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Nothing beats a free meal – Denny's National Giveaway on Tuesday, February 3, 2009

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Buy one meal, get one free. Free drink with entrée. Kids eat free with adult purchase.



Savana Allen, center, and Tabitha Bostwick, right, are Omaha North students who came by early for the free breakfast but stood in five degree weather for it. Those bargains are *sooo* 2008.

What constitutes a deal now, in a down economy? Something entirely free. Or so a small but growing number of restaurants and coffee shops hope.

To counter a nationwide decline in dining out and the usual post-holiday slump, eateries from Panera Bread to locally-owned MJ Java have been offering limited-time no-purchase-required freebies to attract new customers, thank and reinforce regulars, build good will and generate buzz.

Denny's brought the trend to new and timely heights Sunday by advertising its deal - free "Grand Slam" breakfasts across the country from 6 a.m. to 2 p.m. Tuesday - during the Super Bowl. The Denny's stunner has many in and outside the restaurant world wondering: Does a giveaway - especially one that costs millions to advertise - pay off?

It can if it's part of a well-executed marketing strategy, said Kevin Moll, CEO of Denver-based National Restaurant Consultants. "No company in its right mind is just going to say: 'Here, take this for free,'" he said. "In this case (Denny's), they're looking for some return."

Randy Nothorn, general manager of the Denny's in Omaha offered some statistics on Tuesday's free breakfast:

The restaurant used 160 pounds of pancake flour Tuesday.

In anticipation, they ordered extra food: 2,400 strips of bacon, 2,400 links of sausage and 270 dozen eggs.

The estimated local cost of the promotion was about \$7,000 - based on the cost of a Grand Slam at \$5.99 each - and well worth it, Nothorn said. The potential payoff: new customers, media buzz, repeat business from satisfied diners and some recouping of costs from add-on sales at the time of the giveaway.

The Chatty Squirrel Café & Bakery in La Vista launched free Monday pick-me-ups in early November. The independently owned eatery still gives away free full-sized cups of coffee, latte or hot cocoa every Monday from 7 a.m. to 10 a.m. Despite the seeming contradiction, owner M.J. Zaremba said the free drinks have been a boon to business - bringing curious new customers, pleasing old customers and turning some occasional diners into regulars.

"I have this couple that comes in every Monday. They get coffees and something else and sit together and do the crossword puzzle," she said. "I don't think we would have become part of their ritual if it hadn't been for free coffee." Zaremba hasn't kept track of how much she's given away, but she said customers usually don't leave without purchasing food or leaving a larger tip.

Moll said such ancillary sales are key to any free food promotion. With a freebie, consumers sometimes feel implied pressure to customize an order or buy a little something else.

Denny's anticipated that as many as 2 million diners would show Tuesday for free Grand Slams. And it must have been betting that some would want not-included beverages. At up to \$2 per diner, that's about \$4 million in drink sales to help offset the food, labor and marketing cost of the giveaway.

"If I've got 50 cents or 75 cents into a plate of food, but I can sell you a coffee," said Moll, "I might not be making money, but I might have covered my (food) costs."

Like other locations, the Omaha Denny's also distributed 500 coupons to select diners to entice them to return with their wallets.

Some recent freebies in the Omaha area

Chatty Squirrel Café & Bakery, La Vista - free full-size cups of coffee, latte or cocoa before 10 a.m. Mondays; started in November, ongoing.

Denny's - free "Grand Slam" breakfast on Tuesday.

Great Harvest Bread Co. - free slice of its featured breads during regular business hours; part of the business model from inception, ongoing.

Jimmy John's - periodic, unannounced, free sandwich visits to offices near its locations across the country; ongoing.

McDonald's - free specialty coffee drinks on Mondays for a limited time as it rolls out its new lattes, mochas, cappuccinos; started in Omaha area in 2008 and appears to have transitioned to free-with-coupon or free-with-purchase deals; ongoing in select markets.

MJ Java at 12th and Farnam Streets - free small coffee 6 a.m. to 9 a.m. weekdays; started in January, ongoing.

Panera Bread - free cups of Panera's new light and dark roast coffees and samples of its new strawberry granola parfait and grilled breakfast sandwiches Jan. 28.

Seattle's Best Coffee locations in local Borders stores - free cups of its new vanilla red tea latte and other tea drinks Jan. 24.

Zaremba said the benefits of free Monday morning coffee are trickling into the lunch hour.

"One woman came through the drive-through twice (for free coffee)," she said. "Then she got curious and came back for lunch. Then she came back with one person. Then, the week after that, she asked us to put tables together for a party of 10."

A giveaway can also backfire, Moll said, if the restaurant delivers a sub-par experience. No paying customer will come back for a bad meal just because the first one was free.

That didn't appear to be a problem Tuesday at Omaha's lone Denny's, 3509 S. 84th St. "I was surprised. It was pretty good," said Ryan Hansen. The 26-year-old Omahan and two friends showed up at 5:40 a.m., waited outside about an hour, and were fed and on their way just as the sun was coming up. As Hansen paid for his orange juice, coffee and side order of hash browns, about 40 customers were still waiting for a table, some outside in the 15-below wind chill.

Randy Nothorn, general manager of the Omaha's Denny's, said Tuesday's full house reminded him of crowds on Christmas Eve and Christmas, when few other places are open. He said he served about 1,100 meals during the promotion, and gave rain checks to about 100 still waiting outside at 2 p.m. "This is huge," he said.

The MJ Java near 12th and Farnam Streets gave freebies a try in January, offering small cups of coffee from 6 a.m. to 9 a.m. on weekdays. Co-owner Dee Kizlin said this week that the offer will probably continue through February.

"It's really been a positive thing. We've met a lot of new people and customers. And everybody's happy about it," Kizlin said. "Some people think they really have to buy something. We say: No, it's just a free cup."

She said some regulars have refused the free small, instead buying a larger size. And some have questioned her logic: "One regular customer said to me: 'How can a coffee shop give away free coffee?' But when you're in business, you do things to attract new business." Kizlin estimates she's averaging around 30 free cups each morning. "I don't know if that's something to brag about. But if 50 percent of that is new, that's worth something." She said new customers tend to notice what else she sells for breakfast and lunch, and that translates to new sales. Perhaps the biggest impact is the happy vibe it lends to the morning: "It's just fun," she said. "Everyone's in a good mood."

Moll, the Denver restaurant consultant, said the more common response to the economy at restaurants all over the country is a general lowering of prices and portion sizes. He's not sure the freebie trend will be anything more than a passing fancy.

"But it's certainly timely," he said. "I don't know anyone who wouldn't want a free breakfast."

World-Herald staff writer Jane Palmer contributed to this report.

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