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**Research**

# CRM at Hard Rock Cafe: Improving Customers' Experiences

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A finalist in Gartner's CRM Excellence Award, Hard Rock Cafe exemplifies customer relationship management success in the international dining, entertainment and music industry in the small-to-midsize enterprise category.

## WHAT YOU NEED TO KNOW

Hard Rock Cafe understood that CRM is a strategy involving the whole business and, therefore, approached CRM at an enterprise level, which few companies have done so far. It also focused on improving the customer experience. Customer responses to interactions with an enterprise should be valued. Ensuring that customer experience keeps up with customer expectation means obtaining and acting on feedback, a task that is alien to many enterprises. We urge other enterprises to approach CRM at an enterprise level, place a high value on obtaining feedback, at both a relationship-planning and a customer interaction level, and ensure that the feedback is coordinated and used at all levels of the enterprise.

## CASE STUDY

Hard Rock Cafe (HRC) is a 30-year-old international dining, entertainment and music company with $400 million in revenue, with more than 100 cafes in more than 41 countries. Every HRC offers a unique experience, from specific memorabilia that pays tribute to legendary and new musicians, to authentic, collectible merchandise that reflects the spirit of the city in which the cafe is located. HRC offers high-quality American fare and great service in a high-energy music atmosphere.

### Problem

While 30 million customers visit HRC annually, until recently it had a database of fewer than 10,000 names and no ability to contact or service its customer base. The fundamental problem (really an opportunity) was that HRC was not strengthening its relationships with guests to drive them to local cafes. In the past, up to 71 percent of customers visiting HRC were nonlocal. It had a lack of technology to collect and analyze customer information, no customer differentiation or segmentation, and no relationship building with the customer; it had transaction data only, such as items purchased and amount spent. It had no method to solicit, capture and respond to customer feedback. It needed tools to effectively manage cafes based on actual customer experiences. In addition, it lacked formalized customer service. Customer service was disjointed, roles and responsibilities were not clearly defined, and standards for customer communications and corrective actions were lacking.

### Objective

To improve, HRC launched a customer relationship management (CRM) program. Its CRM vision was to create a large, loyal, valuable customer base by engaging customers in frequent dialogue. The goal was to better understand behaviors and preferences in order to strategically target communications to each customer segment, ultimately gaining increasing revenue per customer in cafes and online.

Its CRM objectives included:

- Enable enterprise management of customer relationships vs. "cafe level" management of customer transactions

- Make the customer experience seamless and remember the customer without being intrusive

- Retain and deepen the customer relationship

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- Increase the strength of customer relationships between restaurants, hotels, casinos and the Web site

## Approach

Based on its CRM objectives, HRC defined its CRM project scope and requirements and used a core CRM team of 10 to carry out its CRM vision (see Figure 1).

