October 2014

Looking Global, Acting Local

Executive Interviews

The Melting Pot has given guests more reasons to dip and dine, increasing frequency of visits and improving guest satisfaction.

On the cusp of its 40th anniversary, The Melting Pot has hit its stride as a mature, national brand—and now it's picking up the pace to become even more relevant in local markets and expand internationally. Mike Lester, president of The Melting Pot Restaurants, talks about the company's strategies for growth, marketing, and customer engagement. Since joining the company in 2006 as vice president of restaurant operations and then taking the helm as president in June 2011, Lester has witnessed the loyalty of guests who return to The Melting Pot year after year, as well as the passion and dedication of franchisees who choose to grow with the brand. One of his first missions was to answer guests' call for more reasons to visit The Melting Pot.

"There's a lot of brand affinity for The Melting Pot, but our loyal guests weren't visiting as often as we'd like," Lester says—or for that matter, as often as they would like.

THE MELTING POT RESTAURANTS

Headquarters: Tampa, Florida

Founded: 1975

Unit Count: 135, with three company-owned locations

2013 sales: $220 million

Average unit volume: $1.6 million

Average check: $40 per diner

How often do the same guests return to Melting Pot?

Even though guests tend to return year after year, the frequency of visits for our loyal guests was just 1.8 times per year. We realized our guests wanted more reasons to dine with us more often, and we've given them that. For starters, we introduced a new menu in January 2013 that makes it easier for diners to eat less than a four-course meal if they choose, and this gives diners reasons to come to The Melting Pot on an everyday basis. And the new menu has worked: Already, guest frequency has increased from just 1.8 visits a year to 2.3 visits, and the number is growing.

How has that impacted your average check amount?

Interestingly, our average check of $40 per person hasn't changed, and the average person still eats roughly 3.5 courses. Our most popular dishes are the cheese and chocolate fondue selections. Eighty percent of our guests order the cheese appetizer and 80 percent order the chocolate dessert—most restaurants would kill to have those statistics on appetizer and dessert orders.

Do your loyal guests fit a specific demographic profile?

We see people across all ages and demographics visiting The Melting Pot, and women love our restaurants. In fact, 85 percent of our guests are female, and even when there is a blended party, the dining decision is usually made by the females. Two-thirds of our guests are between the ages of 18 and 39, and 45 percent have children and sometimes bring the children with them. The average household income of our guests ranges from $50,000–$100,000, and 60 percent of our guests have a college degree.

How have you kept the brand relevant across decades and demographics?

Passive forms of marketing don't work as well as they used to. People are very interactive, now, and social media and Internet offers like LivingSocial and Groupon have had a big impact. However, while customers are looking for more reasons to dine with us, those reasons don't have to be in the form of discounts or coupons. About 18 months ago we brought in local marketing consultants: experts who would work one-on-one with our franchisees in their local markets, creating and customizing specific programs, which was largely a reaction to the competitive nature of our industry and the need for our restaurants to be able to compete more effectively in their local markets.

A one-size-fits-all corporate marketing strategy is not what we need. More importantly, promotional incentives need to be tailored to individual markets and interests. For instance, radio advertising is affordable in Tampa, Florida, but it’s too expensive in Philadelphia. We shift the marketing emphasis to be more effective and efficient in each market and to address each location. Some restaurants are freestanding or in small strip centers, and others are mall-based, and each restaurant and setting has a unique marketing need.

Can you share examples of some localized initiatives?

We’ve created a library of marketing tools that are off-the-shelf programs, which includes everything a franchisee might need, all encompassed in a single package—from ad designs, custom in-store collateral materials, and copy for social media and email messages to a schedule of what needs to be done to organize a program, everything needed to position and promote restaurants. The ads already exist and the software lets franchisees simply insert their addresses and the dates they are running the promotion.

For instance, one of our most popular programs is our Best Fondue Friends Forever—or BFFF—campaign, where we encourage friends to reconnect with one another over dinner at The Melting Pot—sometimes there is a promotional entrée associated with the campaign, and sometimes there is a beverage combined with it as well.

Another promotion that has proved very popular is one that helps expand service into a new daypart for the restaurants, which are typically only open for dinner. We invite families to bring their children in on Saturday and Sunday afternoon for a Fondue Fairytale event. Kids love dipping food in cheese or chocolate, and for little girls it can be princess-themed and for little boys the events are pirate-themed.

These are traffic-driving programs that we encourage franchisees to implement one or two times a month, except in February when the restaurants are focused on Valentine celebrations.

How many off-the-shelf campaigns have you created?

At last count we had 26 of these programs and we are always creating more. The ideas come from our franchisees as well as our marketing team; the bulk of them have come from the restaurants. None of these programs are about deep discounts or coupons; it's all about giving our guests more reasons to dine with us.

Have you measured results produced by these programs?

