

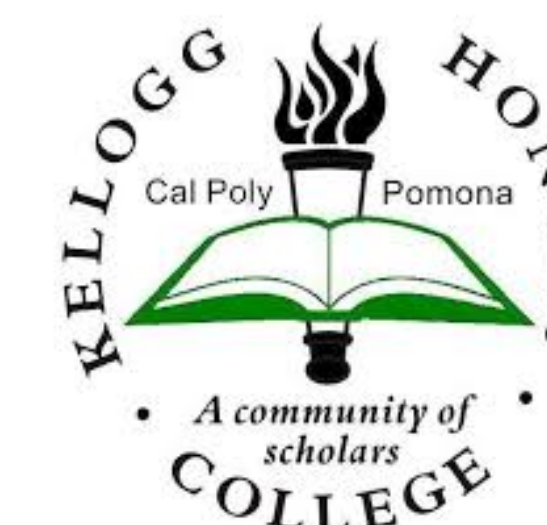


# Restaurant Loyalty Programs: Are they worth the investment?

Madeline Sin, Hospitality Management

Mentor: Lesley Butler, Lecturer

Kellogg Honors College Capstone Project



**Abstract** This study aims to advise restaurants whether or not it is worth it for them to establish, or continue, operating a loyalty program. It also aims to suggest the types of platforms and details that have been most successful in retaining valuable, loyal customers. Likewise, this project may also guide consumers towards rewarding restaurant opportunities. This research uses a mix of literature findings, survey analysis, and insight from current restaurant managers.

## Literature Research

**What is a loyalty program?:** A restaurant loyalty program is a rewards system for customers to feel attached to a brand. It has the potential to add value to a restaurant by allowing guests to access unique products and services, while simultaneously making it a part of their everyday routine. This increased feeling of comfortability is what leads to the end goal of a restaurant's idea of brand loyalty.

## What types of loyalty programs are there?:

There are two major categories of loyalty programs: Immediate Rewards and Accumulated Rewards. Each of these rewards includes types of rewards: necessary vs. luxury and monetary vs. non-monetary. However, immediate rewards with monetary gratification are preferred over other alternatives like points systems.

## Summarized analysis of literature research:

There has been a mix of restaurant loyalty program results. Many companies are attempting to attract new customers with their rewards. The purpose of the loyalty program should actually be to retain current customers. Marketing to new customers is three times more costly than keeping an existing customer, loyal customers advocate the brand, and members willingly purchase more at this trusted company. The main downside of a loyalty program is the time it takes to develop a well thought out program so that it becomes profitable after all the costs. Restaurant members benefit from monetary savings and exclusive offers.

## Comparisons of current restaurants:

Type of Restaurant	Name	Loyalty Program Details	Economic Impact on Revenue
Fast Food		No loyalty program anymore	(2016): \$1,435 million (2018): \$1,590 million <b>Increase of 10.8%</b>
		McDonald's App includes weekly deals and occasional sweepstakes. McCafe Rewards: Complete a sticker style stamp card to redeem a free medium beverage after purchasing 7 beverages.	<b>Before loyalty program (2016):</b> \$24.622B <b>With loyalty program (2018):</b> \$21.025B <b>Decrease of 14.5%</b>
Fast Casual		Just started March 2019	(2009): \$1,518 million (2018): \$4,865 million <b>Increase of 220%</b>
		Panera Rewards lets members earn rewards for free food, personalize their app, have access to exclusive events and menu sneak peeks, and be part of a community.	<b>Before loyalty program (2009):</b> \$1,353.5 million <b>With loyalty program (2018):</b> \$2.8B <b>Increase of 115%</b>
Casual Restaurant		No loyalty program	(2016): \$2.91B (2018): \$3.03B <b>Increase of 4.12%</b>
		Members have personalized rewards for free kids meals, appetizers, and desserts. If a guest comes in/ orders to-go at least once every 60 days, they receive free chips & salsa or a non-alcoholic beverage. Free wi-fi and the convenience of app ordering is available as well.	<b>Before loyalty program (2016):</b> \$881.68 million <b>With loyalty program (2018):</b> \$812.5 million <b>Decrease of 7.8%</b>

## Analysis of revenues:

One of the earliest loyalty programs was Panera Bread's. After 9 years of having a program, their revenue has had an increase of 115%. Chili's and McDonald's do not have this increase, however, this is possible to change since Panera's revenue fluctuated incrementally. Their rewards programs differs because of its strong digital application of mobile ordering.

