

Choosing the Loyalty Program That's Right for You

paytronix

The Guest Engagement Company

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Loyalty programs deliver outstanding financial returns by motivating guests to visit more often and spend more with each visit. The best of them take advantage of data about customer behavior to build strong relationships between the brand and the consumer.

However, one loyalty program style does not necessarily work for all restaurant brands and service types. Given the vast array of program options, several factors should be considered when selecting the program that's right for your concept:

- Which program will best engage and compel your guests?
- What type of loyalty program aligns with your concept type and brand?
- What kind of program can your staff effectively execute?
- Which one will help you achieve your restaurant's financial goals?

Using this guide, you will find answers to these questions, which is the first step in creating a loyalty program that is best suited for your restaurants. The guide begins by defining the basic elements of a loyalty program, offers an assessment of popular programs, and provides evaluation criteria and a scorecard for weighing the compatibility of the many options. When you complete the scorecard, you will see which programs best fit your unique concept.

What's Inside:

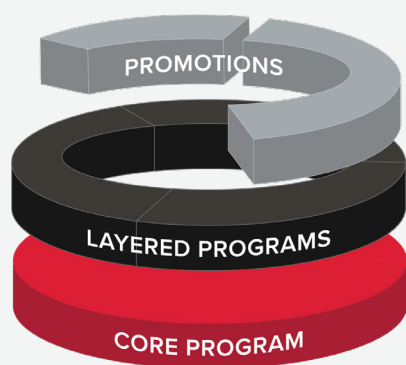
- Defining a Program
- Types of Programs
- Layered Programs
- Creating Your Program
- Concluding Comments
- Loyalty Program Scorecard
- Program Evaluation Scorecard



Defining a Program

Simply described, a loyalty program gives brands a way to engage with guests and encourage spending.

Three common elements make up every loyalty program:



1 The Core Program. The core program represents the heart of your loyalty program and should align with your brand. It contains the ongoing features that will attract guests to join and, ultimately, to visit your restaurants. Core programs emphasize your restaurants' distinctive character in a way that not only appeals to guests, but motivates them to visit more often and to spend more of their dining dollars with you.

As the underlying structure of the overall program, it defines the program's rewards and how they are earned, redeemed, and expired. It also includes elements that are always active, such as evergreen offers and the discounts members earn simply by enrolling.

2 Layers. Often added to an established core loyalty program, layers give your loyalty program depth and a distinctive flair that strengthens your guests' connection to your restaurants and drives sustained activity. For instance, adding an affinity program where you donate a portion of sales to a charity would be considered a layered program. Artificial intelligence and machine learning bolster the impact of layers by targeting guests accurately, efficiently, and personally. This translates to programs that maximize return on investment while minimizing cannibalization.

3 Promotions. Promotions enable you to influence your guests' buying behavior in specific ways. The fun, creative elements of a loyalty program, promotions provide a key lever to engage guests and prompt visits. Targeted promotions can help you generate traffic during slow periods or specific day parts, encourage the trial of new menu items, and keep your restaurants on the minds of your guests. As with layers, how promotions are distributed to guests should be driven by their behavior as read by a well-trained and automated AI.

Types of Programs

The loyalty programs outlined here represent the most popular programs. This is not an exhaustive list.

Within each program description, three topics are discussed:

- 1 *How it operates*
- 2 *It's key advantages*
- 3 *It's limitations*



Automatic Conversion

In an automatic conversion program, guests earn points for each dollar spent. When a defined threshold is met, the points are converted into a reward. After earning the reward, the point values are reset to zero and guests begin to earn points toward their next reward.

Common automatic conversion programs include product rewards (points-to-products) or reward dollars (points-to-dollars). For example, after guests accumulate 100 points, they automatically receive a reward on their next visit. A product reward program might entitle guests to a free dessert, while a reward dollars program might provide \$5 off their next purchase. Either way, the simplicity of an automatic rewards program attracts guest participation. Plus, the automatic reward format ensures easy, low-cost administration. Restaurants with a menu item that holds universal

Core programs hold broad appeal with guests and work across the spectrum of restaurant types. They encourage guests to identify themselves every time they visit.

appeal may favor a product rewards program; the reward is enticing and the cost is predictable. Choosing to issue either product or dollar rewards lets you tailor an automatic rewards program to the personality of your concept.





