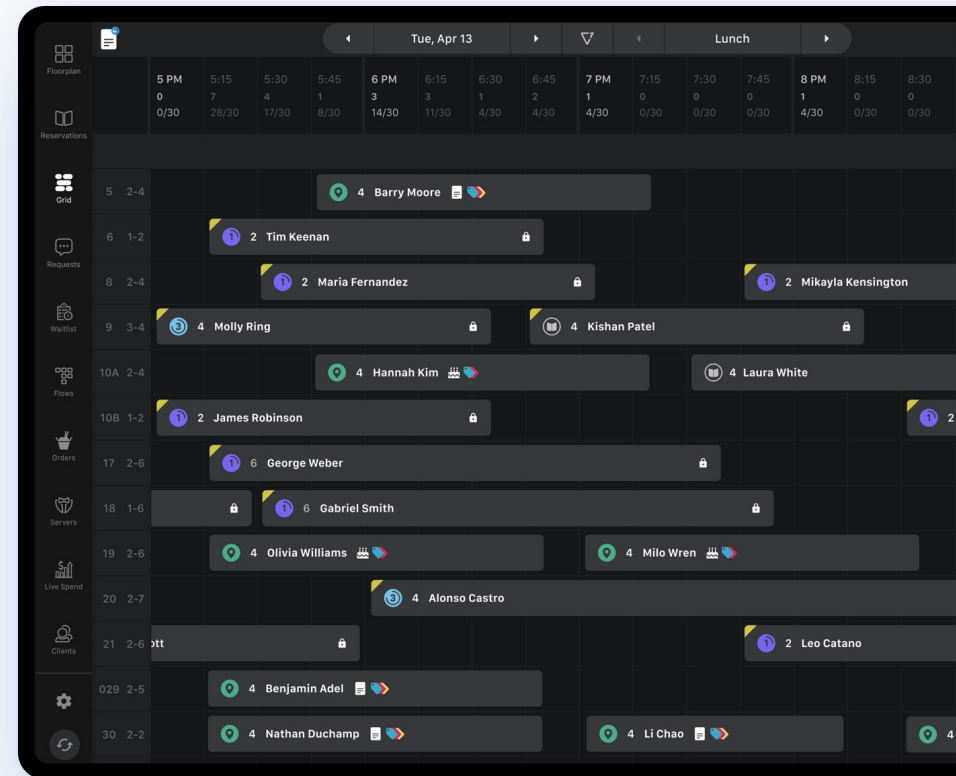
3 Basic Rules for Book Optimization

Rule #1:

Restaurant's Website Availability **>** 3rd-Party Availability

Rule #2:

Free Direct Booking **>** Paid 3rd-Party Booking **>** Empty Seat

Rule #3:

4 Filled Seats **>** 2 Filled Seats **>** Empty Table
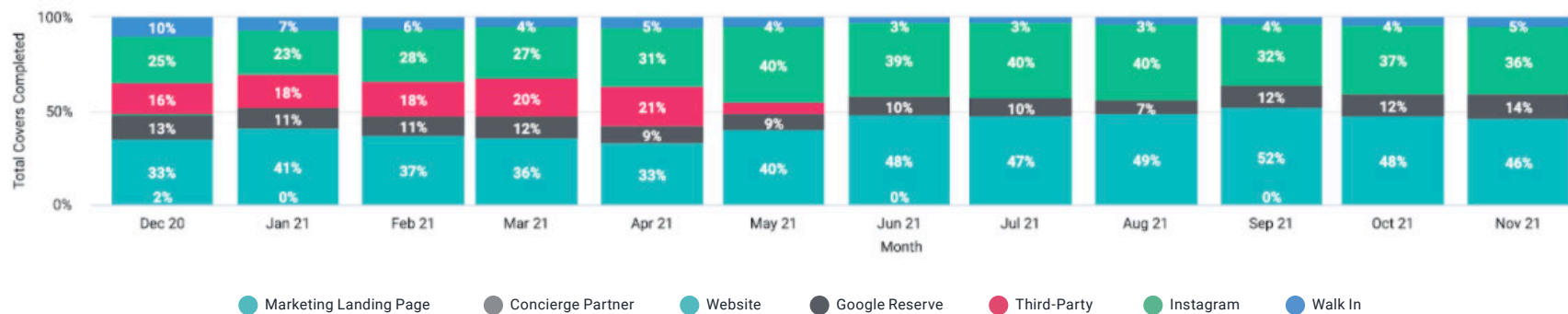
Full-Service Spanish Restaurant Leverages Book Optimization to Reduce Third-Party Reservations to Zero

