

STATE OF THE RESTAURANT INDUSTRY: ENHANCE CUSTOMER LOYALTY WITH INTELLIGENT INTERACTIONS



THE OPPORTUNITY

Dining out is big business.

Dining out is big business. In the US alone, restaurant sales are expected to reach \$863 billion this year. The industry employs 15.3 million people.

According to an April 2019 Gartner report, the QSR portion of the overall industry is predicted to reach almost \$700 billion globally by 2022. That's 4.2% annual growth rate.

Interestingly, according to NPD (authoritative in the space), the number of restaurants in the US actually fell last year to 647 thousand units. That was primarily driven by independent restaurants declining. Restaurant chains grew to 300 thousand units.

Quick service restaurants (QSR) declined by one percent to 353,121 units. Fast casual chains, which are a restaurant category under QSR, increased units by four percent to a total of 25,118. Full service restaurant units, which include casual dining, family dining, and fine dining restaurants, stood at 294,167 units in fall 2017, a two percent decline, according to NPD's ReCount, which includes its fall 2017 census of all restaurants open as of September 30, 2017.

At A Glance

↓ **-1%** **QSR**
353,121 units

↑ **+4%** **Fast Casual**
25,118 units

↓ **-2%** **Full Service**
294,167 units

THE BIG CHALLENGES

The industry is full of challenges and addressing them is no easy task

- Influx of new concepts & dining options
- Massive logs of customer data that are hard to access and act on
- Downward pricing pressure & margin eroding discounts
- Keeping up with mobile orders
- Elevated customer expectations
- Food inflation
- Unknown cash customers
- Modernizing & adapting the physical environment
- Siloed systems & complex tech stacks
- High cost of meeting customers' delivery demands

83%

of Americans acknowledge fast food is not healthy



Skyrocketing labor costs tied to \$15/hr minimum wage hike



Kiosks and small format locations closer to the customer

73%

of Gen Z is willing to pay a higher price for healthy, sustainable food

11%

Mobile orders are forecasted to constitute 11% of all quick service sales by 2022

10%

Delivery estimated at 10% of all orders. Third party delivery disintermediation



SOLUTIONS

Build Creative Loyalty Programs

Loyalty programs are the best way to establish a direct relationship with a customer and for making an unknown customer known, while providing a reason for customers to consistently visit and purchase from a restaurant.

Loyalty programs can be successful, however, they need to include a defined strategy. Generic, one-size-fits-all programs get lost in the shuffle and lose attention. Now imagine activities popping up above or below this 'equator' of calendar events. These are proactive events that are triggered by a customer's individual positive action.

Each of these good things begets other positive actions. A customer bought a burger and fries, why not suggest a soda to go with it? They've spent \$50? Send them an offer that if they spend ten more dollars, then they get exclusive perks like no delivery charge. These type of incentives are tailored to the specific customer action and are only triggered by each customer individually.

Drive High Value Behaviors

For restaurants to be successful they must focus on increasing the frequency of customer visits and the size of each check. Encourage customers to perform specific, high-value behaviors using targeted campaigns and offers. Restaurants need the ability to create rich segments of customers using demographic and behavioral data, as well as calculated metrics such as customer lifetime value and propensity to churn. These segments can be used to fuel different types of campaigns. For example, message customers with a high propensity to churn to entice them

to make a purchase, or thank customers who made five purchases over the last 30 days.

Leverage Strategic Integrations At Point of Sale

It's important that restaurants can integrate their marketing technology directly into point of sale systems to enable capabilities for customer facing staff to incentivize larger and more frequent purchases. With this, employees have the ability to lookup a customer at the register via phone number, email address or loyalty card number. It also provides them with the critical information needed to deliver a personalized experience such as name, loyalty points balance and available offers. This is crucial information for employees to have at their fingertips in order to upsell at moments of impact with specific product recommendations for each customer, or by providing patrons with an offer on their next purchase to entice another visit.

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Incentivize Non-Purchase Behaviors

It can be a new concept for restaurants to think about [rewarding behaviors](#) that aren't directly about the sale, but if you can think more intelligently about identifying behaviors that are going to lead to sales later on (like engaging with a certain piece of content, for example) you stand to expand and maximize your customer-base. Find those behaviors, know which customers are doing them or not doing them and then incentivize them. Don't just give the incentive to everybody. If customers are going to do something on their own then great, and if they haven't done it let's give them incentive to do it. We could find non-purchase behaviors that are indicative of future purchases. That's a different way for many restaurants to think about the standard loyalty approach of "Here's the published points program, and hopefully, you buy something, and we'll give you a reward." We can quantify value with a more targeted, personalized approach using data science.