Assessing Popular Loyalty Programs

As you learn about the various loyalty programs, you may discover that several programs would work well for your restaurants. There are no absolute rules for success, particularly when each program can be shaped to fit the character of your restaurants.

Consider each program in the context of your restaurants and your loyalty goals in order to identify the four or five that suit your needs.



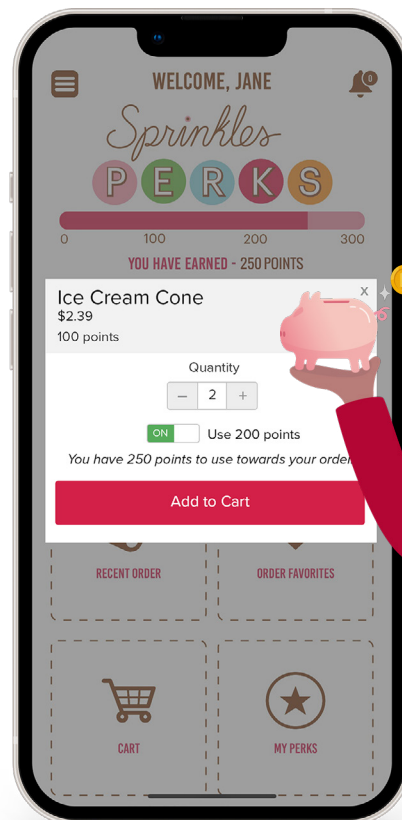
Bankable Points

Bankable points programs allow guests to accumulate points and redeem them for rewards of their choosing. With every dollar spent, guests earn points that are tracked and stored in their personal account. As the point balance grows, guests can redeem their points for a reward they value (similar to airline miles programs).

Bankable points programs work best when the rewards selection includes a mix of menu items and aspirational rewards. An example of the latter might be a cooking lesson with your executive chef. By pricing rewards at different levels, you will broaden the appeal of the program. Rewards attained in just a few visits will attract your less frequent guests, while the higher-level rewards will motivate loyalty among guests who will patronize your restaurant for months (and years) to earn points toward these aspirational rewards.

Bankable points allow guests to earn points with every dollar spent. Those points are then tracked and stored in their personal account.

Bankable points programs engage a broad range of guests and promote loyalty in both the short and long term. However, rewards fulfillment can be expensive. Bankable points programs are somewhat complex and lead to a higher volume of guest questions.





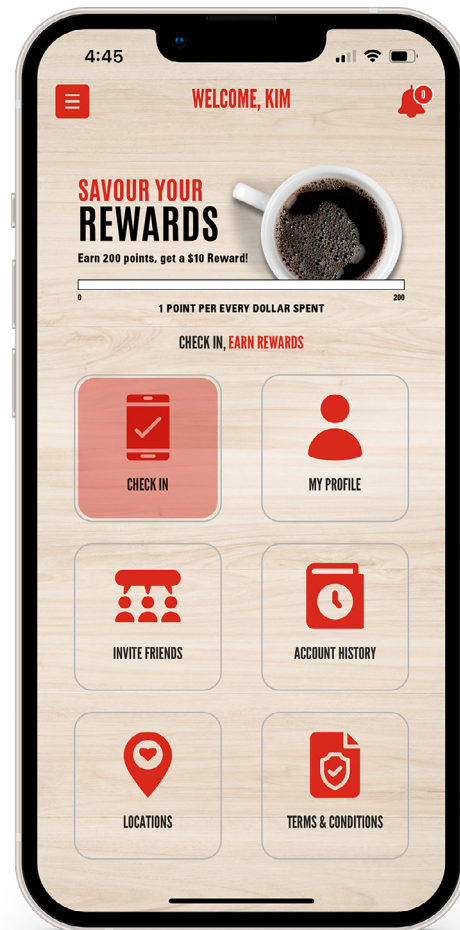
Qualified Visits

Visit frequency programs award points to guests each time they visit one of your locations. At a given threshold, the visit points automatically convert into a product reward, reward dollars, or a discount. For instance, after ten visits, guests may receive ten reward dollars to use toward a future purchase. Upon issuance of the reward, the visit points start accruing again.

A visit frequency program is readily understood by guests and can be quickly executed at the point of service. By defining a minimum order size for a "qualified visit," you can encourage advantageous buying behaviors.

