



EXECUTIVE SUMMARY

Loyalty/Rewards is Seen as Part of the Marketing Mix

- 💡 Restaurant loyalty or 'rewards' programs are becoming increasingly popular as an integral component in the marketing strategy for restaurant companies.
- 💡 A variety of recent technological advancements have made the implementation of rewards programs easier and less expensive, making the programs accessible to more restaurant companies.
- 💡 Many companies have programs in place and recognize that the rewards program itself is just a part of the opportunity to drive incremental business.

EXECUTIVE SUMMARY

Partial List of Restaurant Companies with Rewards Programs in Place

BJ's Brewhouse	Landry's Seafood	Rain Forest Café
Cadillac Bar	Lettuce Entertain You	Red Robin
Champps	Levy Restaurants	Rock Bottom Brewery
Chart House	Max & Erma's	Ruby's Diner
Copeland's of New Orleans	McCormick & Schmick's	Smokey Bones
Cosi	Morton's	Starbucks
Dave and Busters	Old Chicago	Stoney River Legendary Steaks
Del Frisco's Double Eagle	Outback Steakhouse	Sullivan's
Don Pablos	P.F. Changs	TGI Friday's
Duffy's Sports Grill	Panera Bread	The Crab House
Gordon Biersch	Phillip's Seafood	The Palm
Kobe Japanese Steakhouse	Qdoba	

EXECUTIVE SUMMARY

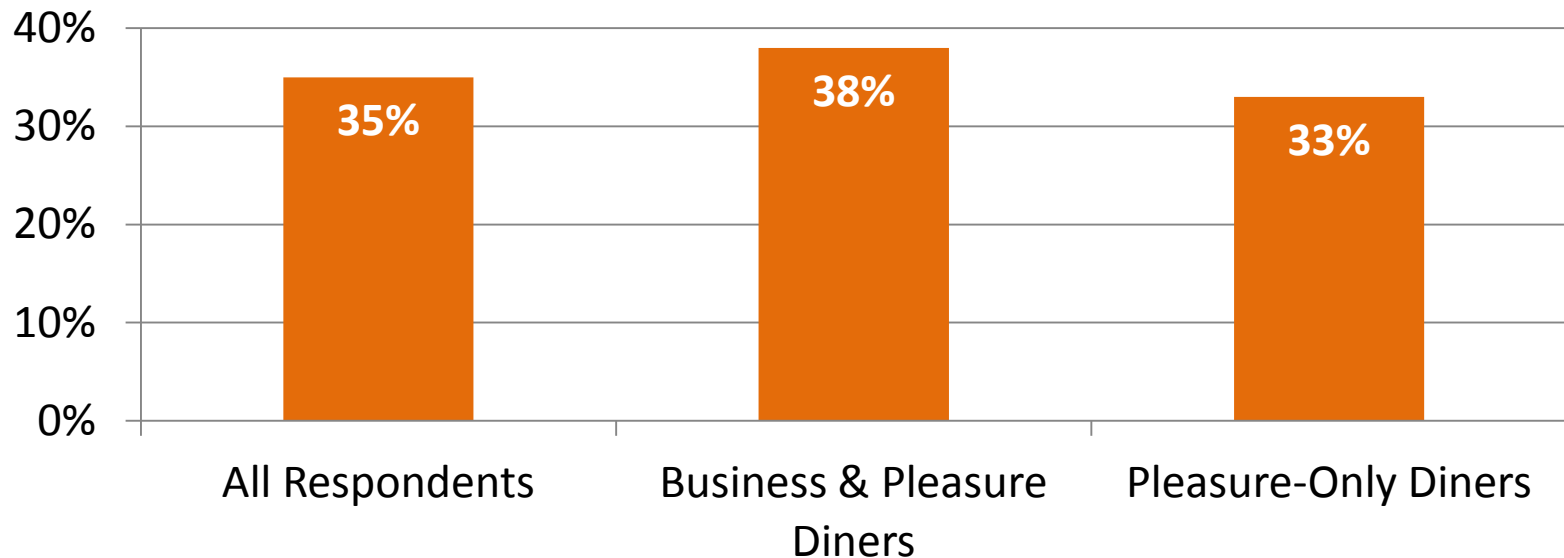
The Program is the Tip of the Iceberg. The Data is of Strategic Value.

- 💡 Detailed guest purchase data derived from a rewards program is seen as a strategic advantage in understanding guest patterns, targeting specific types of behavior, and measuring the cost-effectiveness and return on investment associated with marketing programs.
- 💡 Many restaurant companies are considering programs, but face a variety of questions that need answers before they can make an informed decision about whether or not a rewards program is right for their brand.
- 💡 The purpose of this study is to provide consumer insight on a national level regarding the design of programs, consumer attitudes and behavior with respect to these programs and the potential that programs have to generate incremental guest visits.
- 💡 The study used a survey of 1,124 U.S. consumers between 25 and 65 years old with household incomes of \$75,000 and over.

HIGHLIGHTS

- 💡 If a restaurant you like offered a rewards program that was appealing to you, how much (as a percentage) do you think your visit frequency would increase with that restaurant (between 0% and 100%)?

EXPECTED INCREASE IN VISITS



HIGHLIGHTS

- 💡 Consumers estimate an appealing restaurant rewards program would increase their visit rate to a particular restaurant by 35%.
 - Those who dine for Business and Pleasure (32% of respondents) estimate visit rate increase of 38%.
 - Those who dine for Pleasure Only (67% of respondents) estimate visit rate increase of 33%.
- 💡 65% of consumers report that they would recommend a restaurant more often to others if it had an appealing rewards program.
- 💡 4 out of 5 consumers prefer a rewards program with a defined benefit proposition (earn points which convert to rewards) than a program built solely on periodic, surprise free items.

HIGHLIGHTS

- 💡 The most popular features/benefits tested in the study (appealing to more than two-thirds of respondents) :
 - Earn points toward free/discounted meals (77% find appealing).
 - Special birthday reward (72% find appealing).
 - Unexpected in-restaurant benefits such as a free appetizer (70% find appealing).

HIGHLIGHTS

- 💡 The least popular features/benefits tested in the study (appealing to less than one-third of respondents) :
 - Ability to donate my rewards to a 'green' cause (26% find appealing).
 - Ability to donate my rewards to a charity of my choice (31% find appealing).
 - Culinary education events (learn chef secrets) (31% find appealing).
 - Bonus rewards for bringing in a large party of a certain size (32% find appealing).

HIGHLIGHTS

- 💡 73% of consumers say they would like to have one rewards club membership that was honored at multiple restaurant chains.
 - This suggests multiple brands in one company may have a strong opportunity to expand visits and loyalty through an integrated coalition program.
- 💡 Consumers want to receive e-mails of value relating to their rewards program, especially when it relates to menu items they have purchased in the past (high relevance through the eyes of the consumer).
 - 69% agree with: *I would like to receive e-mails with discount offers on specific food and beverage items I have ordered in the past.*
 - 66% agree with: *I would like to receive e-mails with offers of value relating to the program .*

HIGHLIGHTS

- 💡 It's not surprising that consumers want rewards program membership to be simple.
 - 60% agree with: *I would like a simple, no hassle way to join in the restaurant and provide my name and contact information later online.*
- 💡 If a membership card is necessary, more than half don't mind carrying the card. This is not to say that consumers **want** to carry another card; it simply means that 60% agree that they don't mind if carrying a card is a requirement.
 - 60% agree with: *I don't mind carrying a membership card if it's necessary.*

DETAILED FINDINGS

STATEMENTS ABOUT USING REWARDS PROGRAMS	% THAT AGREE
I would like to have one rewards program membership that was honored at multiple restaurant chains.	73%
I would like to receive e-mails with discount offers on specific food and beverage items I have ordered in the past.	69%
I would like to receive e-mails with offers of value relating to the program.	66%
I don't mind carrying a membership card if it's necessary.	60%
I would like a simple, no hassle way to join in the restaurant and provide my name and contact information later online.	60%
I would like to be able to join online and begin earning rewards using my telephone number.	54%
I would like to be able to join online, print my own membership card and begin earning rewards.	53%
I would like to receive something of value for getting my friends to join the program.	52%
I would like to use my phone number instead of a membership card.	47%
I would like to receive e-mails with recipes from that restaurant.	44%
I would rather do anything other than carry a membership card.	37%
I would like to do everything using a smart phone app.	35%

DETAILED FINDINGS

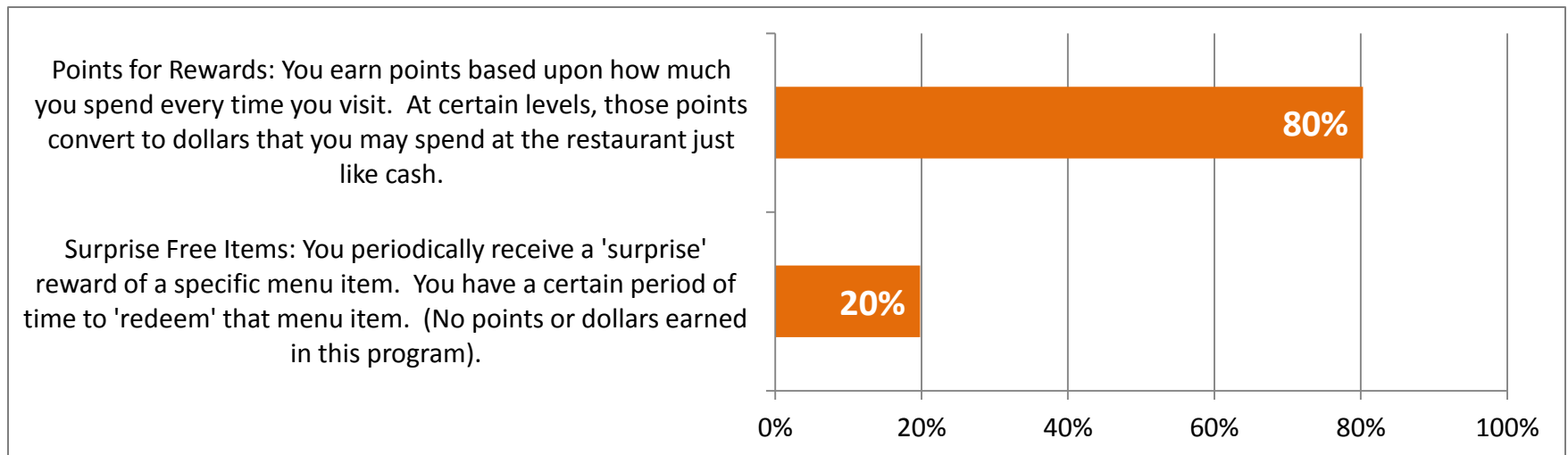
HOW APPEALING ARE CERTAIN FEATURES/BENEFITS?	% THAT FIND THIS APPEALING
Earn points toward free/discounted meals.	77%
Special birthday reward.	72%
Unexpected in-restaurant benefits such as a free appetizer.	70%
Unexpected in-restaurant benefits such as a free dessert.	64%
Special holiday offers.	58%
Periodic offers to try new menu items.	58%
Opportunity to move to the head of the line for seating when it's crowded.	54%
Special wedding anniversary reward.	51%

