

Firehouse Subs blazes a trail to excellence with the help of its SMG partnership

With a commitment to service deeply rooted in their heritage, it's no surprise Chris and Robin Sorensen pledged to apply the values they upheld as firefighters to their journey with Firehouse Subs.



The Sorensen brothers co-founded the fast casual restaurant chain in 1994, knowing a total commitment to optimizing the guest experience would be critical to the brand's success. Today, with more than 600 restaurants in 35 U.S. states and Puerto Rico, Firehouse Subs uses guest feedback to fuel a pattern of continuous improvement.

"Our laser focus on our journey toward success starts at the very top," said Rich Goodman, director of operations services for Firehouse Subs. "Our co-founders are fully involved in the business and set the vision and the concept. Our CEO brings tremendous business acumen from more than 38 years in the restaurant business. This powerful combination is key in our success."

Goodman cites consistency as an integral contributor to the strong brand created by Firehouse Subs leadership. In the company's 18-year history, the vision and commitment have never wavered.

"We know what we want," Goodman said. "We're not going to settle for anything less than excellent."

A unique program for unique goals

Firehouse Subs partnered with Service Management Group, Inc. (SMG)—the leading international customer experience research firm—in a quest to better understand

guests' experiences and expectations. This initiative focuses not only on collecting data, but also on promoting its value and use internally to help make operational enhancements that drive sales growth.



The effort began with a naming contest to brand the program in keeping with the company's firefighting history and culture, which is reflected in employee titles, such as "crew member," and in product names, like the "Hook & Ladder®" sub. The winning name: the Excellence Monitoring System, or EMS. Branded with company flair, the initiative was off to a strong start.

SMG designed a guest feedback survey uniquely reflective of Firehouse Subs' guest-focused operating procedures, interests, and objectives. For example, the company regularly assesses rankings delivered via nationally syndicated reports and strives to maximize >>



its performance in several of the most relevant measures. Firehouse Subs worked with SMG to align its EMS guest survey questions with these national measures, devising a methodology for capturing related guest insights. The company then leverages SMG's discoveries to make the restaurant-level operational enhancements that help it perform optimally on a national stage.

"Performing well in those key measures is critical," Goodman said. "Those reports are useful, but they don't give us data that is actionable by location. Only via SMG data can we drill down to the individual restaurant shift. SMG provides a competitive advantage through insights we can actually put to use to improve our scores in national rankings."

From insights to performance improvements

One example of how Firehouse Subs uses the EMS program to influence the company's national performance lies in the beverage quality measure. About a year ago, the brand ranked eighth in the category nationally. This was a concern, as Firehouse Subs is the only national brand to have Coca-Cola Freestyle® fountains in all restaurants, and the brand was enjoying a 10 percent sales increase as a result; beverage satisfaction scores were average despite this differentiator.

The SMG data helped validate what many already suspected was a key reason for dissatisfaction related to beverage quality: *Wait Time*. For a modest investment, the brand added separate ice dispensing machines to its higher-volume restaurants. With this addition, guests selecting iced tea or water are able to bypass the Coca-Cola Freestyle experience where they previously had to wait for ice. The company has a service goal of four to six minutes for guests to receive their sandwich orders, and while guests don't mind waiting for their drinks while their food is still being prepared, they certainly don't want to remain caught in a drink line with their food already at the table. The SMG insights helped reinforce this decision.

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— **Rich Goodman**
Director of Operations Services, Firehouse Subs

"We asked our operators to become more cognizant of where guests are when the food comes out," Goodman said. "With the addition of the separate ice dispensers, we removed a percentage of our guests from waiting in the Coca-Cola Freestyle line. We could only have learned this through the SMG survey responses about wait time. It was intuitive, but the data validated it and helped support that investment for our operators."

Firehouse Subs' beverage satisfaction scores improved from 8th to 1st in one year.



Based on improvements such as these, Firehouse Subs ascended from eighth in the national report's beverage satisfaction category to first in less than a year's time.

"A significant contributor to that dramatic change was the ability to look at the SMG data and see where our opportunities were," Goodman said.

Competitive comparisons

Another important resource the brand leverages in its commitment to excel is SMG's Benchmark Database. This database provides Firehouse Subs leadership with insight into the company's performance as it compares to 23 other fast casual restaurant concepts.

Through this comparative data, Firehouse Subs has learned it rates above average in *Overall Satisfaction* by 4 percentage points; in *Likelihood to Recommend* the restaurant by 1 percentage point; and in *Taste of Food* by 7 percentage points (See FIGURE 1). The database also aided in identifying opportunities to improve in important areas such as *Speed of Service*, *Overall Atmosphere*, and *Staff Friendliness*.

"This is a resource of tremendous value," Goodman said. "It allows us to rack and stack the data a bit differently, to see not just how we measure up against our own high standards, but rather how we compare with our competition."