## Application & Recommendations:

### Suggestions for a restaurant wanting to retain valuable customers:

1. Create a loyalty program with a long term goal in mind
2. Release valuable incentives that are tailored for targeted, loyal members
3. Frequently *analyze the data* (promotion results) and market members using buyer behavior

## Conclusion

### Should restaurants invest in creating loyalty programs?

Restaurant loyalty programs are worth the investment when done correctly. In return, they bring valuable, regular customers to the restaurant. The program needs to be well thought out as a long term goal to improve revenue and to engage with their customers. When the restaurants have their current customers in mind, the program will accurately satisfy their needs and wants. Current customers are looking for positive engagements that may include frequent diner rewards, birthday rewards, free food or drinks, and discounts. A valued customer leads to the best form of marketing, which is word-of-mouth because "a brand is no longer what we tell the consumer it is—it is what consumers tell each other it is"—Scott Cook

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## Research Findings

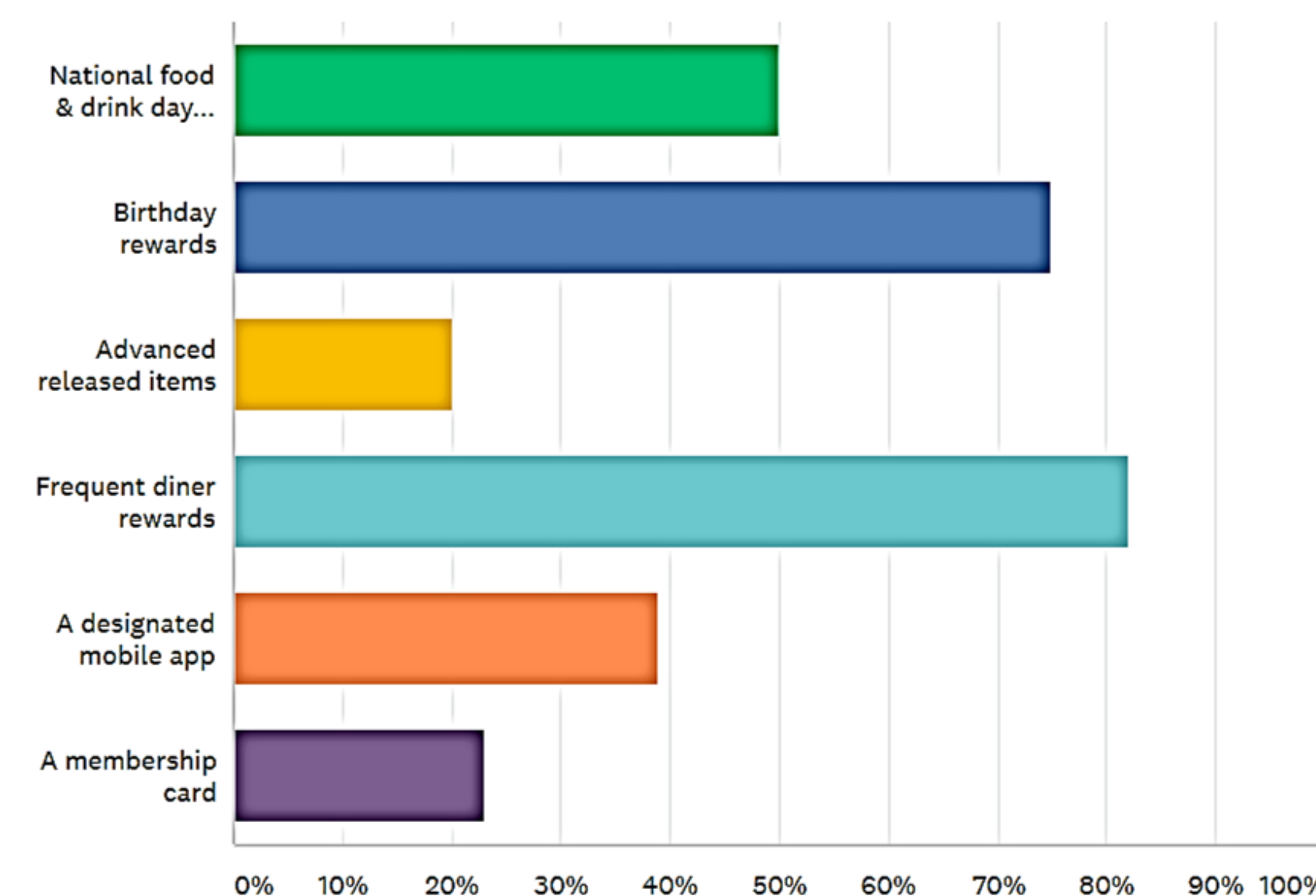
### Survey Results

The survey includes 101 people mostly living in California and a few other states within the United States ranging from ages 18 to 70. The sample group was on a volunteer basis and from a range of backgrounds, not anyone particularly in the restaurant business.

Participants were asked their age, what type of eatery they usually dine at, why they typically eat out, if they belong to a restaurant loyalty program, how much the program affected their choice of eatery, and what they would like to see as a member of a restaurant loyalty program. Most of the respondents were ages 18-24 or ages 55+, dine at casual or fast casual restaurants, and 52% of them belong to at least one restaurant loyalty program.

What would you like to see in a restaurant loyalty program? (Mark all that apply)