Real-time Rewards

Time is of the essence for the restaurant industry. In order to drive a recent guest back into the store, it's crucial to get them rewarded for their transaction right away. If you're getting rewards later, even a few days later, the customer is not going to respond to the reward in the intended way. We've got to see that come through very quickly because if it's not instant then we can't necessarily associate it to the behavior. There's not that connection of "Oh, I'm going to get my stuff for completing this action."

Gamification

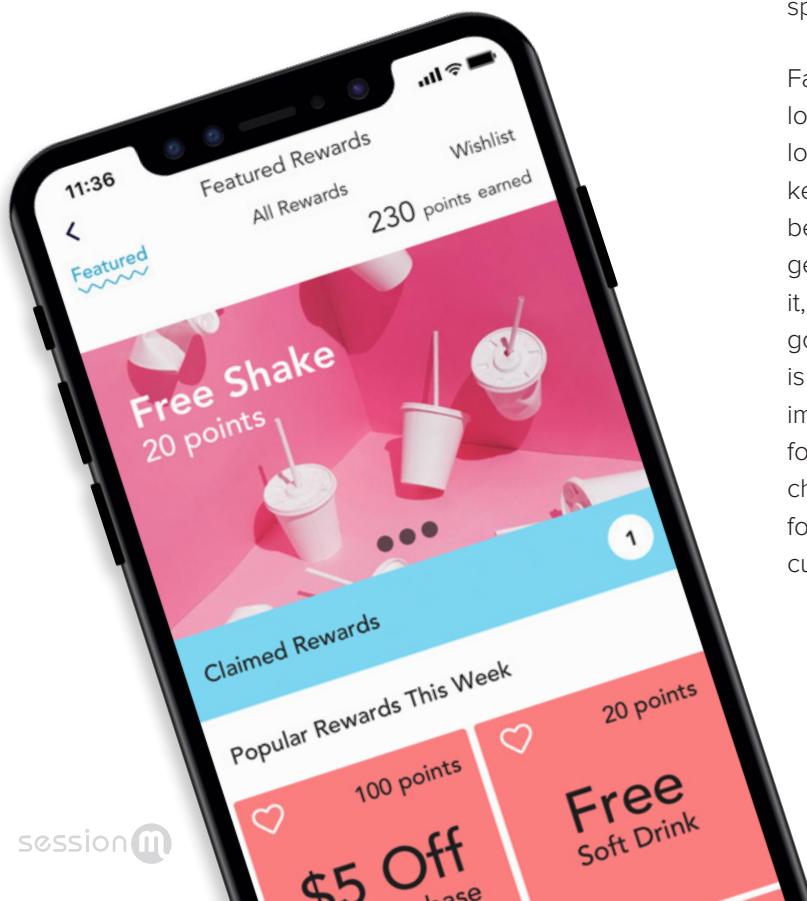
Thanks to Starbucks' BINGO game and other challenge-based promotions, a lot of brands have become interested in how they can incorporate gamification into their customer engagement strategy (because what company doesn't want to be more like Starbucks?). For example: if you buy two more of this item over the next week you're going to get this thing free, and all of a sudden they're automatically in a game.





Make Life Easier

Consumers want a seamless experience across channels. Customers are more likely to come back to a restaurant that provides an experience that makes it easy for them to get their food and get out. For example: offering an app that simplifies the ordering and check out process by enabling customers to reorder their last or favorite order and pay through the app. Just making the [app experience](#) easy for a customer to do business with the company is important because then as the customer is thinking about where she's going to go eat the company that makes it simple and has some good rewards (and the customer likes it anyway) gains an edge.



Trust a Solution Engineered for Data Privacy

Data privacy and protection is more important than ever. Your tech stack must be purpose-built to handle all customer requests under the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA). This means that when asked, a company must be able to confirm whether it is collecting personal data and provide a copy of that data in a readable format within one month of the request.

When asked, a brand must be able to quickly remove all data about a known consumer and confirm this removal. Consumers can be deleted or have certain details erased directly within the platform in question, including all personal, collected, and calculated data associated with a specific consumer.

Faced with the mandate to enter the next generation of loyalty and customer engagement, restaurants have a lot of choice when it comes to technology. One of the key things to keep in mind is that the teams that have been most successful making the transition to the new generation have not deployed tech just for the sake of it, but rather, they have deployed tech to drive business goals. Find a solution that is an attractive –one that is economical, quick to deploy, offers a transparent, immediate path to positive ROI; a solution that will allow for a unified view of your customers across locations, channels, and databases and will lay the foundation for omnichannel personalization and online & offline customer engagement.