In a product frequency program, guests receive points for specific product purchases. Each time guests buy the specified item, they receive a point. When a designated threshold is met, guests

automatically receive a reward. A "buy ten, get one free" program is a common product frequency example. After the reward has been received, the product points are reset to zero and begin accruing again. This simple, easy-to-understand program holds strong guest appeal and is great for restaurants with a popular menu item, or category of items, that can be regularly consumed by multiple guest segments. Focusing discounts on higher-margin products leads to solid financial returns.





Surprise & Delight

Surprise and Delight Programs offer a unique way to reward loyal guests: by providing guest rewards "at random." There are no published rewards. Instead, serendipitous, unexpected rewards drive guest excitement and loyalty. This is a great way to add zest to a core loyalty program.

A successful program will be a well-coordinated effort with your staff and a deep understanding of your customers, as the best programs offer rewards that your customers value. Segmenting your customers according to their buying preferences can be a factor in the success of such a program.

These programs offer a more strategic tool to maintain a leadership position with your customers and offer an easy way to control reward costs. However, they are among the most difficult programs to execute and maintain.



Layered Programs

Affinity Programs

With affinity programs, restaurants donate a percentage of guest spending to a selected charity. Affinity programs make guests feel good about making purchases at your restaurants while aligning your brand with an altruistic purpose.

The best affinity programs link the interests of a core guest segment with a particular charity, like an ice cream chain with a children's charity, for instance.

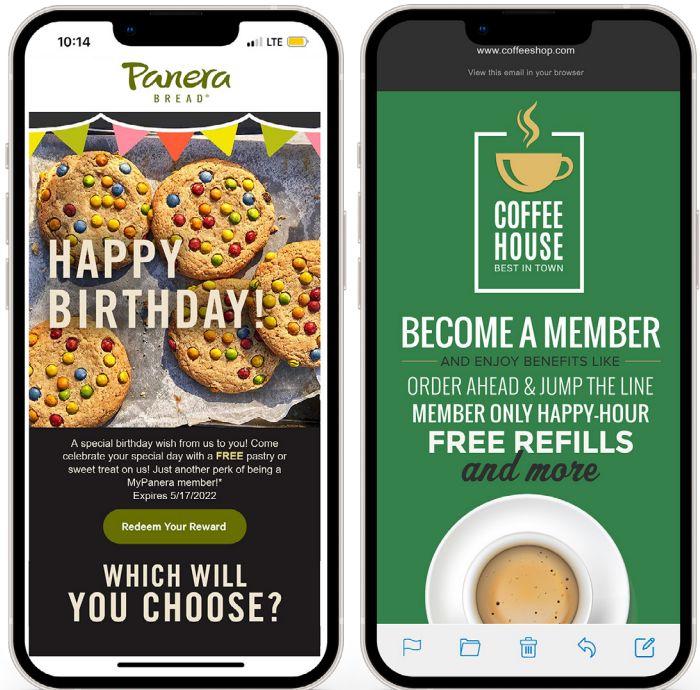
Birthday Programs

Birthday programs encourage guests to celebrate at your restaurants. Guests receive a well-timed, personal invitation to visit and enjoy an enticing indulgence. A birthday program can be set up with defined parameters (offer, expiration, etc.) and then set to run on an automated schedule without further intervention.

Becoming a part of your guests' birthday celebration can create an enduring association with your restaurants. Automatic campaign deployment makes execution seamless and cost-effective.

Membership Programs

In a membership program, guests typically purchase a membership card that entitles them to various benefits, such as bonus items, points, or discounts. These benefits may be available



periodically (once a month, for instance) or earned when points are accrued.

Membership programs work well for restaurants aspiring to differentiate by providing special treatment for "premier" guests. The prepaid fee can generate a faster ROI, but the cost may be a barrier to broad participation. In addition, providing guests with special treatment, such as a "jump to the front of the line" perk, can be more complex. Your staff will need to be prepared to answer questions concerning the details of the program.



Special Menu Pricing Programs

Special menu programs give restaurants a way to engage and entice guests to visit. For example, restaurants might establish a “value menu” with low prices to reach price-sensitive guests. Higher-end restaurants may also offer a set menu for a fixed price as a way to build traffic during slow periods and to attract more guests.