**Figure 1. CRM Project Team**
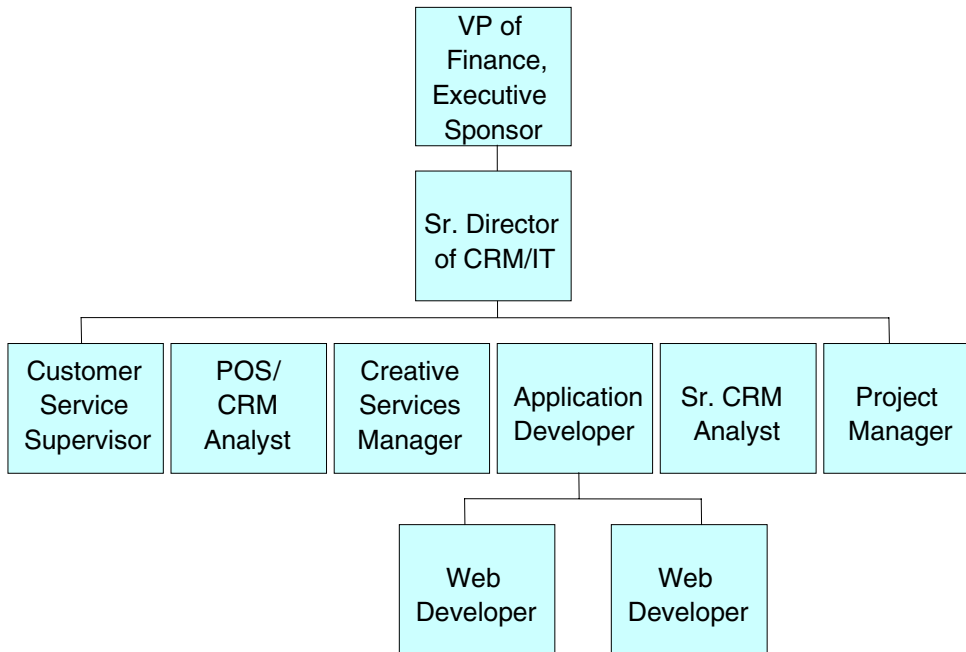


**Source: Hard Rock Cafe**

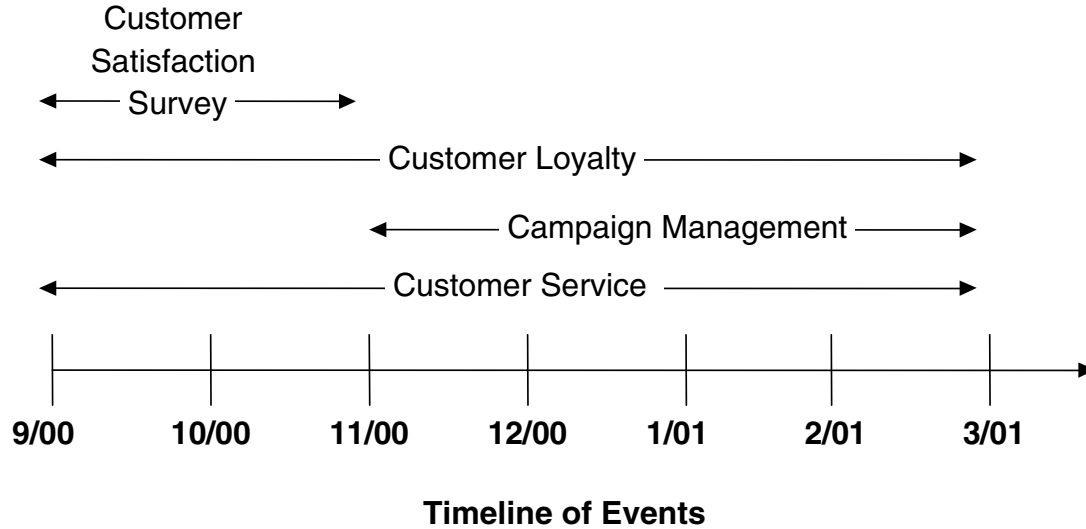The project team's CRM strategies included:

**Strategy 1:** Solicit input from customers to find out how they perceive HRC and measure the quality of the customer experience in the cafes.

**Strategy 2:** Create membership programs to respond to customer wants and begin to build relationships with loyal groups of fans. The strategy included collecting data and building membership numbers in a single customer database.

**Strategy 3:** Build partnerships and take advantage of cross-marketing opportunities with established retail and e-commerce enterprises to expand HRC's audience and Web site traffic and grow the membership programs.

From strategy development came four tactical initiatives (see Figure 2).

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**Figure 2. Project Schedule**



Customer
Satisfaction
← Survey →

←———————— Customer Loyalty ————————→

←——— Campaign Management ———→

←——————— Customer Service ———————→

9/00    10/00    11/00    12/00    1/01    2/01    3/01

**Timeline of Events**

Source: Hard Rock Cafe

**Project Tactics and Results**

*Customer Satisfaction Survey*

*Tactic:* Implement a method to provide management with customer feedback on a timely basis. Coordinate with financial managers to tie customer survey results to quarterly incentive pay for cafe managers. Cafe management is to be made responsible for overall customer satisfaction survey performance, including direct response to low scores and staff recognition of excellent results.

*Results:* In November 2000, the customer satisfaction survey was launched (Web-based or Web kiosk in selected cafes). To date, HRC has collected 90,000 surveys from its customers. Through the dynamics of the application, it is able to identify customers' demographics, their preferences and overall experience. In addition, 30 percent of those filling out the survey have returned to the cafe (tracked by the redemption of a $5 gift card, a reward for completing the customer survey), giving HRC the ability to build rich customer data.