Reservation Channel Distribution by Month

How they did it:

1. Removed outdoor availability from third-party channels, while letting direct guests choose where they'd like to sit.

2. Removed third-party channels from their Google My Business profile, keeping it powered exclusively by SevenRooms.

3. Updated pacing settings to allow more guests to book tables.

4. Ran a #BookDirect automated email campaign to teach guests about the importance of booking through direct reservations channels.

Pricing & Payment Policies: Incremental Changes Lead to Incremental Revenue

While reserving tables for guests has been a courtesy for decades, it's time for restaurants to start placing a value on this service. **With an effective pricing and payments strategy for reservations, your restaurant can:**

- ✔ Avoid cancellations and no-shows
- ✔ Maximize profits ahead of reservations
- ✔ Increase guest spend
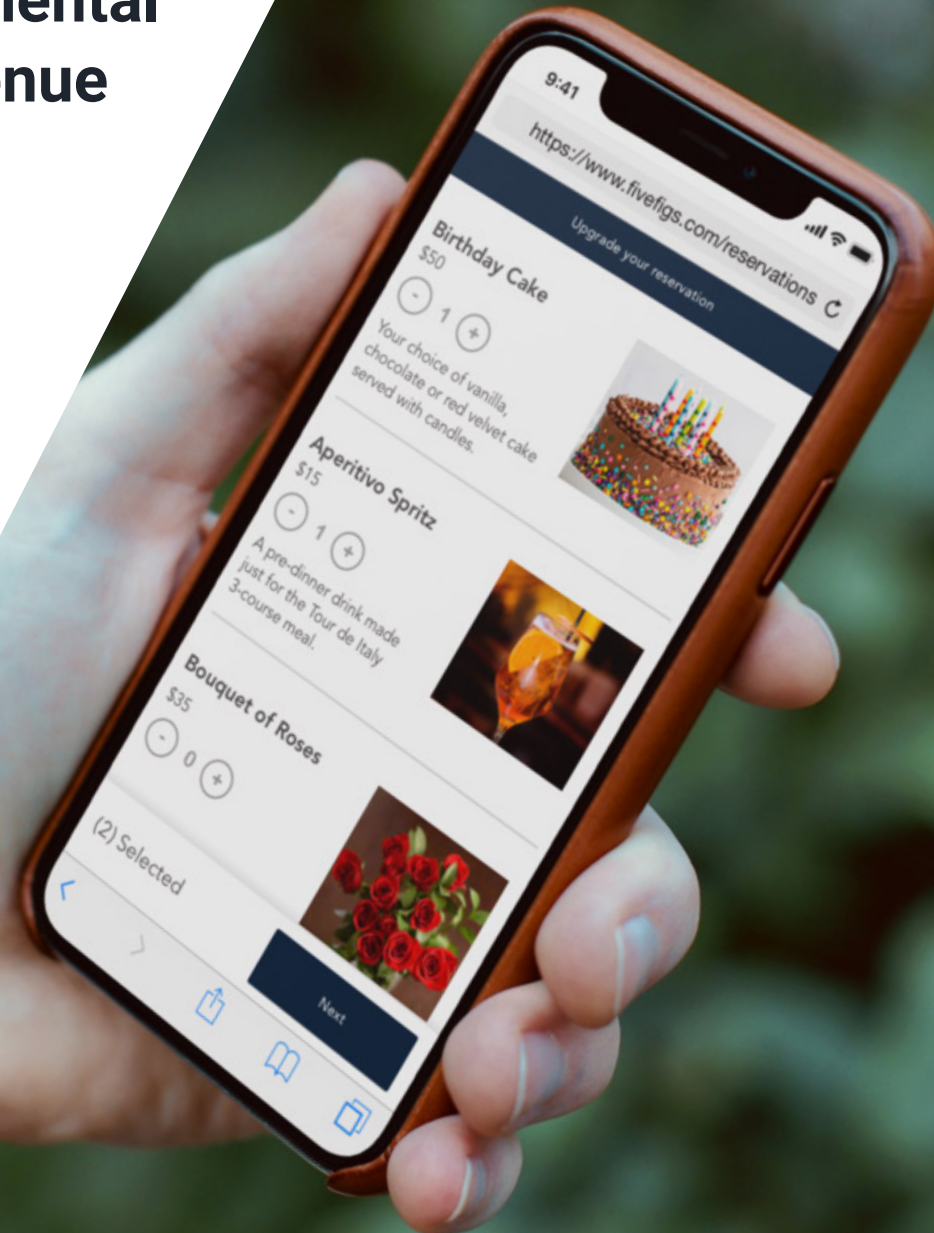
3 Ways to Drive Additional Revenue