FIGURE 1

SMG benchmark database performance
Firehouse Subs compared to 23 fast casual concepts



A Resource of Ongoing Value

Another early success of the EMS program materialized at the company’s annual “Family Reunion” franchise convention. Goodman displayed numbers from the EMS program illustrating *Overall Satisfaction* by day part. The numbers showed lower satisfaction from 5 p.m. to 8 p.m. and from 8 p.m. to close compared to the core lunch day part.

“That was a huge aha moment for the team,” Goodman said. “We’d never before had reliable data by day part, so that really got our franchisees’ attention. When the data is there, that critical trust and perceived credibility begin to grow.”

In bringing this area of opportunity to light, Goodman’s presentation gave operators clear direction on where to focus their efforts. And ... they’ve made improvements. Within a few months of the convention, *Overall Satisfaction* scores on weekend evenings—an important day part for Firehouse Subs—increased by 3 percentage points.

The reporting website, with real-time data and comments constantly streaming, is increasingly becoming a valued resource for decision-making. Goodman and CEO Don Fox review guest comments daily.

“The SMG iPad application is fantastic,” said Fox. “I can pull up the most recent guest comments at my leisure,

and when I see accolades from a guest that are worthy of recognition, I will forward it back to the operator with my own note of positive reinforcement. I think it sends a strong message to the field that, from the very top of the organization, we care what the guest thinks.”

Goodman has also seen great value from the export to Excel feature, which allows him to further analyze the data.

“We want our franchisees looking at their home pages daily to see the most recent figures and comments,” Goodman said. “We all have a competitive spirit in us, and when you see national numbers and drill down to markets and then take it down to the franchisee, those numbers tell the story.”

Validation of the firehouse subs passion

The EMS data has also revealed an interesting pattern related to the brand’s charitable giving, or what its co-founders call the heart of the company: Firehouse Subs Public Safety Foundation. With their history in firefighting, the Sorensen brothers are passionate about supporting first responders and collect donations for the Foundation at the restaurant level and through other fundraising initiatives. Since its creation in 2005, the Foundation has donated more than \$6.3 million and supported communities following disasters, such as Hurricanes

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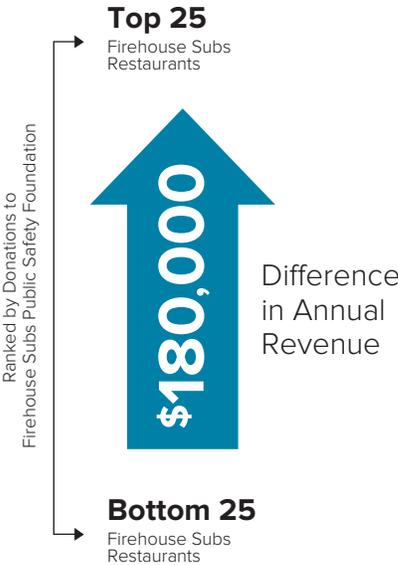
Katrina and Sandy, and also purchased new equipment for local heroes in more than 36 states plus Puerto Rico.

Restaurants tracking higher on donations to the Foundation, as a percentage of sales, have higher EMS scores on *Supporting the Community*. In fact, the top 25 restaurants (in terms of fundraising as a percentage of sales) have annual revenue that is \$180,000 higher than the bottom 25 restaurants. All of this data points to one conclusion: the customer rewards businesses for giving back to the community (See FIGURE 2 on next page). >>

“We can connect the dots between our customers’ beliefs about our brand and the level of sales performance in those restaurants that are most heavily engaged in the work of the Foundation,” said Fox. “Conversely, we have shown the price that is paid for those operators who, for whatever reason, are not as engaged with the mission of the Foundation.”

“It’s validating to see our charitable efforts recognized by restaurant guests,” said Goodman.

FIGURE 2
Restaurants are rewarded for giving back
Based on fundraising as a percent of sales



An exciting future

While the partnership between Firehouse Subs and SMG is just about a year old, Goodman enjoyed a seven-year relationship with SMG in a previous role at a different company. He said he is excited for Firehouse Subs to discover the many opportunities the partnership will bring, as he recognizes the early achievements are indicative of many more to come.

“SMG’s flexibility and willingness to work with the client are the best I’ve experienced with any vendor, bar none. SMG provides terrific insight into the voice of the consumer and helps uncover and focus on specific opportunities to improve. The team can show us the difference between a satisfied guest and a highly satisfied one, and the difference that means in dollars and cents flowing to the bottom line. There is nothing to lose and everything to gain.” ●

— **Rich Goodman**
Director of Operations Services, Firehouse Subs



About SMG
SMG (Service Management Group) partners with 325 brands to create 5-star human experiences that drive loyalty and profitable sales. SMG’s holistic approach differentiates through state-of-the-art measurement, technology, and insights that help clients listen, understand, and act. Strategic solutions include Customer Experience Measurement, Employee Engagement, OmniView Feedback, Social Monitoring + Publishing, and Brand Research. SMG is an AMA Top 50 research firm with a global footprint—evaluating over 110 million surveys annually, in 46 languages across 108 countries.