*Customer Loyalty*

*Tactic:* Provide the ability to tailor Web-based and e-mail marketing campaigns to customers to spark interest in sales and create loyal customers. Loyalty will consist of two major programs: HRC All Access program, a program that will entitle members to certain benefits, such as discounts and first available preferred seating at cafes; and the Pin Club, for those who collect HRC pins and want to be part of this club. Loyalty programs will provide HRC with the ability to identify its customers and market more toward their liking. They will reward customers and entice them to buy. They will provide immediate notification of new items for sale, resulting in higher Web transaction volumes. Once the customer is enrolled in the programs, HRC will provide timely information to its CRM marketing team by generating accurate feedback from its systems, allowing it to measure the effectiveness of marketing communications.

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*Results:* Beginning in December 2000, HRC launched the All Access program, and it has enrolled 46,000 members to date. The company-sponsored Pin Club was launched in March 2001 and has enrolled 4,000 members to date.

*Campaign Management*

*Tactic:* Implement a state-of-the-art campaign management system that would provide HRC with the data to know its customers and use that data to drive traffic back to the cafes.

*Results:* HRC went through an extensive vendor and product selection process and chose products from E.piphany. E.piphany Marketing provided valuable measurements, including click-through rates on campaigns, total sales generated by loyalty in the cafes and online, frequency of visits by loyal members, demographic information by cafe (where people are coming from, by cafe), and online and loyalty sales by customer segments. These measurements are used to generate actionable data, such as which products to recommend to which customers, allowing HRC to develop relevant dialogue with its customers.

*Customer Service*

*Tactic:* Create a customer service organization that responds to inbound requests and provides Web sales support, loyalty membership relations and e-commerce order fulfillment.

*Results:* In October 2000, customer service made the transition from two administrative assistants and one Web support person to a centralized customer support team. Using E.piphany Service, HRC tracks e-mail and telephone contacts to ensure accurate and responsive customer interactions. E.piphany provides HRC with a single view of the customer, allowing customer information to be readily available to the customer service representative. HRC can report on call frequency, response times and subsequent behavior. Through the transition, it decreased service response times by 85 percent.

The technology used included an enterprisewide customer database housed in SQL Server 2000 and E.piphany Marketing for outbound campaign development and execution (see Figure 3). The system ties together customer opinion surveys, Web transactions, cafe transactions, cafe visits, gift card use and campaign response rates for analysis. E.piphany Service for customer service integrates the customer database and gift card data, such as available card balances, for customer segmentation and campaign targeting.

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**Figure 3. CRM Technical Environment**
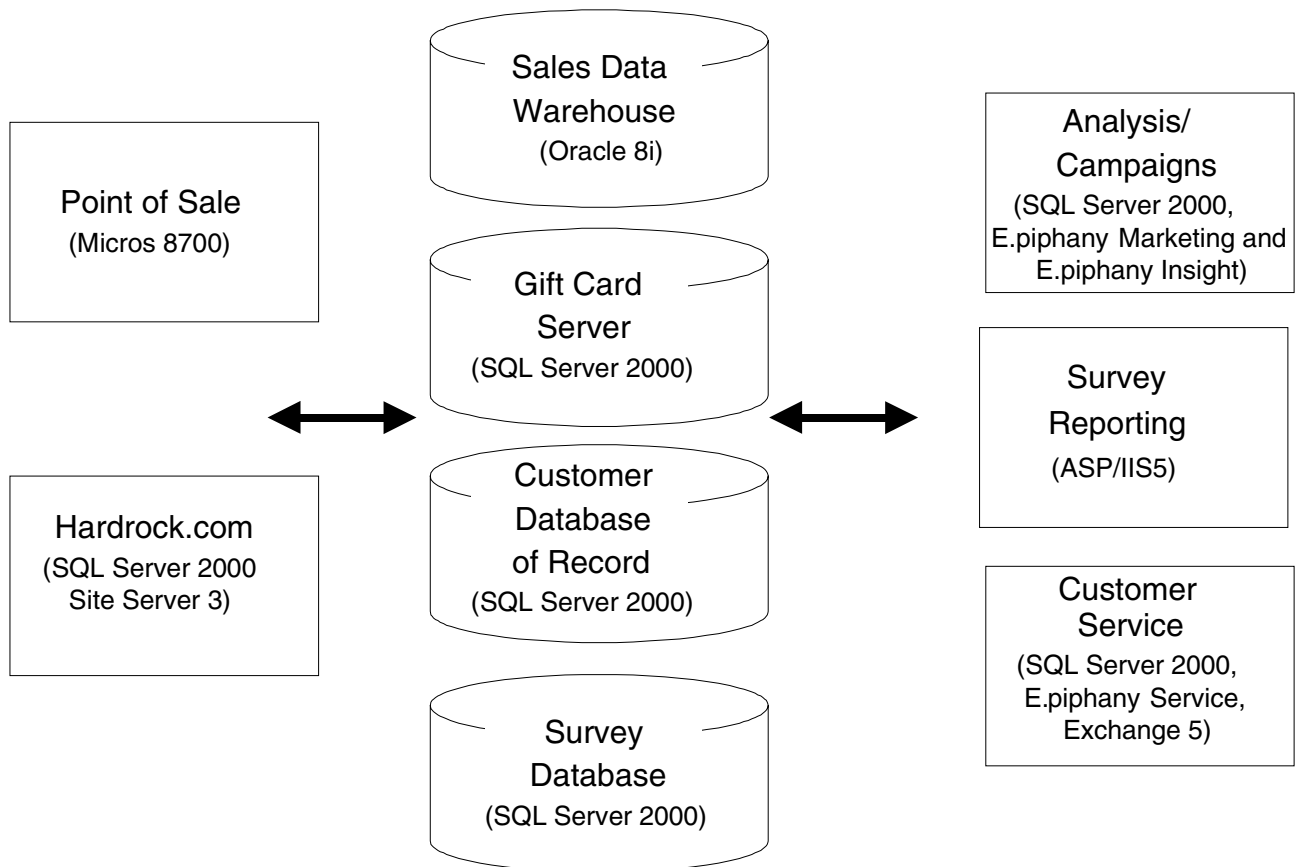