DETAILED FINDINGS

HOW APPEALING ARE CERTAIN FEATURES/BENEFITS?	% THAT FIND THIS APPEALING
Periodic chances to win extra rewards of substantial value (sweepstakes).	50%
Bonus rewards during certain days of the week.	50%
Bonus rewards during certain time periods of the day.	46%
Bonus rewards for bringing in a large party of a certain size.	32%
Culinary education events (learn chef secrets).	31%
Ability to donate my rewards to a charity of my choice.	31%
Ability to donate my rewards to a 'green' cause.	26%

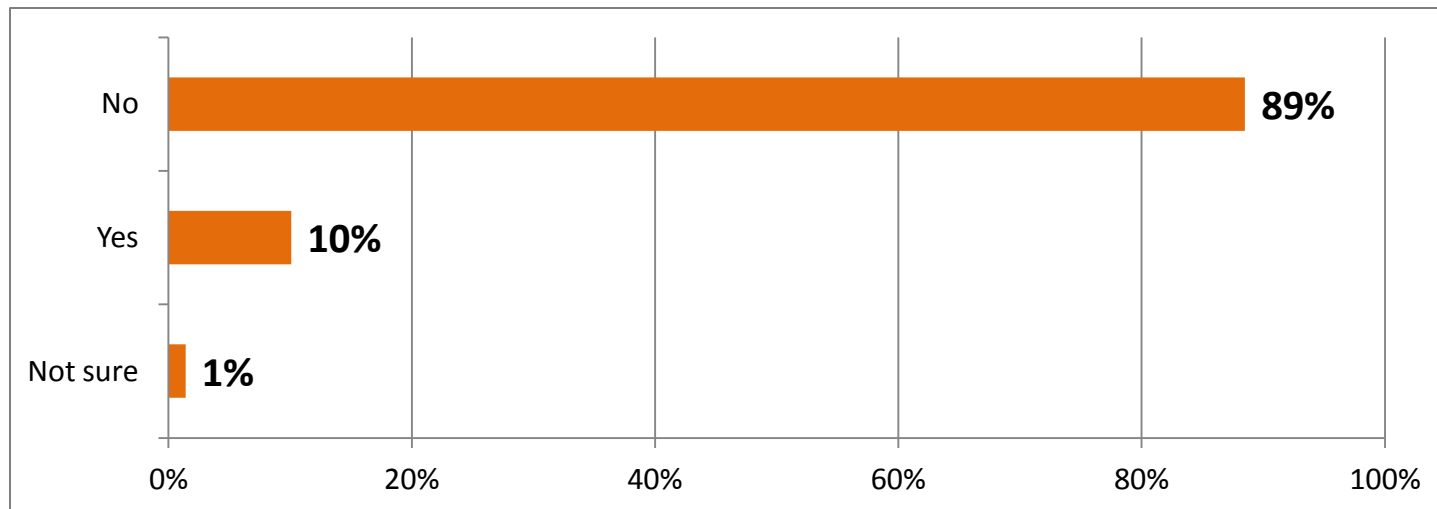
COMPARING TWO POPULAR CONCEPTS

- 💡 Most consumers want to know what benefits they will receive by participating in a restaurant rewards program.
- 💡 We asked, “Thinking about a restaurant you like, which of the following two programs would be **MOST LIKELY** to motivate you to visit that restaurant more frequently. “



REWARDS PROGRAM MEMBERSHIP FEES

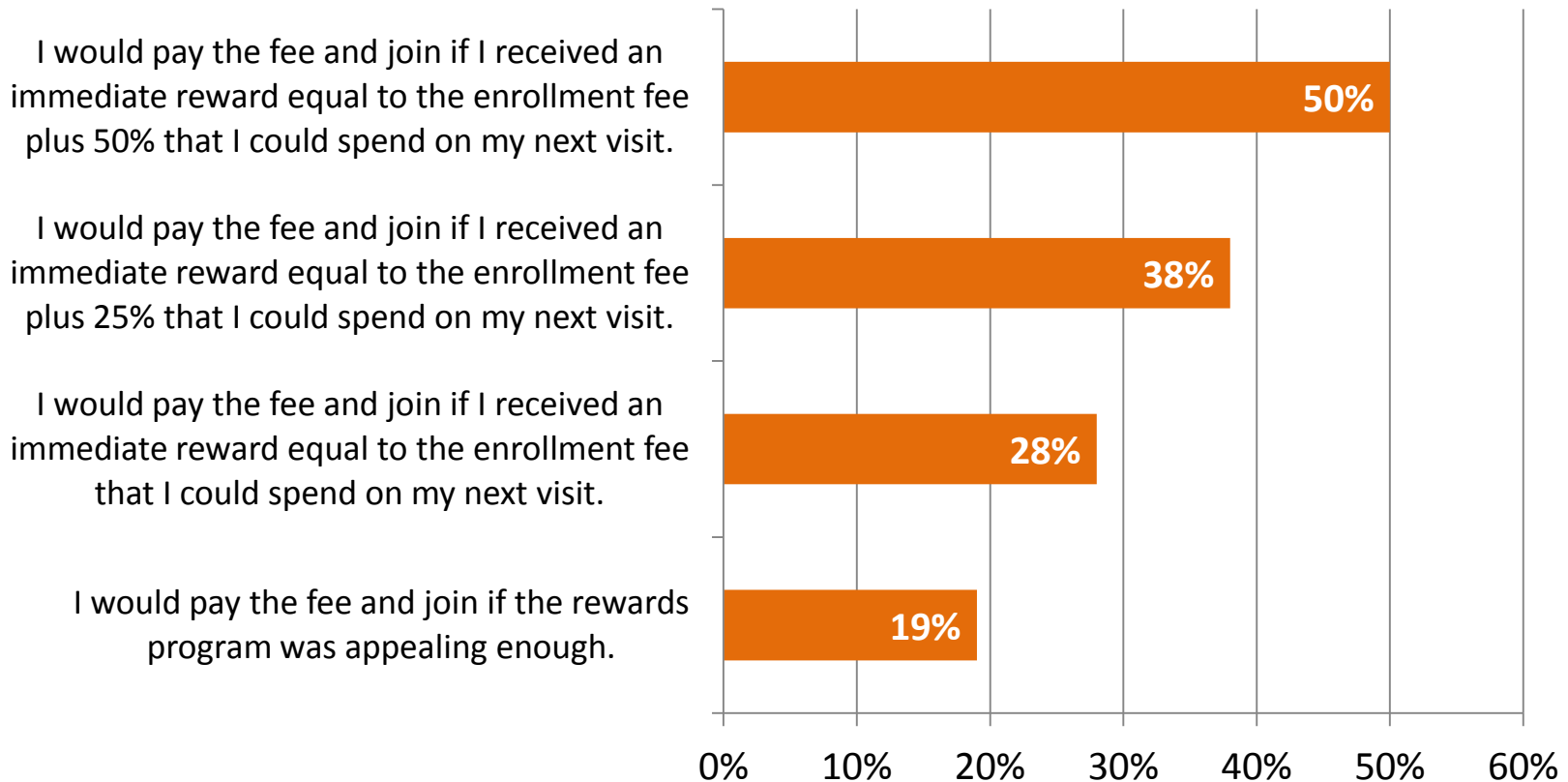
- 💡 A small percentage of restaurant companies require that guests pay a fee to join the program.
- 💡 We asked, *“Have you ever paid a fee to join a restaurant rewards program?”*



REWARDS PROGRAM MEMBERSHIP FEES

- 💡 Restaurant companies that charge rewards program enrollment fees are often higher price point brands. The magnitude of potential value to the guest is such that it may justify the enrollment fee. We asked additional questions to understand what might motivate the payment of the fee.