Special menu programs offer restaurants a way to expand their guest base. However, success means balancing attractive pricing with operating costs to achieve profitable results.



Tiered Programs

Tiered programs add multiple reward levels to loyalty programs. As guests spend more, they become eligible for a higher level of rewards or earn points at a faster rate. Inviting guests to a new reward level renews their excitement for your restaurants.

Tiered rewards are readily added to any core loyalty program. Introducing silver, gold, and platinum reward levels keeps guests engaged and active for an extended period of time. However, multiple reward levels make fulfillment and administration more complex.



Subscription Programs

Subscription programs provide a regular benefit for a recurring fixed cost, such as a coffee program that offers regular refills, a delivery program that offers “free” delivery, or a meal program offering an

entree each week. These programs are generally structured to provide recurring revenue even as they keep guests coming back. A key benefit for restaurants is the incremental sales that happen with each visit, as guests roll their perceived cost savings into additional purchases.

Models of subscription programs include those that keep guests coming back for a particular item, or encourage the use of such channels as a mobile app or online ordering. Some even offer insider perks which could be a combination of benefits.

For more information, download the Paytronix [eBook Subscriptions: The next level of loyalty.](#)



Creating Your Program

With so many exciting options, where should you start your evaluation process? Take a simple first step and consider your own personal observations. Make a list of the program aspects you would emulate and those you would change. Think about why you joined and what incentives encourage you to continue to be an active member. Then, examine the aspects of loyalty programs that have discouraged your participation. Next, consider your competitors. Based on what you have learned in this guide, define their program. Make a list of the program aspects you would emulate and those layers you would change.



The Loyalty Program Evaluation Criteria

- 1 Consider how to best engage your guests.
- 2 Create the flexibility to run promotions that fit your brand.
- 3 Enable simple execution by your staff.
- 4 Design the program for solid financial returns.
- 5 Capture key guest information for segmentation.

Extending your perspective with a broad range of industry experience will help guide you toward the right program for your restaurants. Our clients shared their insight into the criteria they used to build their loyalty programs.

These criteria will enable you to evaluate the various loyalty programs and guide your decisions about creating a program for your restaurants. The following descriptions will arm you with the knowledge to rate potential program alternatives in the scorecard on the last page.

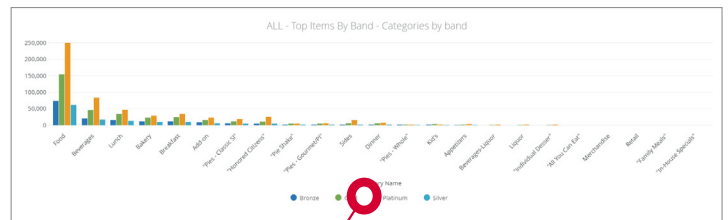
Think about why you joined and what incentives encourage you to continue to be an active member. Then, list the aspects of the loyalty programs that have discouraged your participation.

1 Engage Your Guests

The success of your program depends on your ability to engage your guests on a regular basis. The goal is to create a program that will capture your guests' attention and motivate incremental spending over a long period of time.

Find out what motivates your guests. Deploy a brief survey to reveal valuable insights into what drives guests into your restaurants. By asking guests just a few questions during an in-person interview or via an online survey, you can uncover what they

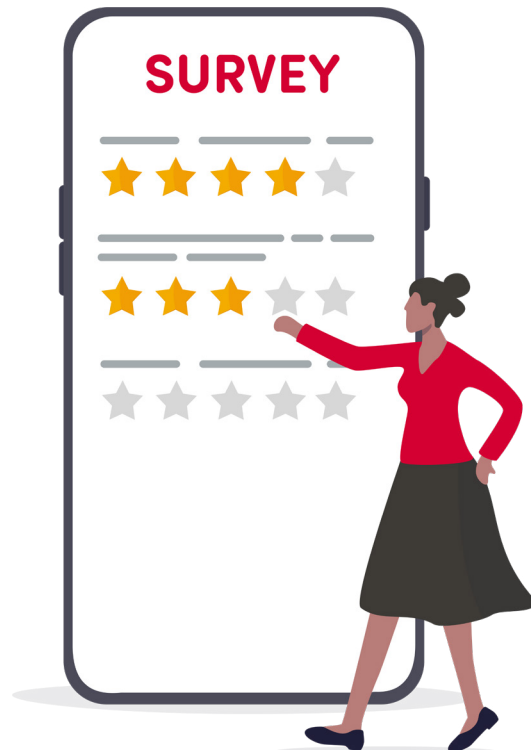
like about their experience — specific menu items, service, etc. When creating your program, focus specifically on what you have learned about your target segment's preferences. Leverage this insight and you will create a program that will cultivate their continued loyalty.