SevenRooms makes it easy to implement the following revenue-boosting strategies:

1. Offer Upgrades & Add-On Experiences

Add-ons like a birthday cake or bouquet of roses create incremental revenue for your business and reduce the likelihood of cancellations or no-shows. Instead of waiting for guests to make these requests, proactively offer upgrades, upsells and special experiences by making them part of the booking experience.

With SevenRooms, you can collect prepayment online for things like tasting menus, birthday packages, premium seating and more.
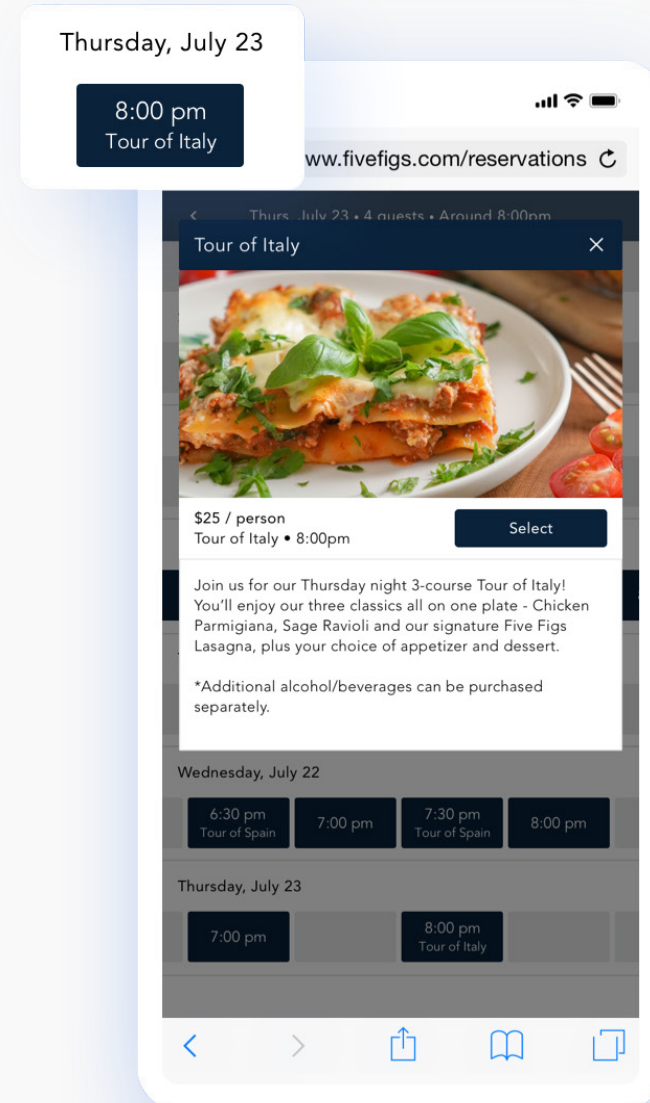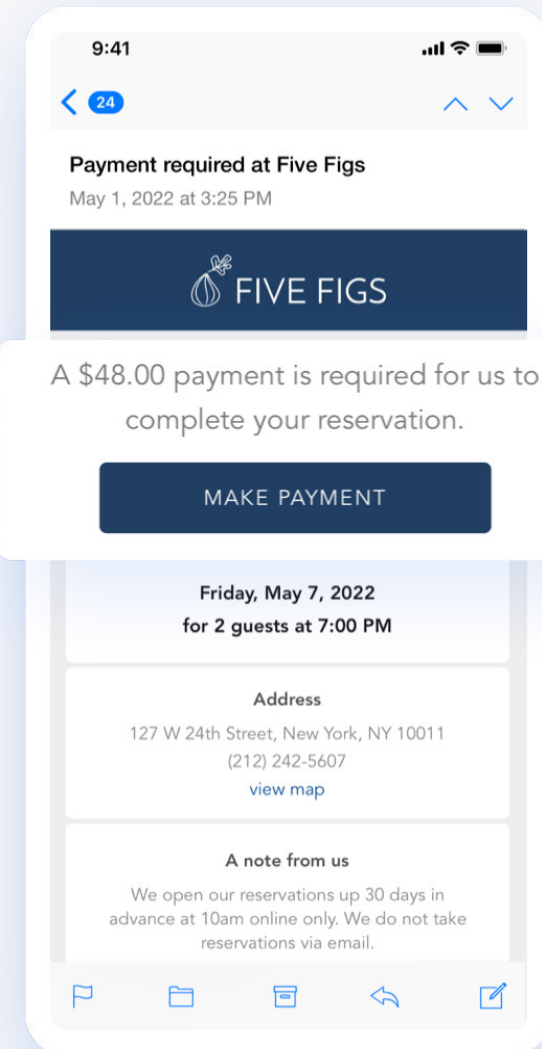
2. Require Reservation Deposits