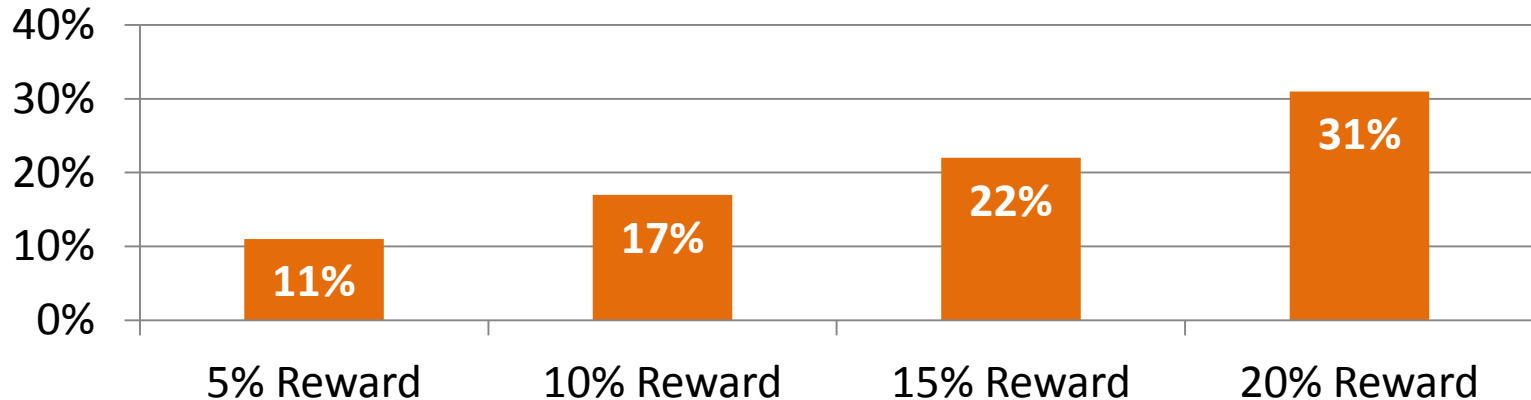
REWARDS PROGRAM MEMBERSHIP FEES



IMPACT OF CERTAIN REWARD PERCENTAGES

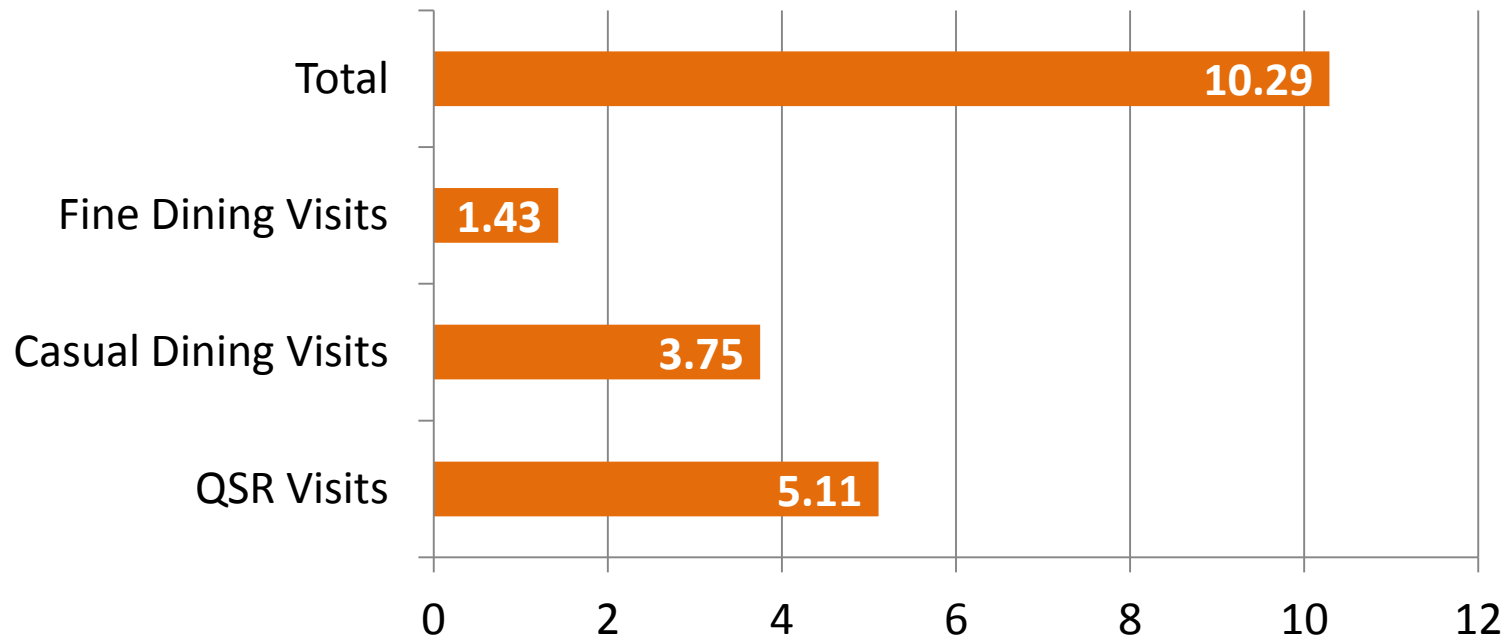
💡 Imagine a restaurant you like offered a rewards program and how it would affect your visit frequency rate whether they offered a 5% reward on spending, a 10% reward, a 15% reward or a 20% reward. Estimate how your visit frequency might increase under each reward percentage scenario.

EXPECTED INCREASE IN VISITS



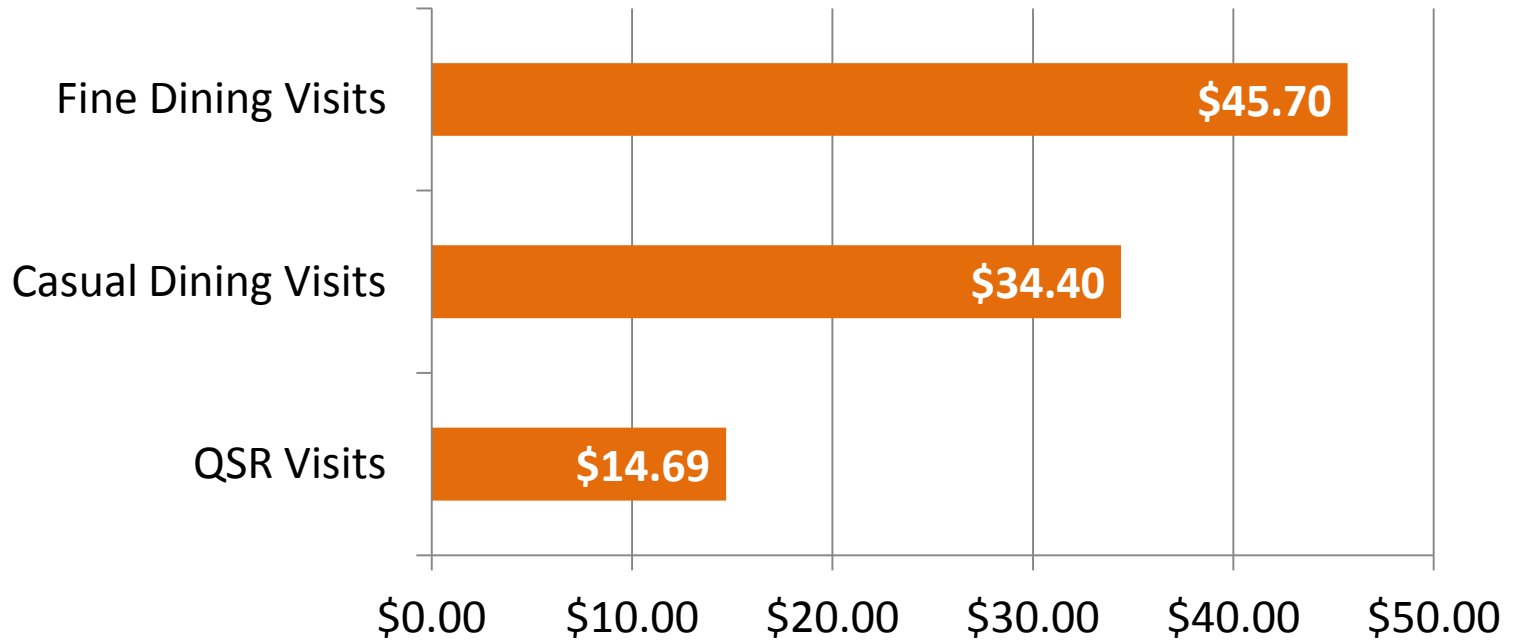
RESTAURANT USAGE BEHAVIOR

💡 Average monthly visits.



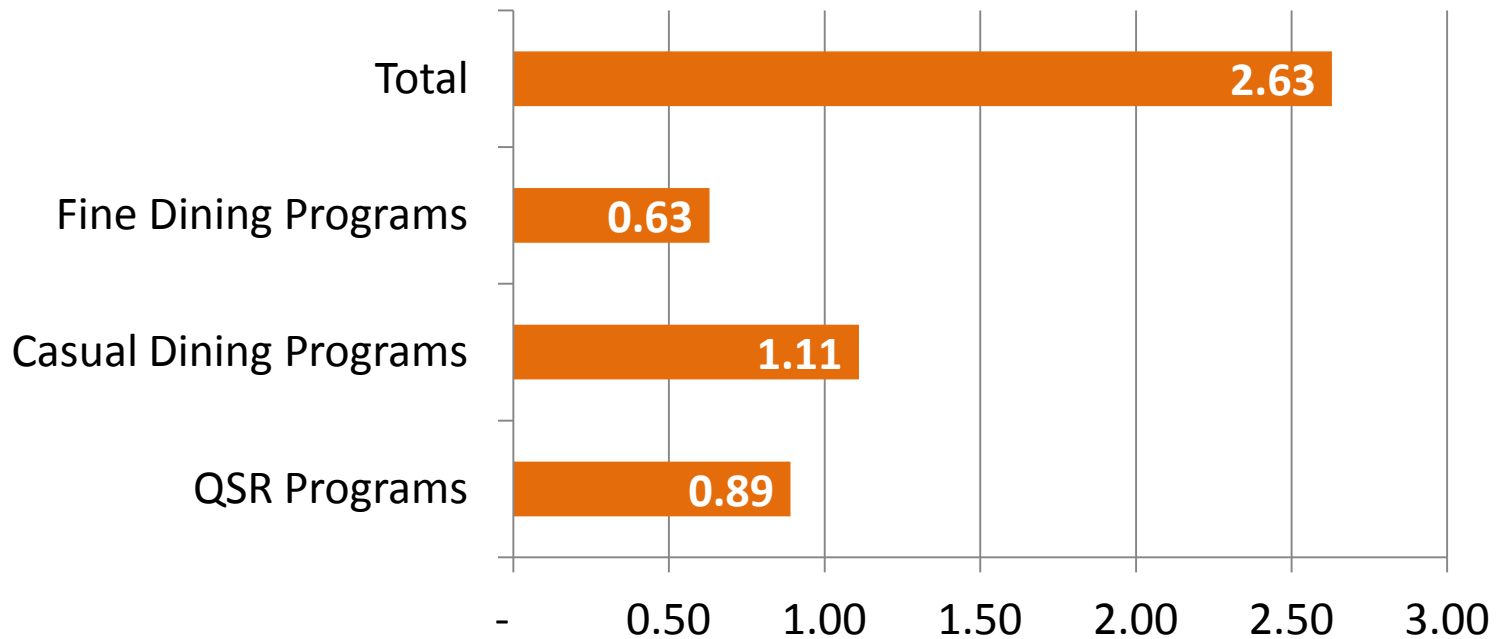
RESTAURANT USAGE BEHAVIOR

💡 Average spend per visit.