We track these off-the-shelf programs and we've seen really nice year-over-year increases in sales when restaurants implement them. We're primarily a franchise organization, but we have three company-owned restaurants in the Tampa area, and we use these company restaurants as laboratories for the rest of our system. We've tested these promotions and seen more than a 5 percent increase in year-over-year sales from 2012 to 2013 at each of our three company-owned restaurants. And year-to-date in 2014, two of our company-owned units are up about 10 percent over last year and the other company-owned location is up 5 percent.

Can you share the company's performance metrics?

Our 2013 sales were $220 million; we have a strong AUV that's approximately $1.6 million, which is strong for a dinner-only concept; and year-over-year we're seeing traffic count increases with sales remaining roughly even. Guest frequency is coming up a little bit, as I mentioned, and our guest metrics are going up considerably thanks to the menu innovation and local marketing efforts.

We track customer feedback such as intent to return, intent to recommend, perception of value—a number of key metrics that figure into whether guests are going to come back. On every single one of our primary guest metrics, we are at a five-year high—and since we introduced that new menu in January 2013, the perception of value companywide has jumped more than 6 percent. That is especially impressive because perception of value was a number that had remained unchanged in the five years leading up to the introduction of the new menu. All of our customer-satisfaction metrics—food quality, taste of food, quality of service—are at a five-year high, and we think there is potential for these numbers to go much higher.

Do you have projections for 2015?

We are being cautious on domestic growth. We have one unit slated to open in the U.S. in the coming year, but we have strong interest for growing domestic locations in select markets, and our lead flow for franchisees is very strong. In fact, it's never been stronger. We're seeing tremendous inquiries for domestic opportunities, but we want to approach our growth cautiously because The Melting Pot is not a concept that can oversaturate markets.

Internationally, we have a tremendous amount of growth underway. We started international expansion in 2010 when we opened a location in Edmonton, Alberta. Now, we have three units in Mexico and another 25 international locations under development. Seventeen restaurants are underway in the Middle East and five are being developed in Indonesia. Three are due to open this year: one in Dubai, UAE; one in Saudi Arabia; and one in Indonesia. We have great synergy and brand affinity in international markets—other countries love the interactive experience and that the brand is not like any other.

How did you select international markets?

We conducted research, went to international markets, and met with franchise experts and restaurant experts. We tested the brand and the concept with focus groups, and they reported where they saw the best opportunities for The Melting Pot. We got our feet wet with Canada and Mexico because of their close proximity, and then we started interviewing candidates from around the globe. We've selected great partners and are excited about these partnerships.

The Melting Pot owns the fondue niche in upscale dining, and it's a very specific kind of dining experience. How does this experience translate to today's consumers who are often time-starved and focused on virtual communications?

Fondue is a very communal experience. You don't see our diners picking up their cell phones and checking the Internet. Fondue forces people to connect with one another—and that's a positive. The length of stay varies widely among guests. For the most part, our guests like to linger: A party of four may stay for two or three hours, although guests can be in and out in an hour and a half if they prefer.

Communal dining is a hot trend. are there other trends that you are seeing at the Melting Pot?

The biggest shift, as I mentioned earlier, is that our guests are visiting more often—not just a couple of times a year, but in some cases one or two times a month. We helped drive that with the new menu introduced in January 2013, and we're also creating ways for our franchisees to use local ingredients, which is in response to the industry trend toward localizing the menu.

How do you manage the integrity and consistency of a national brand, but allow the freedom for localizing menus?

We have a responsibility to provide a consistent experience for our guests at every Melting Pot location—but that doesn't always help us compete in local environments, so we're allowing and encouraging our franchisees to add items to their menus that have local significance. For instance, in Maryland, our restaurants offer Old Bay specials highlighting the region's love of Old Bay seafood and seasoning.

Beginning this month, half of the cheese fondues we offer will reflect favorite local flavors. It's unusual for a national brand to bring so much local significance to the menu, but we're doing it to be more competitive in each local environment. We already have 168 choices for localization that franchisees can select from, and they can make recommendations for additional options.

And whenever possible our franchisees purchase local fruits and vegetables and buy from farms in their areas; we highlight this in our messages.

Do you help local franchisees understand how to identify the best places to source foods?

On a national level, we use a third-party agency to inspect and audit factories and farms that we purchase from. And now, we are empowering our franchisees to source locally. We've given them specific steps to follow, and they have to submit an application for new suppliers. Also, when they have a new recipe they want to put on the menu, they submit it for our review. And this way, we maintain consistent quality across the brand.

Of the 135 locations you have, how many franchise partners do you have?

Several locations have multiple partners. For instance, one franchisee has interest in nine locations, but he owns 100 percent of just one location. It's hard to put a number on it, but out of 135 locations, I expect we have around 100 named franchisees and probably another 50 or so minority partners.