REWARDS

POINTS

RECIPE FOR ENGAGEMENT:
Essential Ingredients for a
Restaurant Loyalty Program
An Oracle Food and Beverage Global Consumer Survey

REWARDS

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Why restaurant operators need a loyalty program, and what guests expect from them

LOYALTY – A BIG OPPORTUNITY FOR RESTAURANT OPERATORS

A loyalty program can deliver a number of important benefits to restaurants, coffee shops or other food and beverage operations. It provides restaurant operators with a way to reward customers and encourage repeat business. It is also an effective, measurable marketing tool – by gathering details about your guests, such as their e-mail address and location or date or birth, you can target them with promotions to help grow your revenue.

However, today's millennial generation is looking for more than e-mail promotions. They want frictionless, personalized service. A loyalty program provides a framework for restaurant operators to meet their needs. It helps restaurant operators offer recognition and rewards, but, most importantly, it allows restaurant operators to gather demographic data and transaction histories so that they can tailor the guest experience in real-time.

To be successful, a loyalty program must deliver value to the guest and it must deliver value to a restaurant operator's business. To help food and beverage operators understand what guests are seeking in a loyalty program, Oracle Food and Beverage conducted a global consumer survey. On the following pages, you will find the answers to these questions and more:

- What rewards do guests most value in a restaurant loyalty program?
- Do they prefer paper stamp cards? Mobile apps? Plastic swipe cards?
- What prevents them from joining a loyalty program?
- Why do they leave a loyalty program or stop using it?
- What's their favorite restaurant loyalty program?

The graph below shows the global opportunity that loyalty presents to your business; in every country, most consumers are willing to join a loyalty program. The findings of this research allow operators to understand what guests are looking for in a food and beverage loyalty program.

REWARDS →
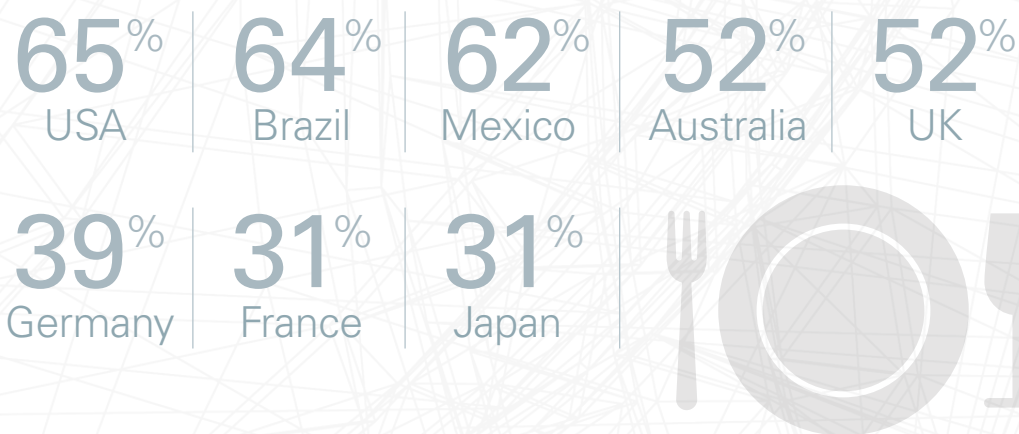
Number of people who say they never join loyalty programs

UK	France	Australia	Germany	Japan	USA	Brazil
6%	6%	7%	11%	13%	14%	19%

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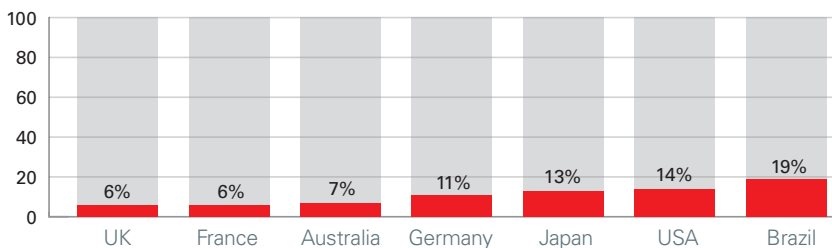
Loyalty – A Big Opportunity For Restaurant Operators

Consumers are willing to join food service loyalty programs: 65% of US respondents said that they were members of at least one restaurant loyalty program. Even in Japan, where food service loyalty appears to be least popular, nearly one-third of the population belongs to at least one program.