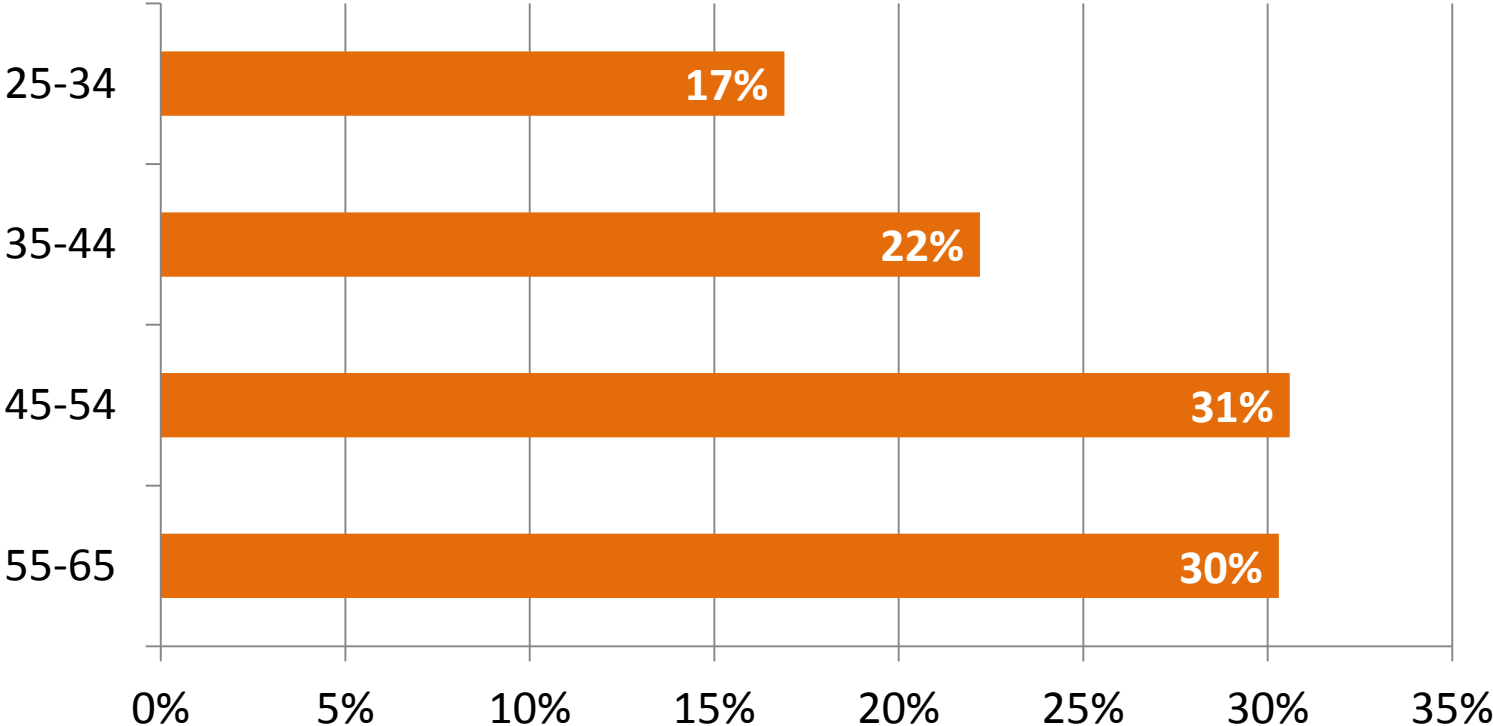


RESTAURANT USAGE BEHAVIOR

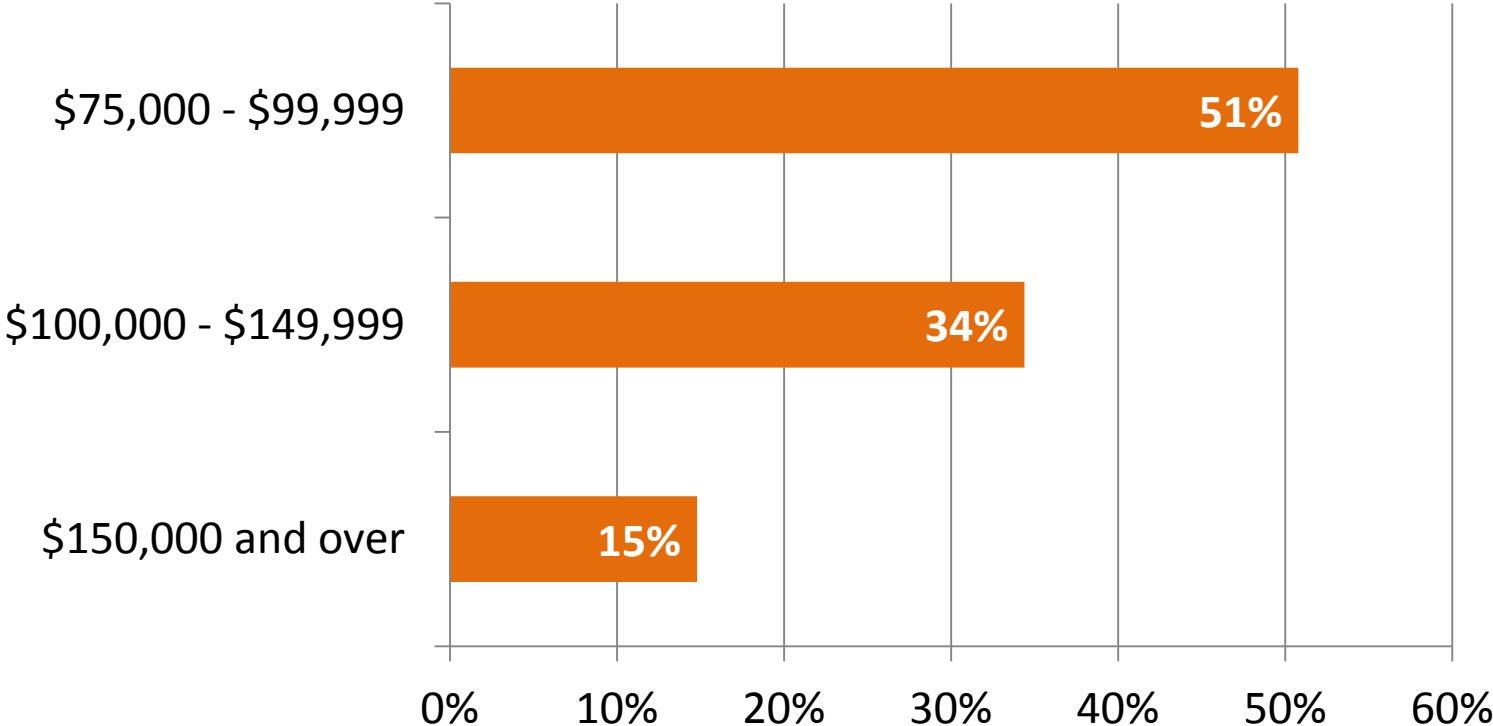
💡 How many restaurant rewards program do you participate in?