Top Menu Item by Segment



Survey Results



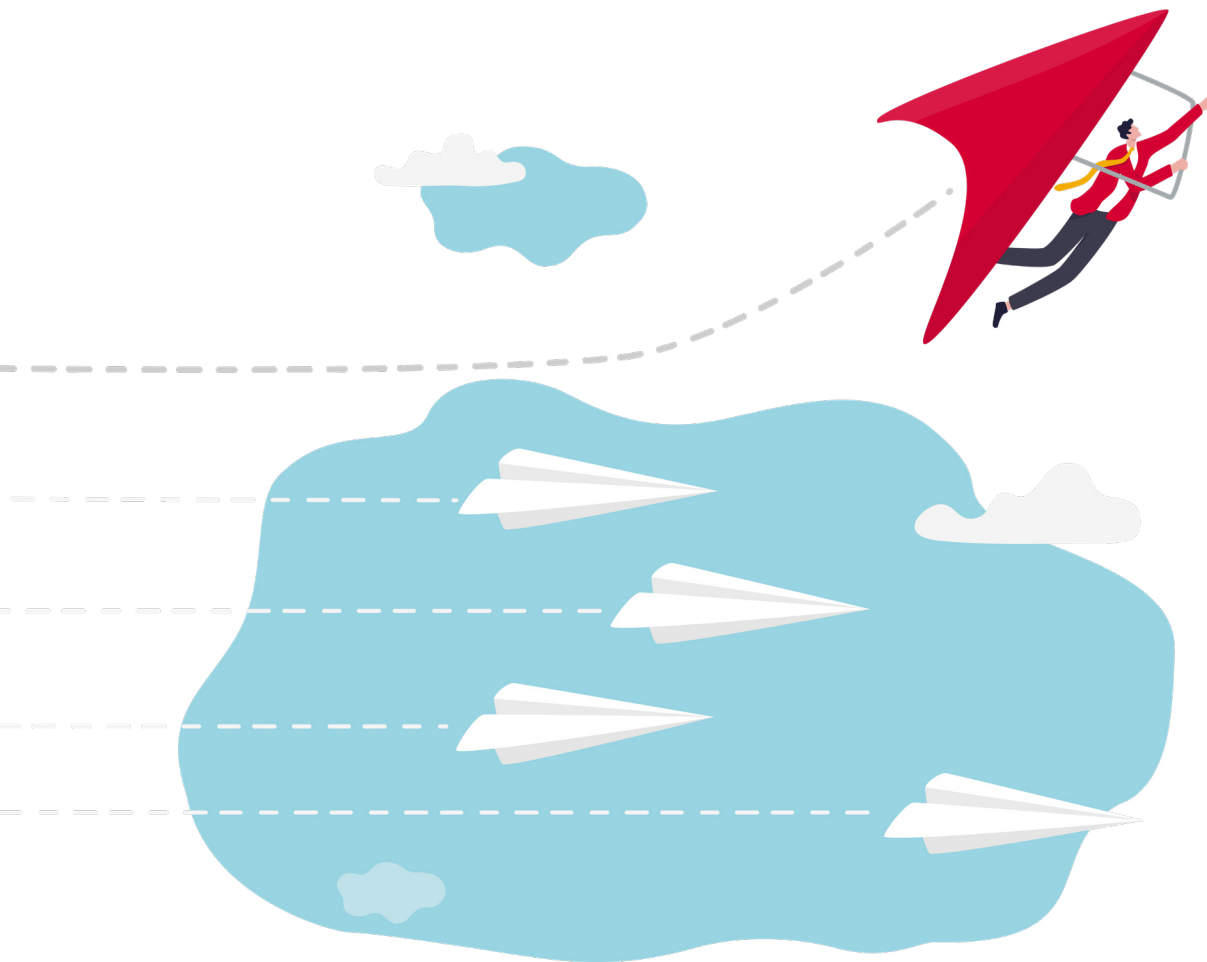
2 Create the Flexibility to Run Promotions That Fit Your Brand

Loyalty programs deliver the marketer a unique opportunity to engage guests with targeted promotions that further boost visits and spending. The core loyalty program you select should enable promotions that accentuate your brand.