Requiring a credit card hold or reservation deposit will make them more likely to show up or cancel within your grace period. And, if they don't show up, you keep the deposit, which helps you mitigate those lost sales.

After implementing a 50% prepayment deposit through SevenRooms, Gurney's Beach Club, part of LDV Hospitality, **reduced its no-show rate to 0.01% and was able to double its annual revenue.**

3. Implement Credit Card Holds, No-Show & Late Cancellation Fees

In addition to requiring deposits for reservations, you could charge fees for no-shows and late cancellations. These policies deter no-shows and incentivize guests to cancel with enough time for you to fill the table.

SevenRooms helps you enforce these policies without lifting a finger by automatically charging fees when parties don't show up or cancel in time. You can customize your settings so that fees apply for certain party sizes and/or during peak times.
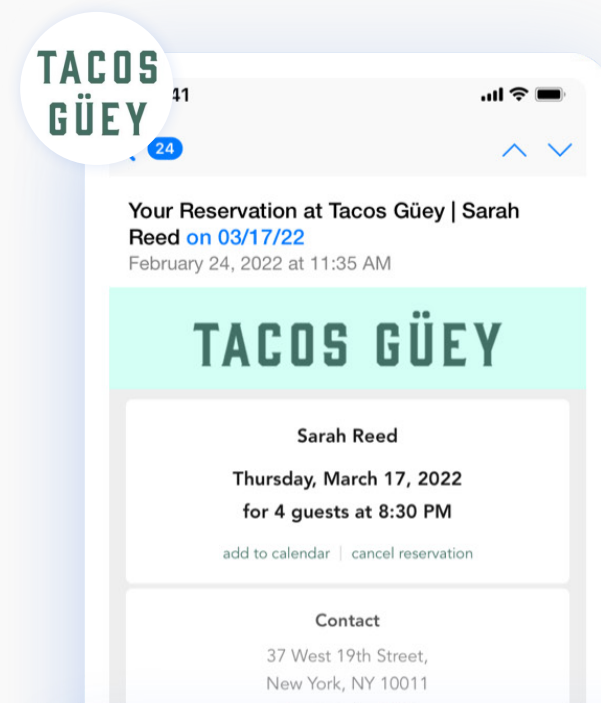
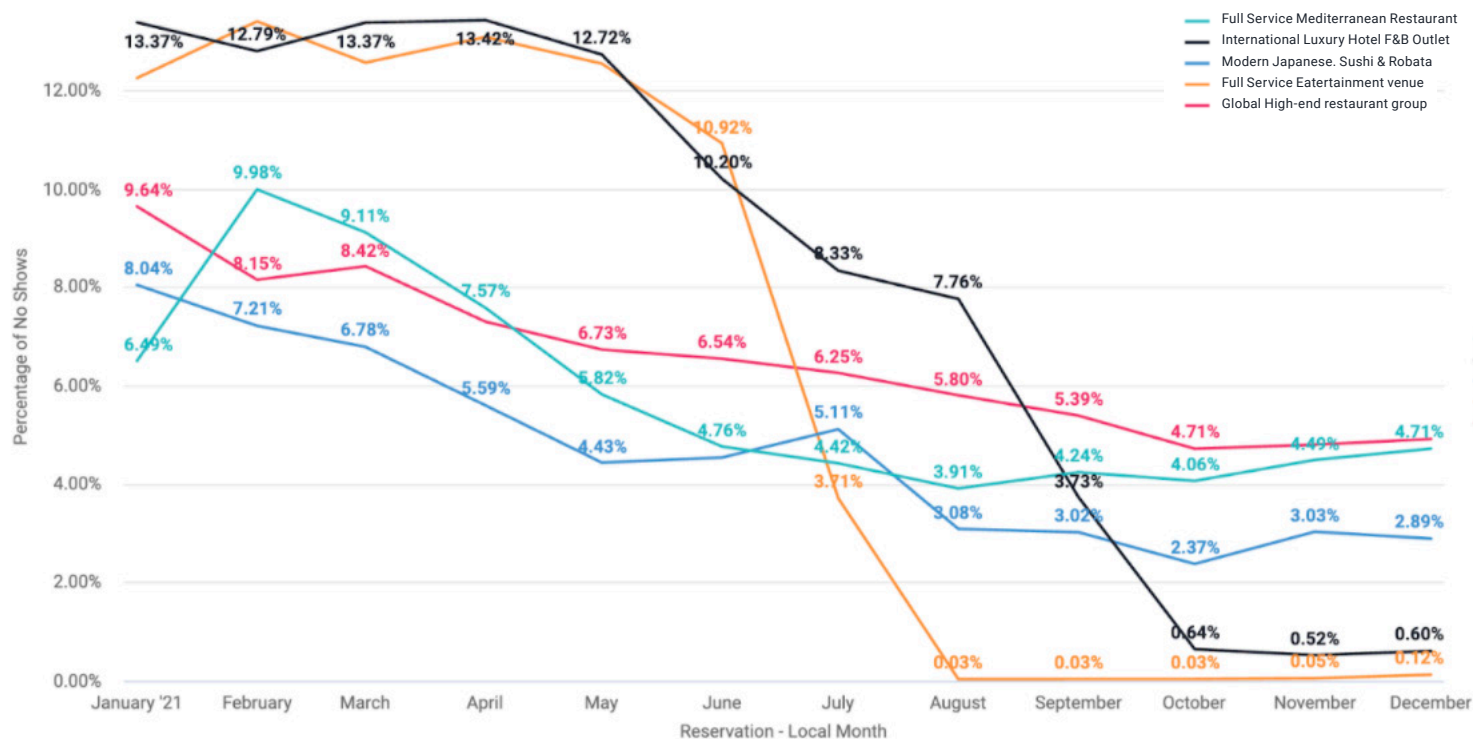# Requiring Payment Information Reduces No-Show Rates for Major Restaurants

Several SevenRooms clients introduced deposits and no-show fees for reservations. Within months of these new policies, no-show rates dropped to less than 5% for the restaurant clients and plummeted to less than 1% for the hotel and entertainment clients.