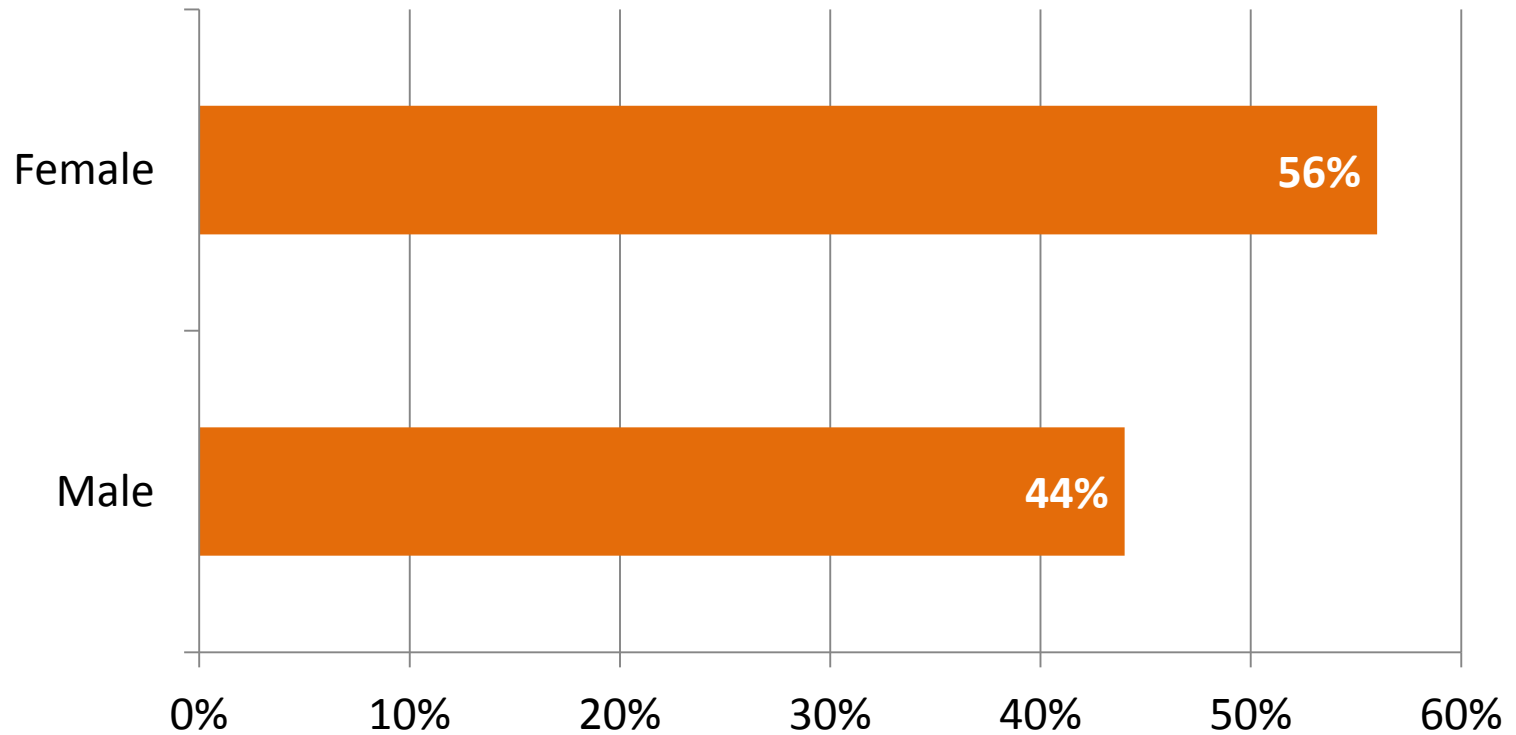
RESPONDENT AGE



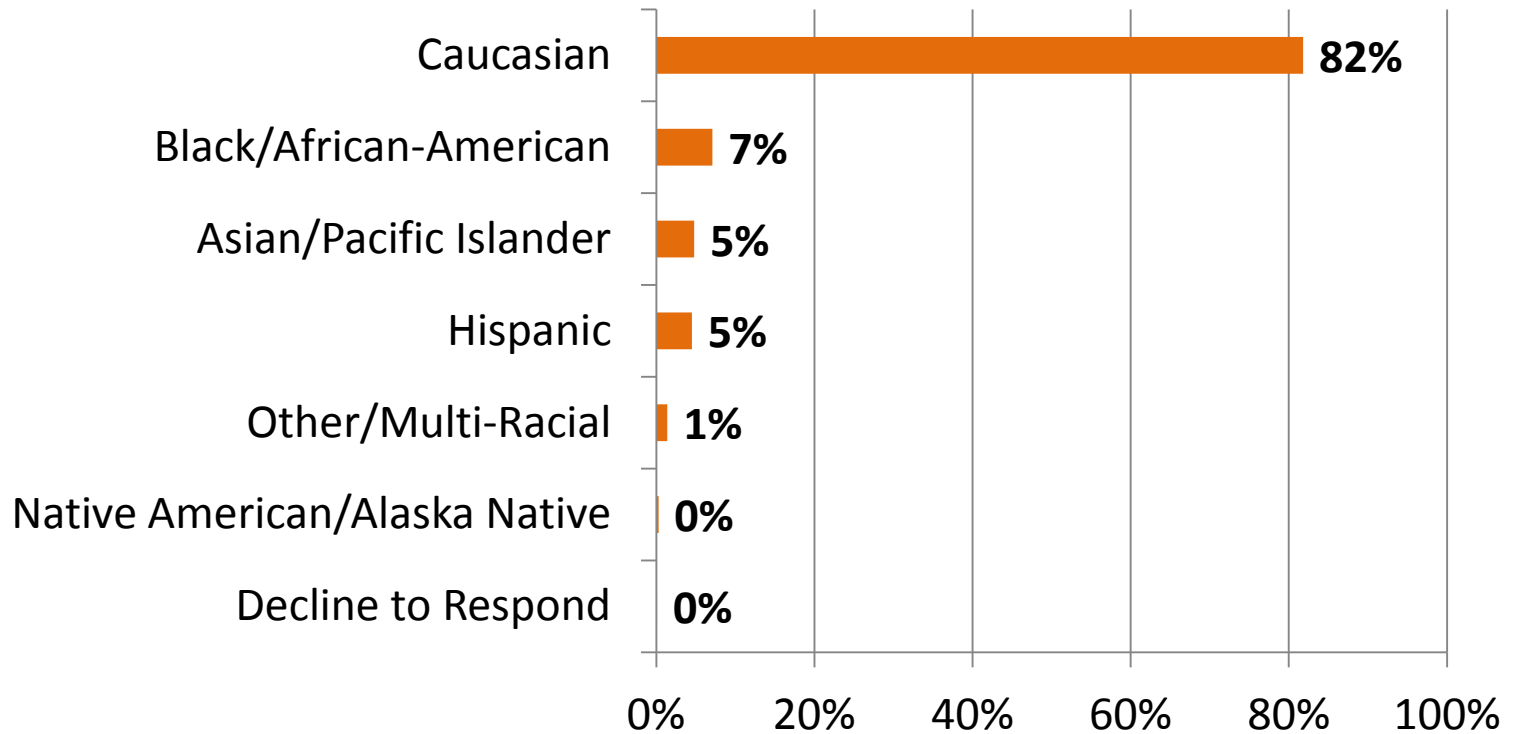
RESPONDENT INCOME



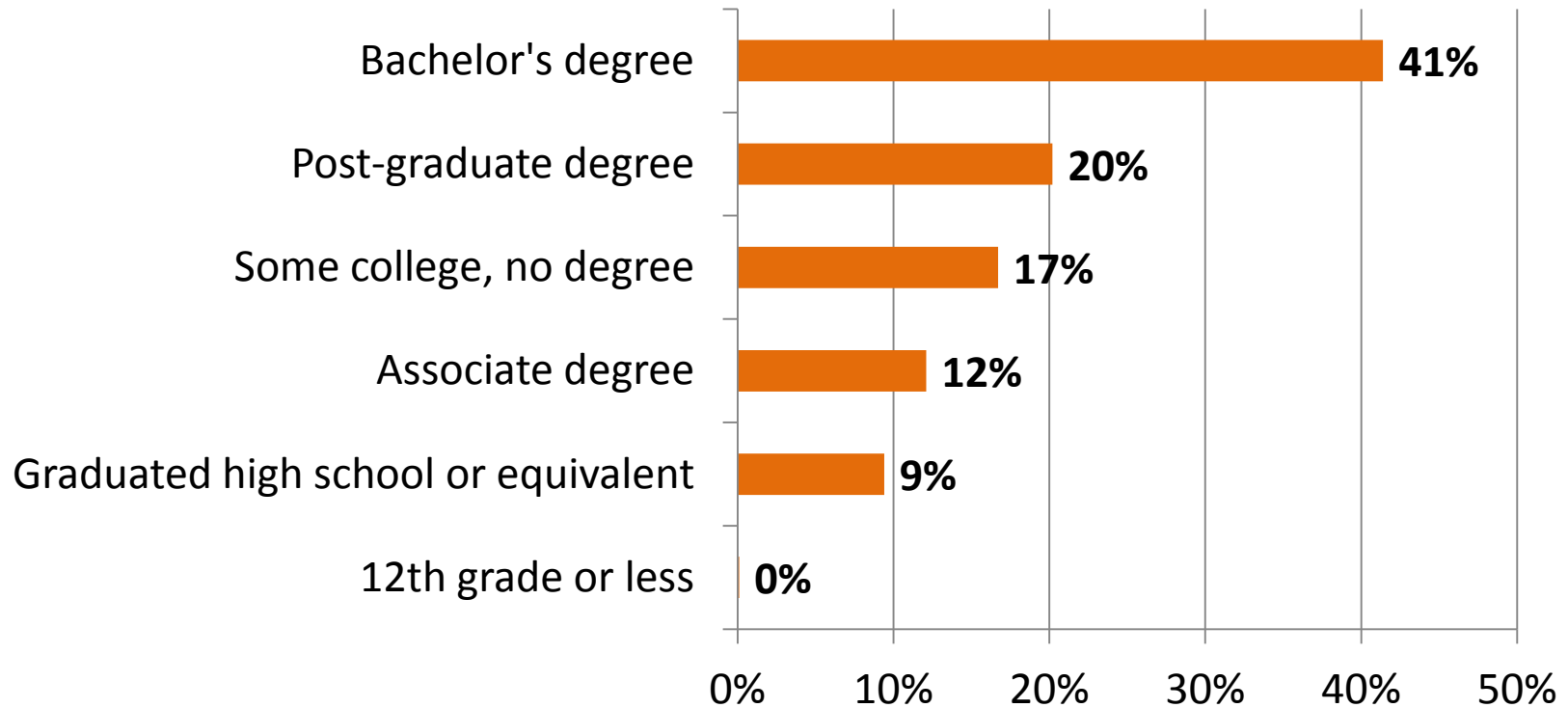
RESPONDENT GENDER



RESPONDENT ETHNICITY



RESPONDENT EDUCATION



IMPLICATIONS

- 💡 In developing a restaurant rewards program, be mindful of three principles that have emerged from this study:
 1. The program itself and the use of data to drive targeted and relevant offers combine to create a strategic combination most likely to generate incremental visits (revenue).
 2. The program benefits should reflect the desires of the guest. To motivate guest participation (which is essential to success with the overall strategy, including the use of data as a strategic marketing tool) the program must offer benefits with strong, immediate appeal.
 3. The program must be simple for guests to understand, join and use.

STRATEGIC USE OF DATA

- 💡 Two key findings that support the importance of using the data derived from a rewards program include:
 1. 69% state they would like to receive e-mails with offers that pertain to specific food and beverage items they have ordered in the past.
 2. 66% state they would like to receive offers of value relating to the program.
- 💡 Rewards programs yield guest-level data that enables restaurant companies to understand individual guest transaction data.
 - At a minimum this includes guest visit, date, location and amount spent.
 - Depending upon technology platform and POS system it may also yield menu-item details.
 - This data enables targeting, message relevance and measurement at a level beyond what most companies are able to do without a rewards program.

BENEFITS MUST MOTIVATE GUESTS

- 💡 The most appealing benefits through the eyes of consumers include:
 1. Earn points toward free/discounted meals (77% find appealing).
 2. Special birthday reward (72% find appealing).
 3. Unexpected in-restaurant benefits such as a free appetizer (70% find appealing).
 4. Unexpected in-restaurant benefits such as a free dessert (64% find appealing).
- 💡 The combination of a clearly-defined, easy to understand core proposition (points that convert to free/discounted dining) provide something guests can count on every day.
- 💡 Additional that make guests feel special (birthday reward and/or something surprising) are likely to connect emotionally with guests and increase the likelihood they will be loyal to a restaurant and refer others.