Percentage of consumers who are members of at least one restaurant/other food and beverage loyalty program:

65% USA   **64%** Brazil   **62%** Mexico   **52%** Australia   **52%** UK

39% Germany   **31%** France   **31%** Japan

The US also leads the way with consumers who are members of multiple loyalty programs.

Below is a table of the percentage of consumers who said they are members of four or more restaurant/food service loyalty programs:

USA: 26%	UK: 10%
Brazil: 17%	France: 7%
Australia: 15%	Japan: 7%
Mexico: 14%	Germany: 5%

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What do guests want from a restaurant loyalty program?

What makes a guest decide to join a loyalty program?

73% Rewards must be relevant

68% Rewards must be easy to redeem

55% Program must be simple to use and understand

When it comes to offering the right rewards, it is imperative to focus on the three "Rs": *relevant, redeemable* and *reliable.* In other words, programs must deliver benefits that consumers actually want, and they need to be claimable with ease, following clear, simple and consistent practices.

Which rewards are most attractive?

71% Overall

1. Discount on every purchase
Example: I swipe my loyalty card, I get 5% taken off my bill

Mexico: 82%	France: 72%
Brazil: 75%	Germany: 69%
UK: 72%	USA: 64%
Australia: 72%	Japan: 59%

63% Overall

2. Free products
Example: I get every 10th coffee free

UK: 71%	France: 64%
Germany: 71%	Mexico: 65%
Australia: 68%	Brazil: 65%
USA: 67%	Japan: 38%

What do guests want from a restaurant loyalty program?

Preferential treatment
Example: Birthday celebrations & other offers

Overall	**43%**
Japan	61%
Mexico	61%
USA	47%
Brazil	47%
Australia	41%
France	39%
UK	33%
Germany	32%

Invites to special events
Example: Menu tasting events and new restaurant openings

Overall	**25%**
Brazil	35%
Mexico	31%
Japan	27%
USA	26%
Australia	24%
France	24%
Germany	18%
UK	16%

Priority access to new products
Example: Be the first to try a new menu or drink

Overall	**22%**
USA	29%
Brazil	28%
Mexico	22%
Japan	21%
France	20%
Germany	18%
Australia	18%
UK	17%

Mobile payment through the loyalty app
Example: Loyalty app also enables mobile payment

Overall	**17%**
Brazil	35%
USA	24%
Mexico	21%
UK	15%
Australia	15%
Germany	13%
Japan	8%
France	7%

Third party offers
Example: Money off at partnering stores or businesses

Overall	**15%**
Japan	23%
Brazil	21%
USA	20%
Mexico	15%
France	13%
Germany	10%
Australia	10%
UK	8%

Charity partnerships or initiatives
Example: For every purchase a tree will be planted in the community

Overall	**12%**
Brazil	25%
USA	19%
Australia	16%
Mexico	12%
Germany	9%
UK	7%
France	6%
Japan	5%

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Which loyalty channels do guests prefer?

Plastic Swipe Card

Overall popularity. 62%
Most popular in Mexico .74%
Least popular in Germany. 48%

Despite the significant difference in popularity between Mexico and Germany, the plastic swipe was the most popular option overall. This indicates that people are willing to share data and provide wallet space. Interestingly, every age group cited plastic swipe cards as their preferred method for participating in a loyalty program.