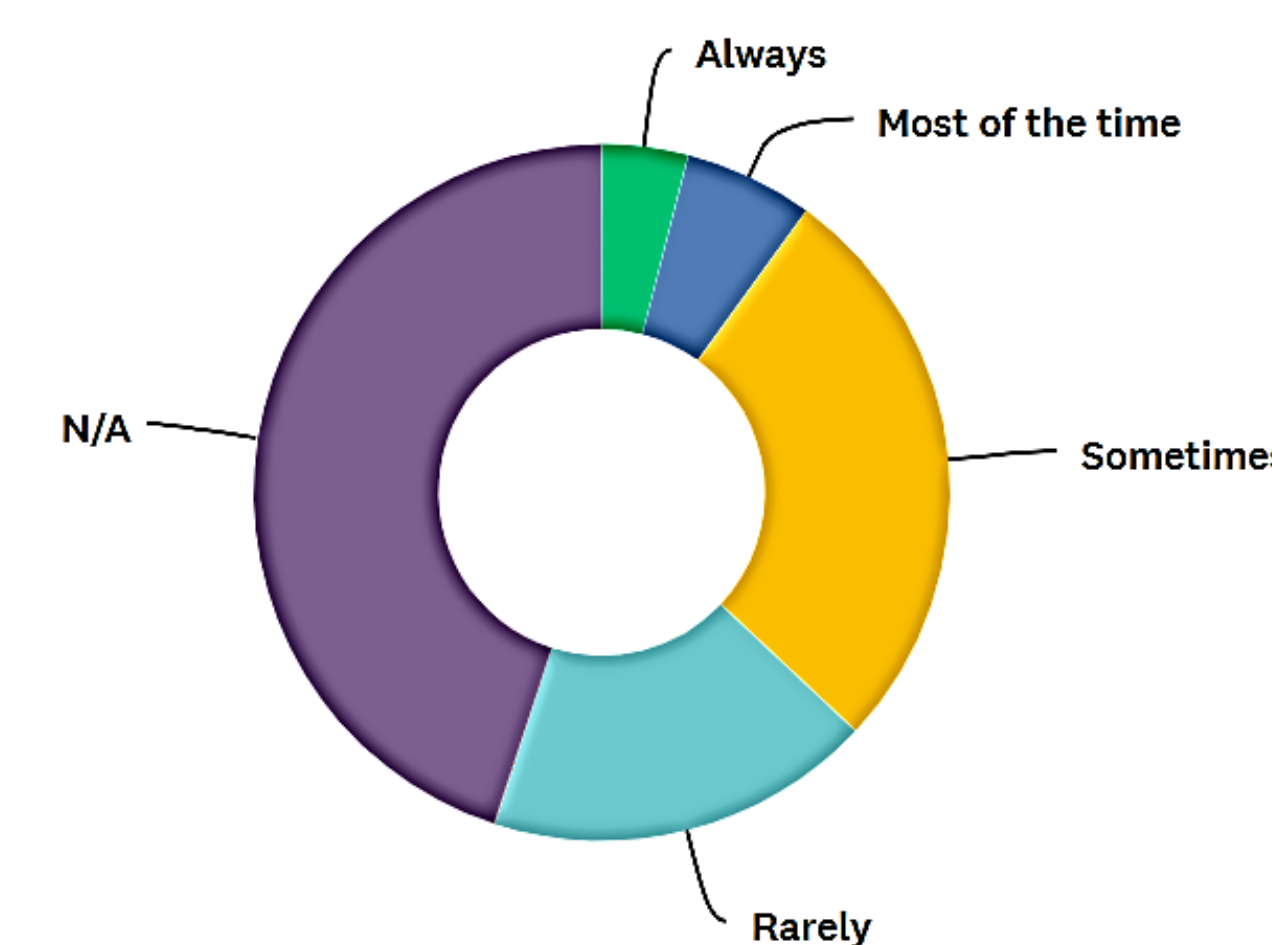
Answered: 100 Skipped: 1



Participants were asked what they would want to experience as a member of a restaurant loyalty program. In the free response comments, there were these suggestions for restaurants: free food, cash back, coupons, discounts, less restrictions for points systems, and free upgrades.

If your answer was "yes", how much does this restaurant loyalty program affect your choice of eatery?

Answered: 100 Skipped: 1



Reviewing the responses for the 6 questions, shows how influenced a sample size of consumers are interested in monetary savings. However, when asked why one typically eats out, it was for the purpose of gatherings with friends and family, over the choice of benefitting from a coupon/deal or out of convenience. The loyalty programs "sometimes" influences a consumer's choice of eatery, so a restaurant could incorporate a reward that would be fitting for a gathering of friends/family to all enjoy (and become comfortable with the company).

## Restaurant Manager Interviews

Questions regarding restaurant loyalty programs were asked to get insight about what a current restaurant manager thinks is effective. These responses are regarding specific locations and customer behavior may vary at other restaurant establishments.

### Premium Restaurants Manager of Saint Archer's Brewing Co. at Angels Stadium, Alondra Lopez:

Q: Has your restaurant ever had a rewards program? Do you currently have a customer loyalty program?  
A: "There was a pin program that concessions had where customers go to each of the restaurants in Angels Stadium to collect a pin. The pin promotion was not promoted that much and only some people went around to grab the pins from the eateries. This was a small program with not much benefit for the restaurant. The demographic of people wanting the pins was small. For example, Disney people love to collect pins, but it may not be as common of a thing at baseball stadium."