SIMPLE TO UNDERSTAND AND USE

- 💡 From the study we know the most appealing benefit through the eyes of guests is to *earn points toward free/discounted meals*.
 - This is simple to and simple for restaurant staff to explain to guests.
- 💡 When it comes to joining the program, 60% of members agree with:
 - *I would like a simple, no hassle way to join in the restaurant and provide my name and contact information later online.*

INCREMENTAL VISITS AND ECONOMICS

- 💡 When asked how an appealing program offered by a restaurant they like would affect their visit rate, guests estimate a 35% increase in visits.
 - When asked this question, guests make their own interpretation about what “appealing” means. It’s likely they consider several factors when they’re not presented with specific factors:
 - The core proposition.
 - Other benefits such as a birthday reward and/or surprises.
 - Special e-mail promotions that are exclusive features of the program and that would be relevant and motivating to them.

INCREMENTAL VISITS AND ECONOMICS

- 💡 When the study probes at a more granular level regarding the size of the core reward proposition and how that may affect incremental visits, guests respond proportionately:
 - 5% reward generates 11% incremental visits.
 - 10% reward generates 17% incremental visits.
 - 15% reward generates 22% incremental visits.
 - 20% reward generates 31% incremental visits.
- 💡 These reward levels are presented to respondents as “face value” – what the guest considers to be the impact on their check.
 - How does cost of the reward relate to the incremental value?

COST/VALUE RELATIONSHIP

- 💡 When considering the cost of a reward, most restaurant companies consider several factors:
 - The actual variable cost of the reward. For instance, a 10% “face value” reward for a restaurant that has a 30% variable (food) cost may represent a 3% “net” or actual cost.
 - $3\% = 30\% \text{ of } 10\%$.
 - The likelihood a reward will be redeemed. A percentage of all rewards earned are never redeemed. A deep examination of this concept (typically referred to as “breakage”) is **outside the scope of this study**, but companies with mature programs have a track record that allows them to accurately predict the percentage of rewards that are redeemed and factor that into their expense-recognition model.

COST/VALUE RELATIONSHIP

💡 Using 30% as a “net” or actual cost, following is a simplified example of the cost/value relationship, using a hypothetical guest who spends \$500 per year without the rewards program:

- At a 10% reward level.
 - Respondents estimate incremental visits/spending at 17%.
 - Base spending of \$500 + 17% = \$585 spending with the program.
 - Incremental spending of \$85.
 - Incremental contribution of \$59.50 (70% of \$85).
 - Cost of reward at 3% = \$17.55 (3% of \$585).
 - Cost of 3%, however through the eyes of the guest, value is 10% of \$585 (\$58.50).
 - Net incremental contribution = \$41.95 (\$59.50 - \$17.55, the incremental contribution less reward cost).
 - Simple guest ROI = 239% (a return of \$41.95 on an investment of \$17.55).

💡 NOTE: this is a simplified example which does not include other costs that such a program might entail relating to technology, marketing and potential additional staffing. It also does not include any adjustment for breakage.

CONSUMER SEGMENTATION

CONSUMER SEGMENTATION

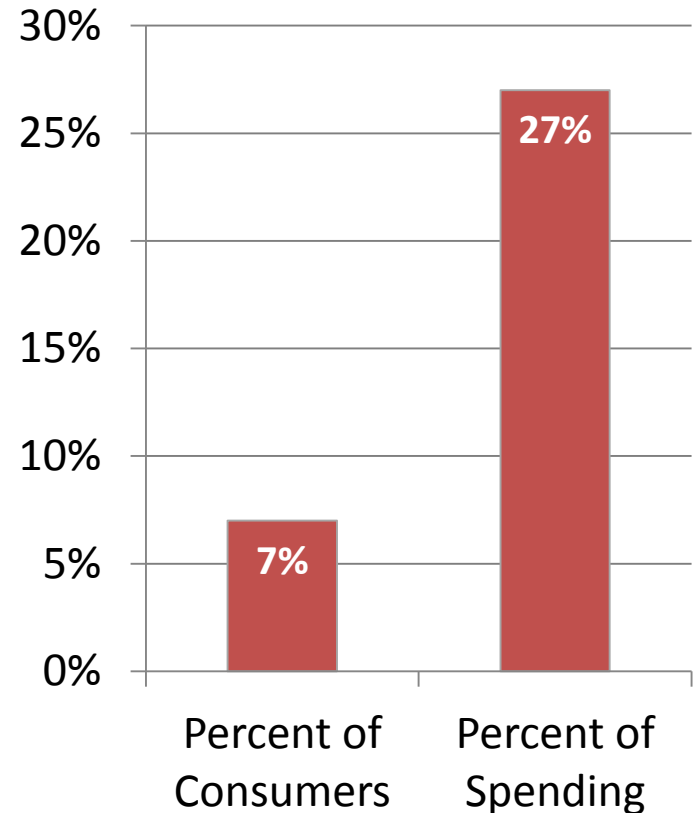
- 💡 Our analysis of the data uncovered six discrete consumer segments.
- 💡 Following is a summary of the six segments, followed by in-depth demographic and usage characteristics.

RESTAURANT USAGE FREQUENCY			
RESTAURANT OCCASIONS	HIGH	MEDIUM	LOW
BUSINESS AND PLEASURE	<p><u>POWER BROKERS</u></p> <ul style="list-style-type: none"> 30.8 monthly visits. \$1,075 monthly spending. In 12.2 rewards programs. 57% male. 35% income over \$150. 7% of consumers. 27% of spending. 	<p><u>GOOD FELLOWS</u></p> <ul style="list-style-type: none"> 14.5 monthly visits. \$441 monthly spending. In 5.3 rewards programs. 71% male. 45% income \$75k-\$99k. 10% of consumers. 14% of spending. 	<p><u>WORKING VALUES</u></p> <ul style="list-style-type: none"> 6.7 monthly visits. \$172 monthly spending. In 2.0 rewards programs. 56% male. 46% income \$75k-\$99k. 16% of consumers. 10% of spending.
	JUST PLEASURE	<p><u>ON THE GO</u></p> <ul style="list-style-type: none"> 22.3 monthly visits. \$593 monthly spending. In 3.3 rewards programs. 57% female. 55% income \$75k-\$99k. 10% of consumers. 20% of spending. 	<p><u>CASUALLY FOCUSED</u></p> <ul style="list-style-type: none"> 10.3 monthly visits. \$294 monthly spending. In 1.9 rewards programs. 65% female. 52% income \$75k-\$99k. 18% of consumers. 18% of spending.

SEGMENT: POWER BROKERS

Dining for Business & Pleasure

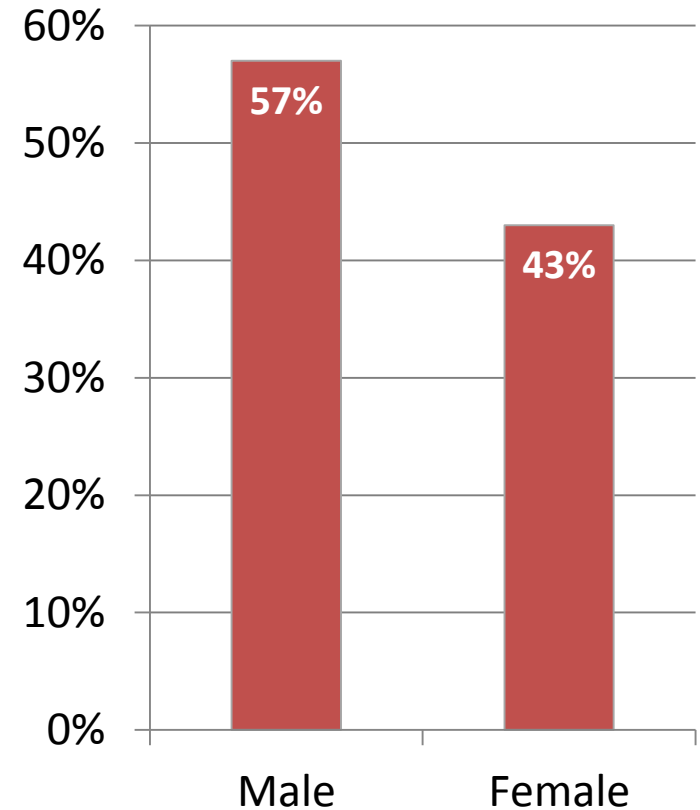
MONTHLY RESTAURANT VISITS	
Fine Dining	7.3
Casual Dining	10.6
QSR	12.9
Total	30.8
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	3.7
Casual Dining Programs	4.2
QSR Programs	4.3
Total	12.2
SPEND PER VISIT	
Fine Dining	\$57.29
Casual Dining	\$35.73
QSR	\$21.61
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	37%
Expected incremental visits from rewards program	43%



SEGMENT: POWER BROKERS

Dining for Business & Pleasure

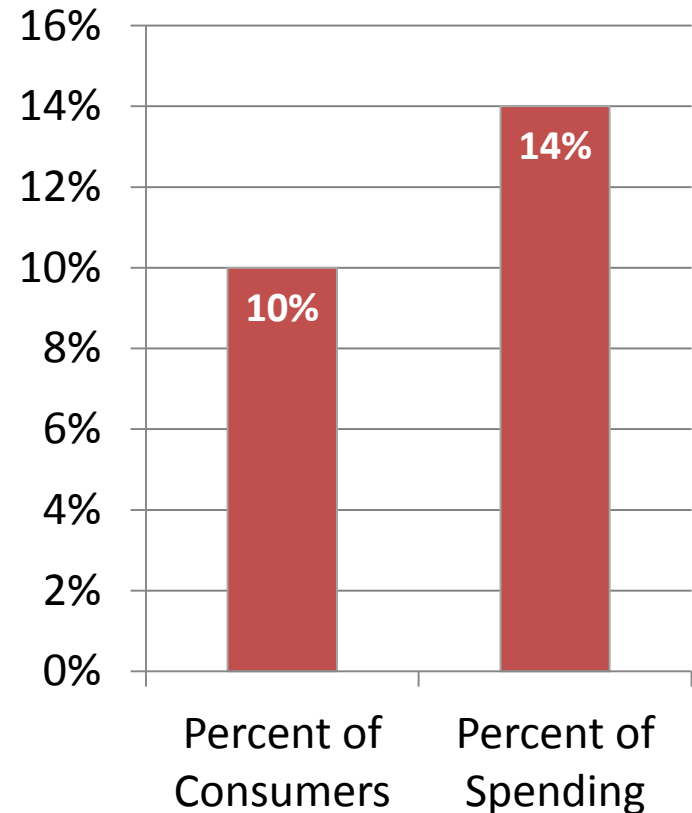
AGE	
25-34	52%
35-44	17%
45-54	18%
55-65	12%
INCOME	
\$75,000 - \$99,999	30%
\$100,000 - \$149,999	34%
\$150,000 and Over	35%
EDUCATION	
High school or equivalent	4%
Some college	6%
Associate degree	12%
Bachelor's degree	55%
Post-graduate degree	23%