Source: Hard Rock Cafe

To measure the results, several CRM metrics were established, including:

- Customer experience ratings
- Cafe financial performance
- E-commerce financial performance
- Cafe visit patterns
- Issue resolution times

## Results

HRC has achieved great results to date from its CRM initiatives, including:

- It achieved a 100 percent return on investment for the customer satisfaction survey, campaign management, customer loyalty program and customer service investments.
- It fully recouped all CRM-related expenses within one year of implementation.
- To date, 90,000 surveys have been completed, with 30 percent redemption of the $5 gift card incentive, which equates to 30,000 repeat visits to the cafes.

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- It realized a 60 percent to 75 percent increase in Web sales on items highlighted in e-mail communications to Pin Club members.

- A typical campaign results in a 35 percent to 40 percent click-through rate back to Hardrock.com.

- HRC improved its overall customer service response times by 85 percent.

- HRC offers an enhanced customer experience. For example, members of the HRC All Access Club are entitled to benefits, such as: first available, preferred seating for cafe visits; food, beverage or merchandise discounts; and access to special promotions throughout the year. Members of the Pin Club can reserve new pins at the cafe before they are available for sale, providing a guarantee that HRC's most loyal fans can get the collectibles they want. Survey respondents are rewarded with a gift card just for participating. The gift card is an incentive to return to HRC.

- It has enhanced organizational collaboration, including changing internal processes, organizational structures and compensation incentives.

## Critical Success Factors/Lessons Learned

HRC addressed all eight building blocks of CRM (see "The Eight Building Blocks of CRM," DF-14-2111).

1. HRC had a clearly defined CRM vision.

2. HRC's vision was followed up with specific CRM strategies it executed.

3. HRC defined processes for gathering feedback from its customers and processes for servicing its customers.

4. HRC's CRM program included collaboration from throughout the organization.

5. HRC deployed CRM technology in a number of areas.

6. HRC's CRM program included developing a database of information about its customers and mining that data to improve customer relationships and increase revenue.

7. HRC focused on improving the customer experience by acting on feedback received from its customer surveys and offering customer loyalty programs.

8. HRC developed metrics to measure its success, enabling it to show measurable results from its CRM efforts.

## Key Issues

How can the business benefits of CRM initiatives be quantified and justified?

### Acronym Key

| | |
|-----|------------------------------|
| CRM | Customer relationship management |
| HRC | Hard Rock Cafe |
| POS | Point of sale |

This research is part of a set of related research pieces. See "People, Process, Technology: In Search of CRM Excellence" for an overview.

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