Examine the elements of your brand that make your concept unique and envision how various promotions can build guest loyalty. Consider your menu, for example. If a signature item anchors your menu, your promotions might (a) strive to build appeal of that item across a wide range of

consumers and/or (b) encourage complementary product purchases. In contrast, a diverse, dynamic menu may focus promotions on encouraging guests to try various products and to visit for lunch as well as for dinner.

Consider how each element of your brand will map to promotions that highlight your unique strengths.



3 Enable Execution by Your Staff

Operational requirements also dictate your selection of core and layered loyalty programs. For instance, if your restaurants emphasize speed, explore easy-to-communicate programs with fast processing at the point of service. If you pamper your guests, consider more configurable, personalized programs.

Evaluate loyalty programs consistent with your operating model and the proficiency of your staff. Do they have the time and the skill to:

- Explain the program and enroll guests?
- Update guests on their account balance?
- Field questions about redemption options?

When building a loyalty program, the impact on your frontline operations deserves meaningful attention. Success depends on an appropriate alignment with the level of staff training and turnover, as well as your operational approach — table service, quick service, drive-thru.

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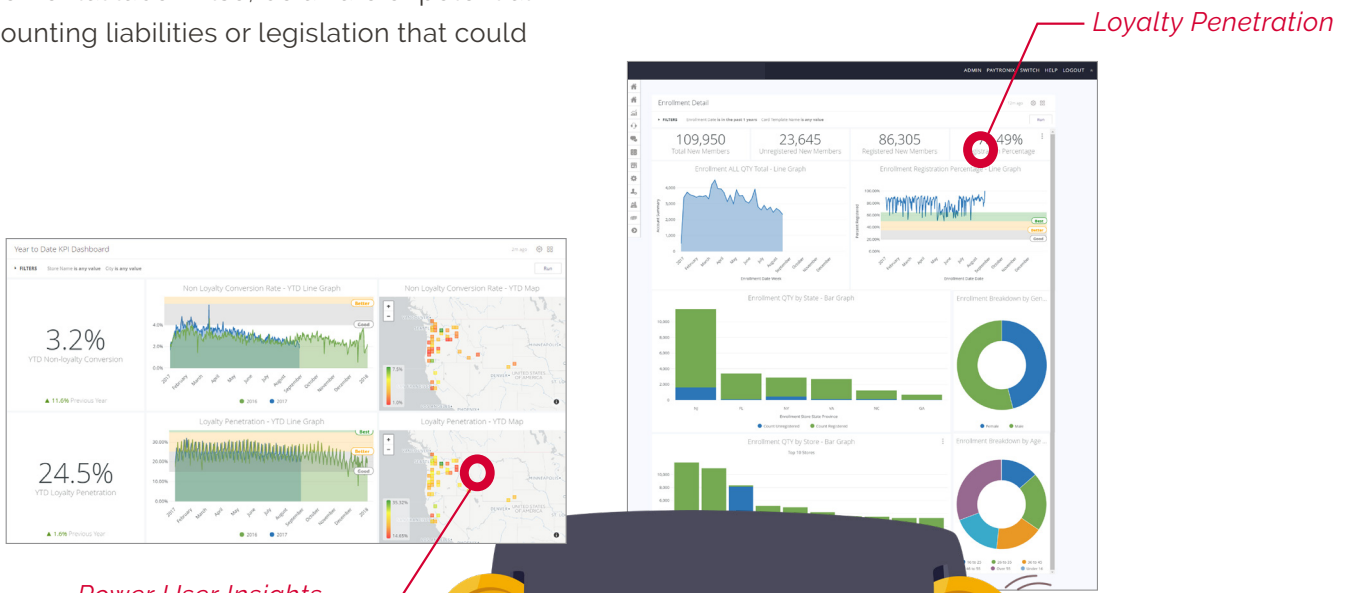
4 Earn a Financial Return

Profitability remains the ultimate goal, so ensure that your evaluation includes an assessment of the potential financial impacts. Successful loyalty programs cultivate spending behaviors that more than compensate for the cost of rewards.