SEGMENT: GOOD FELLOWS

Dining for Business & Pleasure

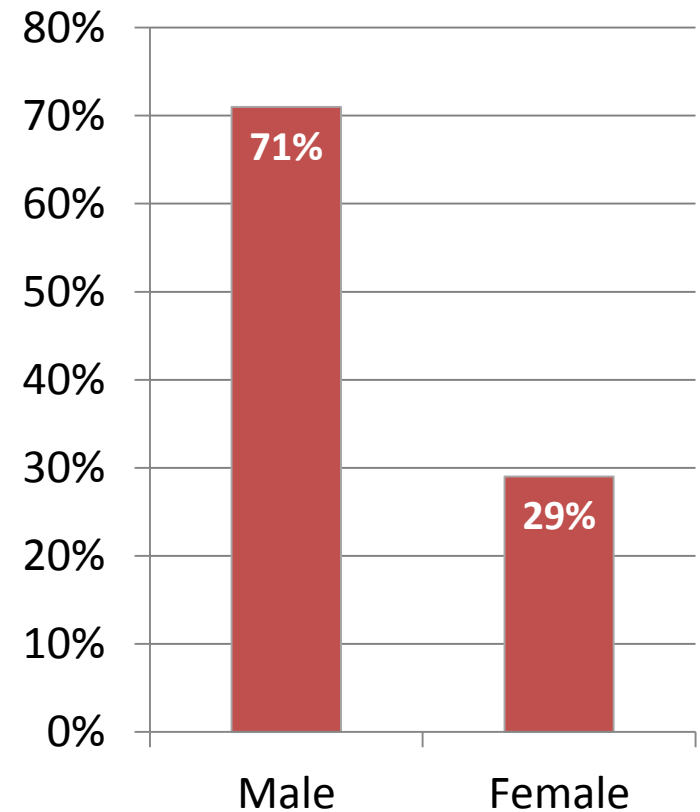
MONTHLY RESTAURANT VISITS	
Fine Dining	2.3
Casual Dining	4.9
QSR	7.3
Total	14.5
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	1.5
Casual Dining Programs	2.1
QSR Programs	1.7
Total	5.3
SPEND PER VISIT	
Fine Dining	\$64.41
Casual Dining	\$35.24
QSR	\$16.40
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	26%
Expected incremental visits from rewards program	39%



SEGMENT: GOOD FELLOWS

Dining for Business & Pleasure

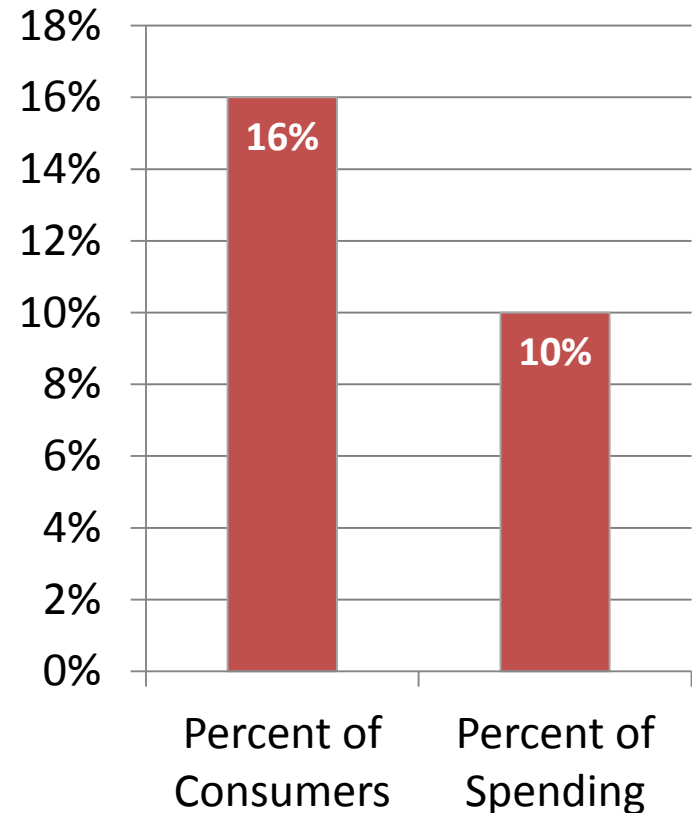
AGE	
25-34	27%
35-44	24%
45-54	34%
55-65	15%
INCOME	
\$75,000 - \$99,999	45%
\$100,000 - \$149,999	38%
\$150,000 and Over	17%
EDUCATION	
High school or equivalent	2%
Some college	17%
Associate degree	10%
Bachelor's degree	50%
Post-graduate degree	20%



SEGMENT: WORKING VALUES

Dining for Business & Pleasure

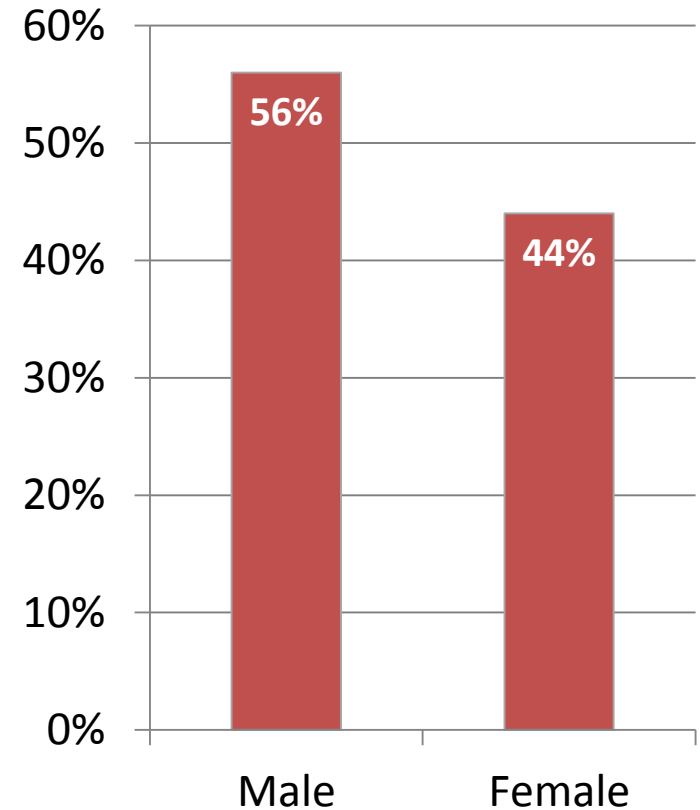
MONTHLY RESTAURANT VISITS	
Fine Dining	1.1
Casual Dining	2.4
QSR	3.3
Total	6.7
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	.50
Casual Dining Programs	.85
QSR Programs	.67
Total	2.0
SPEND PER VISIT	
Fine Dining	\$46.66
Casual Dining	\$31.70
QSR	\$14.31
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	14%
Expected incremental visits from rewards program	36%



SEGMENT: WORKING VALUES

Dining for Business & Pleasure

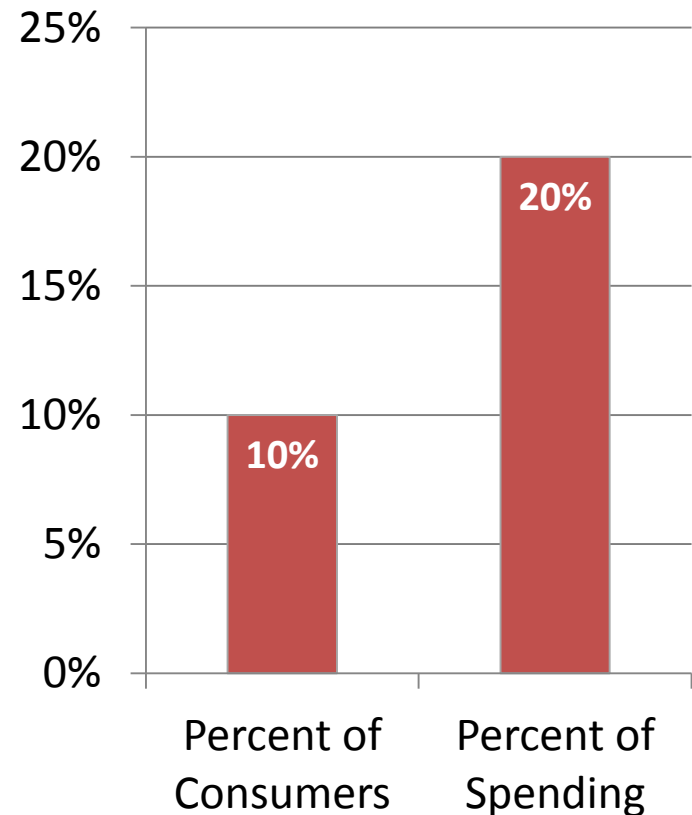
AGE	
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35-44	32%
45-54	27%
55-65	23%
INCOME	
\$75,000 - \$99,999	46%
\$100,000 - \$149,999	33%
\$150,000 and Over	21%
EDUCATION	
High school or equivalent	5%
Some college	10%
Associate degree	19%
Bachelor's degree	40%
Post-graduate degree	25%