Q: Many restaurants and eateries have loyalty programs. Do you think at some point your restaurant or other restaurants will need one to maintain customer engagement?

A: "I don't think so. When I think about loyalty programs is Starbucks but even if they didn't have one I would still go without "earning stars". I think if someone is already a big fan of your product they will still come but it will help with customer loyalty. If your product is awesome and you are always thinking of new food ideas and trends, the loyalty program is not needed to be successful."

### Assistant Manager of Panera Bread at Walnut, CA, Stephanie Rodela:

Q: Do you feel like a loyalty program is necessary to keep up with your competition?

A: "Yes, because I have a lot of guests who come here and are able to modify all of their ingredients. People may go to other cafes and they aren't allowed to do that. So they like to come to Panera because we have a loyalty program and they are able to customize their food. Even if you weren't a member you would still be able to customize, but if you're a member then it saves your orders for you."

Q: How does the loyalty program affect your employees?

A: "It motivates them more because they see a lot of business coming in and it keeps them busy. So they like the fact that people are coming in like all of our regular customers. There were a lot of people who were coming out of their way to get their free bagel (referring to their 2018 end of year bagel promotion)."

## Summarized analysis of interviews:

- Customers enjoy personalization of rewards programs and the convenience of repeat orders
- Restaurant companies need to market their loyalty programs for them to succeed
- Loyalty programs do create the opportunity to increase revenue because the incentives establish regular customers