Paper Stamp Card

Overall popularity. 45%
Most popular in Germany 70%
Least popular in Mexico .25%

Paper stamp cards offer limited value to the operator, as very little can be learned about the customer's transactions or preferences. Although they were particularly popular in Germany, paper stamp cards are far less appealing than plastic swipe cards to consumers overall.

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Which loyalty channels do guests prefer? CONTINUED

Mobile Phone App

Overall popularity. 40%
Most popular in Brazil 67%
Least popular in Japan 20%

Over half of your customers aged 18-50 want restaurants to offer loyalty programs via mobile app. The millennial respondents were most likely to want to use mobile apps for loyalty programs (56%), but 50% of the next generation up (Gen Xers) also said that that this method was preferable.

Registered Phone Number

Overall popularity. 26%
Most popular in Mexico 42%
Least popular in Germany. 11%

The registered phone number option allows guests to use their phone number as their loyalty account – a server would type the number into the POS to recognize the guest. It was well liked by respondents in Mexico, but less so in other countries.

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Which loyalty channels do guests prefer? CONTINUED

Mobile Wallet

Overall popularity. 14%
Most popular in Brazil 25%
Least popular in France. .6%

Mobile wallets like PayPal or Apple Pay were the least popular method for managing loyalty, with only 14% of our global respondents agreeing that they would like to use this option. Again, millennials and Gen Xers were aligned in their attitudes towards it, with 19% of both age groups indicating that they would use this method.

What this tells us is that guests are very willing to use plastic swipe cards (62% overall) and mobile apps (40% overall, rising to 56% of millennials) when joining a restaurant loyalty program. This presents operators with an opportunity to learn about their guests and deliver the rewards and personalized service that guests want to see.

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What puts them off joining?

#1 They don't visit the same places enough to justify joining the loyalty program

#2 Too much personal information is required to sign up

#3 The sign-up process is time consuming or difficult to understand

The tables show that there are four things that restaurant operators need to consider to encourage guests to join their loyalty program:

- 40% of consumers won't join loyalty programs if they don't visit often enough. Not everyone will join your loyalty program.

- 37% cited the amount of personal information required to join – it's important to only ask for the information that you need.

- 32% said that they would be put off by a registration process that was too long-winded or complex. Keep it simple.

- 30% would not join your loyalty program if the rewards were not attractive or relevant to them. It's important to strike a balance between value to the customer and business profitability.

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What puts them off joining?

I don't visit the same places enough to justify joining their loyalty program

Overall	**. 42%**
UK	. . . . .61%
Australia	. . . .57%
Japan	. . . . . .47%
USA	. . . . . . .46%
Germany	. . .45%
France	. . . . .32%
Mexico	. . . . .28%
Brazil.	. . . . . .21%

Too much personal information is required to sign up

Overall	**. 37%**
Brazil	. . . . . . .44%
Mexico	. . . . . .42%
USA	. . . . .40%
France	. . . . . .39%
Germany	. . . .39%
Australia	. . . . .36%
UK	. . . . .32%
Japan	. . . . . . .24%

Sign-up process is time consuming or difficult to understand

Overall	**. 32%**
Brazil	. . . . . . .47%
France	. . . . . .42%
Mexico	. . . . . .41%
USA	. . . . .32%
Australia	. . . .28%
UK	. . . . .26%
Germany	. . . .24%
Japan	. . . . . . .18%

The rewards do not interest me

Overall	**. 30%**
France	. . . . . .54%
USA	. . . . .35%
Australia	. . . .32%
Germany	. . . .28%
UK	. . . . .25%
Brazil	. . . . . . .25%
Japan	. . . . . . .20%
Mexico	. . . . . .19%

I never join loyalty programs

Overall	**. 12%**
Mexico	. . . . . .20%
Brazil	. . . . . . .18%
USA	. . . . .13%
Germany	. . . .11%
Japan	. . . . . . .11%
Australia	. . . . . .7%
UK	. . . . .6%
France	. . . . . . .6%

Other

Overall	**. 5%**
UK	. . . . .7%
Australia	. . . . . .7%
USA	. . . . .6%
Germany	. . . . .6%
Japan	. . . . .5%
Mexico	. . . . . . .4%
Brazil	. . . . . . .4%
France	. . . . . . .2%

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How can you stop guests from leaving your program?