Compare the potential revenue opportunities and costs of each loyalty program. Consider how the promotion-fueled incremental sales gains and companion purchases will balance the anticipated costs of discounts, fulfillment, and incremental labor. Also, be aware of potential accounting liabilities or legislation that could

limit or complicate your rewards program. For example, one of our clients had to be creative when designing its program to account for inconsistencies in state laws pertaining to discounting alcohol purchases.

Each loyalty program assumes a unique cost model. Narrow your options to include only programs with a financial model that aligns with your business.

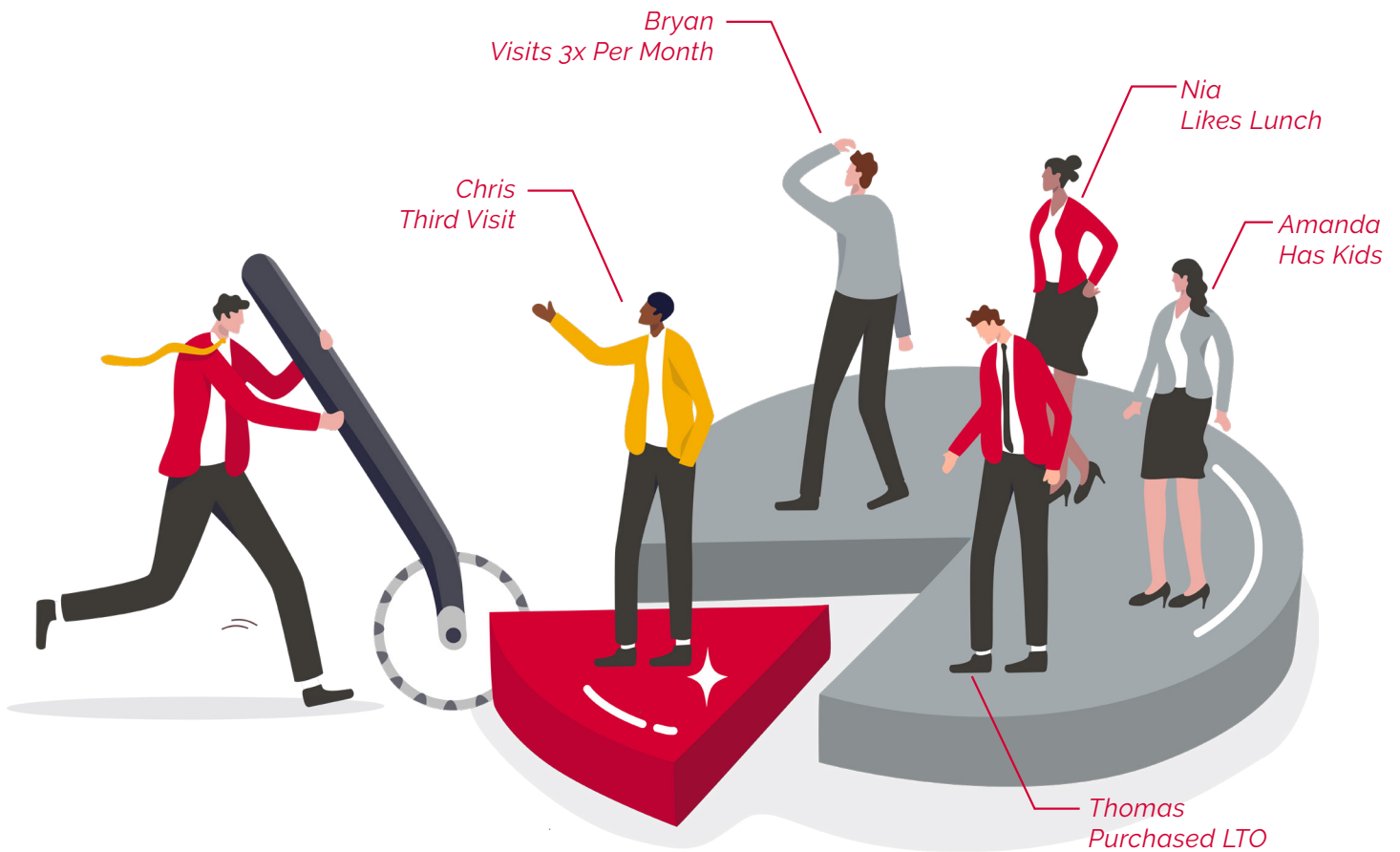


5 Capture Key Guest Information for Segmentation

The availability of guest information after launching a loyalty program is one of the primary benefits provided to the restaurant management team. The data collected helps marketers understand guest preferences and uncover their motivations.