# Marketing & Promotions: Drive Revenue at Every Guest Touchpoint

Marketing and promotions are a critical part of restaurant revenue management. Implement these marketing best practices through every touchpoint of the guest journey to attract first-time diners and turn them into regulars for life.

1. Influence Loyalty With Automation

Promoting your business is time-consuming, but automation can help. With marketing automation from SevenRooms, you can identify, segment and communicate with your guests at scale – with just a few clicks.

2. Collect Feedback

Online reviews don't give you objective insight into the diner experience. Request guest feedback after every meal and takeout order with automated email surveys. SevenRooms lets you automate your responses so you can thank your promoters and win back detractors.
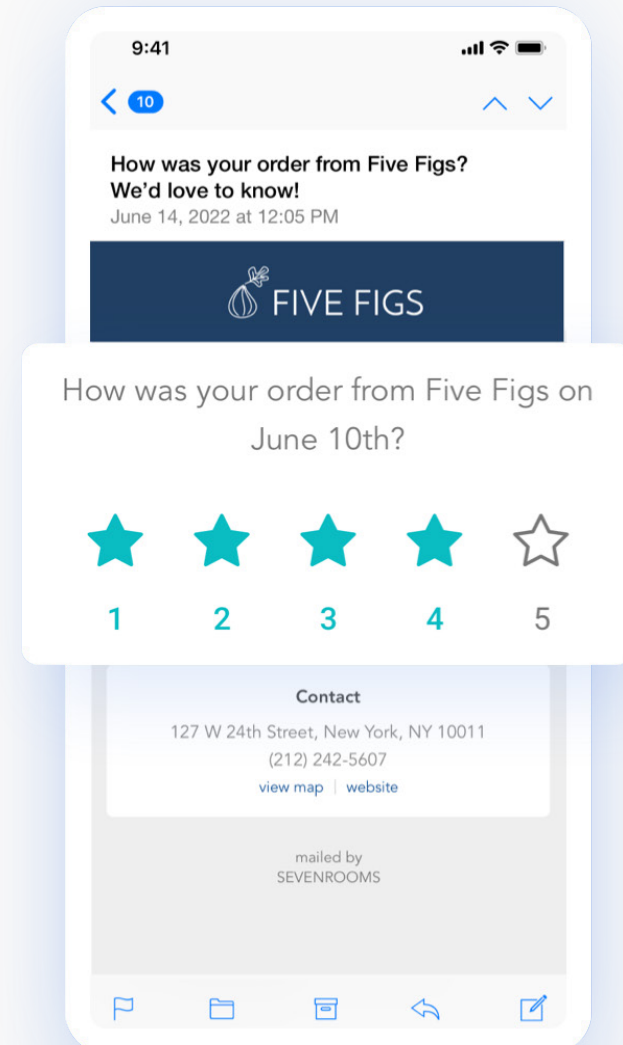
3. Stay Top of Mind With a Newsletter

Leverage email marketing to let guests know about menu updates, seasonal offerings and promotions. Don't forget to share links to your direct reservations and online ordering pages in every email.

4. Stimulate Demand With Promotions

Use promotions, like happy hour, to stimulate demand during slower periods. During happy hour, drinks and bites are usually offered at reduced rates to generate business before the dinner rush.