The top 3 reasons people leave or stop using a loyalty program are:

#1	Rewards expire too quickly
#2	Rewards are too difficult to earn
#3	Rewards are too difficult to claim/there are too many conditions in place about claiming rewards

The top three reasons for leaving a loyalty program are all related to the rewards that are offered.

The tables show clearly that if customers have doubts about the accessibility and quality of a restaurant operator's loyalty rewards, they will potentially stop using the program.

What do you need to focus on?

- 47% said that rewards expiring too quickly makes them leave a loyalty program. If a guest visits a pizza restaurant every Friday night and is offered a reward to stop by on a weekday lunchtime for a free meal – but the reward expires next week, that's likely to frustrate the guest.

- 44% cited difficulty in earning the rewards – if you need to buy 20 different flavors of coffee to get a free one, that might not be deemed as worthwhile to the guest.

- 41% said that rewards being too difficult to claim would encourage them to quit – for example, if rewards can only be redeemed at certain times of day or require many prerequisites to be satisfied before redemption can occur.

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How can you stop guests from leaving your program? CONTINUED

Rewards expire too quickly

Overall 47%
Mexico 60%
Germany . . .52%
USA 50%
Brazil. 48%
France 47%
Australia 44%
Japan 39%
UK 38%

Rewards are too difficult to earn

Overall 44%
France 54%
Australia 52%
Brazil 50%
Germany 49%
USA 48%
Mexico 43%
UK 39%
Japan 22%

Rewards are too difficult to claim/there are too many conditions in place about claiming rewards

Overall 41%
Brazil 51%
Mexico 48%
France 48%
Germany 46%
USA 45%
Australia 43%
UK 36%
Japan 19%

Rewards are not relevant to me

Overall 35%
France 47%
USA 39%
Germany 38%
Australia 36%
Japan 34%
UK 33%
Mexico 33%
Brazil 24%

Too much personal data required

Overall 28%
Germany 37%
France 35%
Brazil 31%
USA 29%
Australia 25%
UK 22%
Japan 21%
Mexico 21%

I stopped eating at the restaurant

Overall 25%
Japan 35%
UK 30%
Germany 30%
Australia 30%
France 27%
USA 25%
Mexico 12%
Brazil 12%

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Takeaways:

1. **Loyalty programs offer huge opportunities to F&B operators.**
   Winning repeat business remains an important goal for any restaurant loyalty program, but the true value lies in using it to gain an understanding of a restaurant operator's customers and then leveraging that insight to create revenue opportunities and deliver the frictionless, personalized service that guests increasingly want. Without a loyalty program capable of delivering insights, operators risk falling behind the curve.

2. **Consumers are willing to join loyalty programs.**
   Only 6% of UK consumers, for example, said they never joined loyalty programs. They are also willing to share data: 62% preferred using a plastic swipe card, and 40% opted for a mobile app, allowing operators to collect demographic and transactional data that could be mined for insights. Mobile apps enable restaurateurs to capture personal and demographic data in a seamless and standardized fashion, making it easy to aggregate and analyze information.

3. **Loyalty programs must deliver value to the guest.**
   71% preferred to receive a discount on every purchase while 63% looked for free products (every 10th coffee free, for example). 47% of consumers left a loyalty program because the rewards expired too quickly, and 44% exited because the rewards were too difficult to earn. Personalized incentives can spark urgency and usage.

4. **Well-managed and integrated loyalty programs will deliver ROI to the operator.**
   Loyalty programs increase overall revenue by 5-10%*. To maximize ROI, it's essential for operators to leverage a comprehensive loyalty platform that is integrated to the restaurant's POS system. Seamless integration helps reduce operational costs by eliminating the need for extensive staff training and manager approval of discounts. Additionally, rich reporting data provide insights into market relevancy, helping drive adoption and usage.