Every loyalty program should produce guest demographic and spending data. When launching the program, creating incentives to drive registration is a way to compel enrollment. As

guests identify themselves with every purchase, you will discover who they are and ascertain their buying habits. This information will enable you to identify unique guest segments to create relevant, compelling promotions designed to drive incremental visits to your restaurants.



Concluding Comments

Your guests have many choices about where to dine. Make your restaurants their favorite destination with an enticing loyalty program that inspires regular visits and cultivates a long-term connection.

Loyalty Program Scorecard

On the following page, use the program descriptions, the evaluation criteria, and the scorecard to start building your own loyalty program. Take the first steps toward engaging your guests and reaping the financial rewards.

Program Evaluation Scorecard

Use the table on the last page to rate the loyalty programs for their fit with your restaurants. Score each element on a scale of 0 to 10, where zero represents no alignment with your restaurants and ten represents perfect alignment. When you have completed your evaluation, sum the scores for each program to see which ones offer the best potential for success.



Loyalty Program Scorecard

Use the program descriptions, the evaluation criteria, and the following scorecard to start building your own loyalty program.

Your Personal Loyalty Programs		
Program Names	Reasons to Join and Stay Active	Aspects That Discourage Participation
1.	1.	1.
2.	2.	2.
3.	3.	3.

Your Competitors' Loyalty Programs		
Competitor & Program Type	Elements to Emulate	Aspects to Change
1.	1.	1.
2.	2.	2.
3.	3.	3.

Program Evaluation Scorecard

Score each element on a scale of 0 to 10, where zero represents no alignment with your restaurants and ten represents perfect alignment. When you have completed your evaluation, sum the scores for each program to see which ones offer the best potential for success.

	Guest Engagement	Fitting Promotions	Staff Execution	Financial Return	Total Score
Core Programs					
Automatic Conversion					
Bankable Points					
Qualified Visits					
Product Frequency					
Layered Programs					
Affinity					
Birthday					
Membership					
Special Menu Pricing					
Subscriptions					
Tiered Programs					

You and Your Guest Will Love Paytronix Loyalty Programs

Your guests will love being able to:

Participate in fun and unique promotions and campaigns. Enjoy a dynamic experience by participating in engaging challenges and promotions.

Enjoy an improved experience. Guests already love your food. Connect them to your brand with added benefits and promotions.

Stay connected and never miss an opportunity. Make it easy for guests to stay up to date through their preferred channel, whether online, in the app, through email, or SMS.

Easily identify themselves. Online or on-premises, your guests will have multiple opportunities and avenues to identify themselves and accrue rewards.

Redeem points regardless of ordering preferences. Your guests will be thrilled to redeem and accrue awards online, as well as on-premises.

Have their experiences and opinions heard. Surveys enable your guests to let you know their thoughts, fostering a deeper connection to your brand.

You'll love having the tools to:

Efficiently and effectively create campaigns. Save time executing targeted campaigns and promotions that will increase your guests' CLV.

Offer more than just discounts. Increase your top line by attracting guests with nontraditional incentives, such as subscription programs and secret menus.

Stay connected to your guests. Create messages on a variety of channels, including SMS, emails, and push and pull notifications, from a centralized location.

Acquire new guests. Expand your program by offering an omni-channel approach to guest acquisition.

Retain more guests. By offering the same benefits for online and on-premises orders, your guests will be encouraged to enjoy your concept more often.

Send targeted surveys based on POS activity. Deploy the message, collect and analyze results, and view individual responses in one platform.

With over 450 integrations, including over 40 integrations with POS systems alone, the Paytronix platform expands your ability to surprise and delight your customers.

For more information, visit www.paytronix.com or call **617-649-3300, ext. 5**.

Or visit www.paytronix.com/resources for more tips on how to improve your loyalty program.

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