If you're looking for a less conventional promotional tactic, take inspiration from Bangkok's Goji Kitchen + Bar on the right, which discounts meals by up to 50% during late seating times.
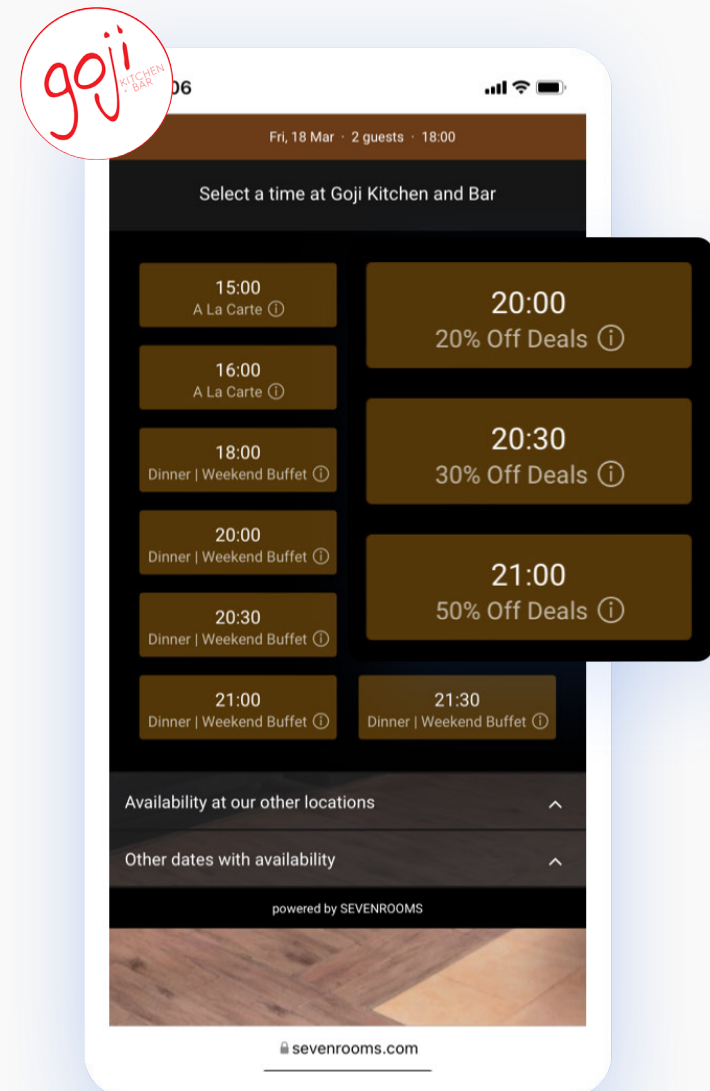
Marea

$76K
Saved with Direct, Commission-Free Covers and Orders

$400K
On- and Off-Premise Revenue Generated by Automated Marketing Emails in 2021

$160K
Guest Receiving Personalized Marketing, Automatically

> We cut third-party fees by 50% by choosing a vendor that doesn't charge per cover fees for reservation booking. On top of that, the SevenRooms platform gives us a competitive advantage in the market. It powers our team with valuable, real-time data that enhances our guest experience and supercharges our marketing efforts at the same time.

Arthur Li,
CFO, Altamarea Group

Revenue Management Cheat Sheet

Revenue Management Cheat Sheet

Now that you understand the pillars of restaurant revenue management, **here are several strategies you can easily implement with the help of SevenRooms:**

- ✓ Restrict small parties from large tables during peak times.

- ✓ Increase turns on large party tables.

- ✓ Pay for bookings only when you need traffic. Otherwise, stick to commission-free, [direct bookings](#).

- ✓ Proactively offer prepaid upgrades and add-on experiences to every guest.

- ✓ Eliminate no-shows by requiring payment information to book tables.

Conclusion

Restaurant revenue management starts with data. Find a restaurant technology partner, like SevenRooms, that is transparent with your data and gives you full autonomy to leverage it.

After reviewing your data, you'll have a better understanding of guest behavior and your venue's capacity and can get started with revenue management. Start small, then iterate. Kickstart your efforts with our five easy tips above.

After running these small experiments, create a roadmap for your ideal, full-scale revenue management strategy to hold yourself and your team accountable for seeing it through.

Ready to maximize revenue? [Get in touch with SevenRooms](#) for a personalized revenue management consultation.