SEGMENT: ON THE GO

Dining for Pleasure

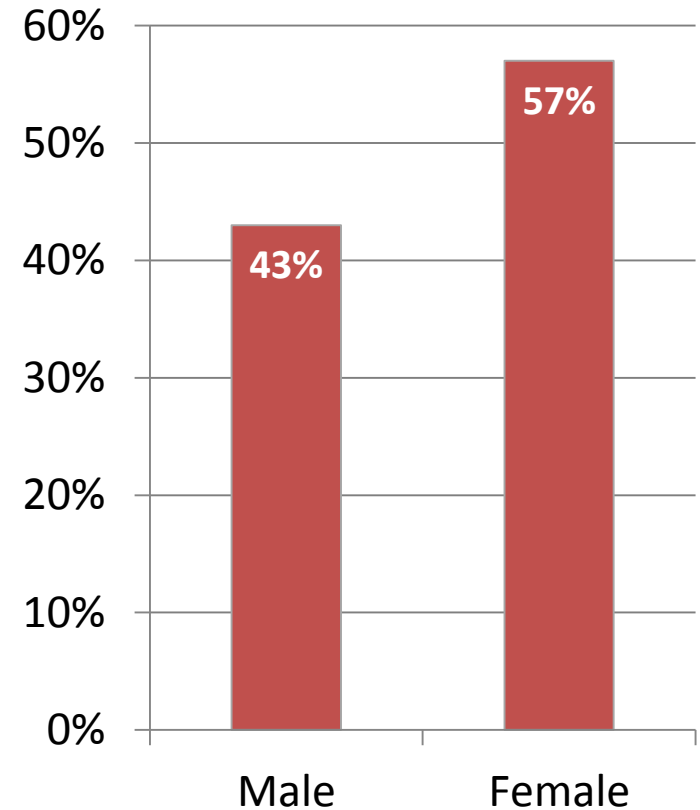
MONTHLY RESTAURANT VISITS	
Fine Dining	2.1
Casual Dining	7.8
QSR	12.4
Total	22.3
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	.6
Casual Dining Programs	1.5
QSR Programs	1.2
Total	3.3
SPEND PER VISIT	
Fine Dining	\$53.33
Casual Dining	\$36.02
QSR	\$16.26
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	13%
Expected incremental visits from rewards program	30%



SEGMENT: ON THE GO

Dining for Pleasure

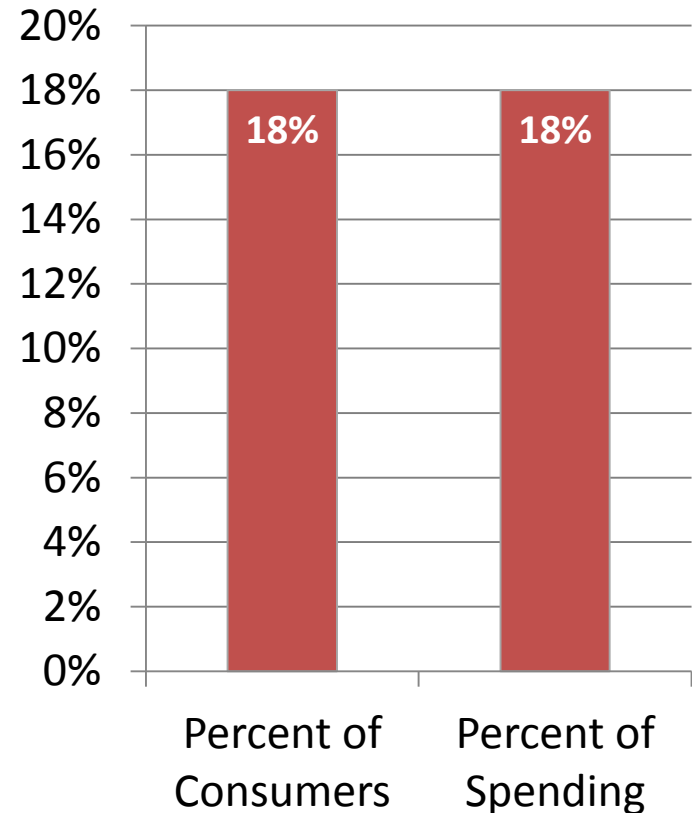
AGE	
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35-44	30%
45-54	23%
55-65	30%
INCOME	
\$75,000 - \$99,999	55%
\$100,000 - \$149,999	30%
\$150,000 and Over	15%
EDUCATION	
High school or equivalent	7%
Some college	16%
Associate degree	13%
Bachelor's degree	40%
Post-graduate degree	24%



SEGMENT: CASUALLY FOCUSED

Dining for Pleasure

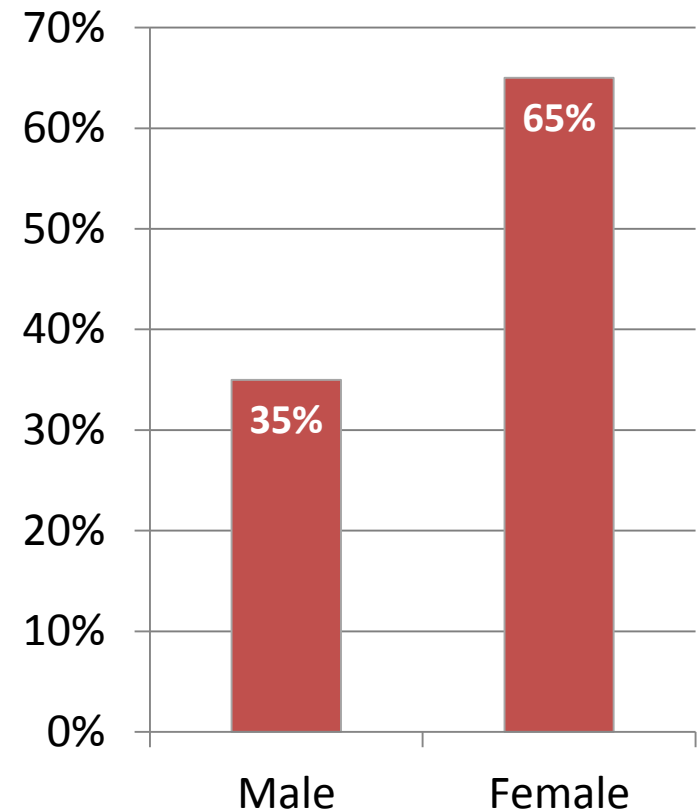
MONTHLY RESTAURANT VISITS	
Fine Dining	.9
Casual Dining	4.1
QSR	5.3
Total	10.3
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	.3
Casual Dining Programs	1.0
QSR Programs	.6
Total	1.9
SPEND PER VISIT	
Fine Dining	\$52.00
Casual Dining	\$41.50
QSR	\$14.50
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	4%
Expected incremental visits from rewards program	38%



SEGMENT: CASUALLY FOCUSED

Dining for Pleasure

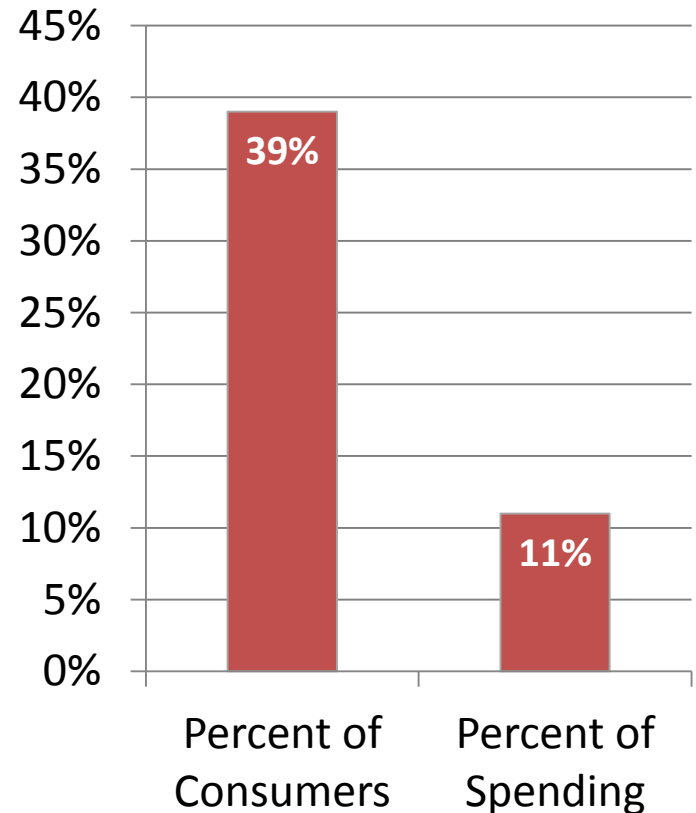
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45-54	29%
55-65	35%
INCOME	
\$75,000 - \$99,999	52%
\$100,000 - \$149,999	35%
\$150,000 and Over	13%
EDUCATION	
High school or equivalent	11%
Some college	19%
Associate degree	14%
Bachelor's degree	36%
Post-graduate degree	20%



SEGMENT: FRUGASSIONAL

Dining for Pleasure

MONTHLY RESTAURANT VISITS	
Fine Dining	.3
Casual Dining	1.6
QSR	1.9
Total	3.8
REWARD PROGRAM PARTICIPATION	
Fine Dining Programs	.1
Casual Dining Programs	.4
QSR Programs	.2
Total	.6
SPEND PER VISIT	
Fine Dining	\$33.54
Casual Dining	\$31.29
QSR	\$12.81
ADDITIONAL BEHAVIOR FACTS	
Paid a fee to join a rewards program	1%
Expected incremental visits from rewards program	31%



SEGMENT: FRUGASSIONAL

Dining for Pleasure

AGE	
25-34	11%
35-44	15%
45-54	36%
55-65	38%
INCOME	
\$75,000 - \$99,999	56%
\$100,000 - \$149,999	35%
\$150,000 and Over	9%
EDUCATION	
High school or equivalent	14%
Some college	20%
Associate degree	9%
Bachelor's degree	40%
Post-graduate degree	17%