5. **Achieving balance between creating value for the guest versus the business relies on having a robust reporting and analytics tool.**
   Operators need to use a reporting solution that analyzes financial and operational information and presents them in easy-to-understand reports. Such capabilities allow for the effective monitoring of loyalty promotions and simple execution of changes, if needed. They also can target key items that will drive a large return, even after costs and promotions.

* Social Annex, Customer Loyalty Statistics

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Oracle Food and Beverage Solutions

With Oracle Food and Beverage's cloud solution set, restaurant operators can initiate a loyalty program that provides the right offers to the right guests – and track its effectiveness with advanced reporting capabilities.

Gift and Loyalty: Create and execute a flexible loyalty strategy that allows restaurant operators to combine discounts and coupons, gather guest transactional and demographic data, and implement gift cards, stored value cards and payment cards – all through online administration. Through rich analytics that provide better understanding of market segments, customers and purchasing behaviour, you'll be able to tailor programs that drive revenue upward.

Loyalty programs are an effective strategy for guest acquisition and retention. Identifying, rewarding and retaining loyal guests are essential to achieving profitability and generating a return on investment. Points-based loyalty programs provide a powerful differentiator in today's competitive hospitality landscape, linking special rewards and recognition to continued loyalty. This strategy negates competitive switching and is proven to increase guest lifetime value (LTV). Increasing LTV of existing guests accelerates revenue growth.

Reporting and Analytics: Oracle Hospitality Reporting and Analytics consolidates food and beverage information in the cloud. Key benefits include analyzing revenue growth, profitability and service performance across the entire enterprise. The scope of reporting capabilities can provide a full range of performance perspectives, from a micro view delving into the health of each individual restaurant to a macro view of the company's overall performance.

Gather sales and productivity data while off-site, monitor the effectiveness of active loyalty promotions and examine reports featuring comprehensive sales, financial and operational information. Reporting and Analytics is the foundation of Oracle Hospitality's Enterprise Back Office Suite and provides available functionality with Oracle Hospitality's POS and back office solutions, including Gift and Loyalty, Labor Management and Inventory Management.

Simphony: The integrated cloud platform manages POS, kitchen, inventory, labor, reporting, loyalty and loss prevention. Our loyalty and reporting services are seamlessly integrated with Simphony, ensuring a reliable foundation for your loyalty program.

Create rewards that guests can redeem at the point of sale to keep them loyal to your brand. Real-time sales recording with loyalty information allows operators to evaluate guests' actions nearly instantaneously. Such capability, compared to working with third-party systems, makes tracking of coupons, rewards and purhasing habits much easier.

Our comprehensive suite of solutions works together to help you streamline business operations and elevate profitability.

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Appendix

The top 10 loyalty programs in each country

USA
1. Panera Bread
2. TGI Friday's
3. Starbucks
4. AppleBees
5. KFC

UK
"Nandos because you get good deals and it doesn't take too long to get a freebie"

1. Nandos
2. Costa Coffee
3. Brewers Fayre
4. Beefeater
5. KFC

Australia
"McDonald's - I only buy hot chocolate and I get one free every so often"

1. McDonald's
2. Nandos
3. Subway
4. Hog's Breath
5. Gloria Jeans

France
1. Hippopotamus
2. Flunch
3. McDonald's
4. La Pataterie
5. Courte Paille

Germany
1. McDonald's
2. Burger King
3. Subway
4. Nordsee
5. Starbucks

Japan
1. Crown Plaza
2. Denny's
3. Gust
4. Kikachi
5. Royal Host

Mexico
1. VIPs
2. Samborns
3. Chillis
4. Starbucks
5. Toks

Brazil
1. McDonald's
2. Madero
3. Subway
4. Bobs
5. Burger King

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FOR MORE INFORMATION

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