

Real Results for Loyalty Promotions

PAYTRONIX Loyalty | Gift | Comp | Email

Loyalty Improvement Series

Using loyalty data to deploy targeted promotions gives restaurant marketers the power to drive guest visits during specific time periods, increase spending among members, and boost program enrollment. Promotions powered by Paytronix put the marketer in full control to drill down to the right audience segment and then define the offer, promotion rules, and effective time period.

This article gives a sense of the results you can expect from your loyalty promotions. It recaps the promotion metrics that Paytronix has witnessed in some of its clients' most successful and frequently deployed promotions. From double points to instant wins and everything in between, these metrics will help you determine if your loyalty promotions could work harder to create incremental business for your restaurant chain.

Loyalty Promotions Quick-Reference Guide

Marketing Challenge	Promotion Suggestions
Drive traffic for slow day/time	Double Points
Compel menu trial	Points or Product Offer
Boost enrollment	Server Contests, Instant Wins
Raise average check	Double Points, Instant Wins, Visit Challenge
Capture a celebration visit	Birthday, Anniversary
Increase check count	Double Points, Visit Challenge, Instant Wins, Win Back
Retain valuable guests	Win Back
Improve LTO sales	Points or Product Offer

Table 1:
Loyalty Promotions Quick-Reference Guide

Birthday Benefits

Ask experienced database marketers and they will tell you that a 10% promotion response rate is great. Loyalty members love birthday offers. In fact, we generally see redemption rates between 20% and 50% on our merchants' birthday offers. Relevance, timeliness, and great offers contribute to these exceptional redemption rates.

Birthday programs are an essential loyalty program element because they typically drive incremental spending and visits. In one case, we found that members' average spending increased by 82% as a result of the promotion. The restaurant is not only keeping its guests visiting during their birthday month, but also compelling the member to celebrate the occasion with friends!

Members redeem birthday offers between 20% and 50% of the time.

Double-Points Promotions

Next to birthday promotions, Paytronix Technical Consultants implement double-points promotions almost as frequently. Double points are popular because they are easy for members to understand and they produce excellent results. Restaurant marketers take advantage of giving members extra incentive to visit during slow day parts. In fact, some of our clients keep double-points promotions in place throughout the year during certain days of the week.

On average, double points increase visit rates by between 15% and 20% and spending by between 20% and 40%, as compared to a control group. In one case, a restaurant marketer was able to blow those averages out of the water when its members produced a 39% increase in member visits and a 58% increase in member spending on Mondays.

We examined one incredibly successful promotion that was used to compel trials of new menu categories. For a limited time, when guests ordered a new menu item, they earned enough bonus points to get them halfway to a free entrée. As a result, the merchant enjoyed a 200% increase in member spending, a 125% lift in registrations (registration is required to redeem a reward), and a 29% boost in gross sales.

Double-points promos can drive 20-40% increase in member spend.

Win-Back Campaigns

Leverage guest loyalty data to deliver highly effective win-back campaigns. While some marketers believe that guests who have not visited in the past 90 days are unlikely to visit ever again, others believe that if guests have not visited in the past four weeks, they are lost forever. Either way you look at it, motivating a guest to come back for a visit is the first step toward compelling future frequent-visit behavior.

Win-back campaigns typically compel between 10% and 20% of lapsed members to visit at least one time during the promotional period. In one case, we found that members returning to redeem the offer spent 74% more, net of reward, than the chain's average check. Even better, about 50% of those guests returned to their previous visit rate and remained in the program for at least 10 more months.

These campaigns are profitable too. In the cases studied, we found that the merchant was getting about a 10x return on the offer being presented to members who had not visited in 90 days.

Win-back campaigns can provide a 10x return!

What Does “Net of Reward” Mean?

Paytronix typically reports spending improvements in terms of how much the guest spends in a check, excluding the price of the reward. For example, if a check subtotal is \$50 and the guest redeems a \$10 reward, the amount spent, net of reward, would be \$40. If the chain's average check is \$30, the increase in amount spent, net of reward, would be calculated as follows:

Check Subtotal:	\$ 50	
- Reward Amount:	\$ 10	
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Spend Net of Reward:	\$ 40	
$\frac{\text{Spend Net of Reward} - \text{Average Check}}{\text{Average Check}}$	=	Increase in Average Check
$\frac{\$40 - \$30}{\$30}$	=	33% Increase in Average Check

Instant-Win Promotions

Think about the number of people who purchase lottery tickets. Consumers love to have a chance to win.

When our merchants run instant-win promotions, they see a spike in member spending from 6% to more than 20%. In addition to this impact on spending behavior, more members join their programs during the promotion. When guests see members winning at the POS, curiosity and the desire to win compel them to join the program. In the cases we reviewed, enrollment rates surged by at least 20%.

To add another level of excitement to its loyalty program launch, one of our clients employed an instant-win promotion during the program's maiden month. Just about every member won something that was redeemable on a subsequent visit. Bounce-back offers like this keep the guests' visit momentum in high gear. The instant-win promotion added so much excitement to the program that the chain is already seeing 20% of its checks come from loyal members.

Table 2 presents an example of how odds can be assigned to reward types that are available within an instant-win promotion schema.

Reward	Odds of Winning	Expiration Period
Free Entrée	5%	7 Days
Free Appetizer	10%	7 Days
Free Dessert	15%	7 Days
Free Drink	20%	7 Days
\$1 Off	40%	7 Days

Table 2:
Sample Instant-Win Schema

Instant-win promotions can boost enrollment by 20%.

Visit-Challenge Promotions

Opportunity abounds within the infrequent-visitor segment that exists on every restaurant's member roster. Our merchants have used visit-challenge promotions to boost the visit behavior among these occasional diners. As the name suggests, a "visit challenge" rewards members for meeting a specific visit requirement. Our merchants see guest visit rates increase between 20% and 50% during visit-challenge promotions.

In one case, the merchant was able to bolster the visit rate by 54% among its infrequent members. Plus, the behavior shift carried into the following month, as demonstrated by a substantial 31% increase in visits within the group.

Limited-Time Offers and New-Menu-Item Promotions

In the case of limited-time offers (LTOs) the marketer's objective is to add interest and excitement to the restaurant's menu. Through loyalty promotions, the marketer can reach out to loyal guests with messages that further drive interest and excitement about LTO menu items. One of our merchants raves about how it saves thousands of dollars because it can segment its guest data into two member groups: those who have purchased a specific LTO in the past and those who have not. Armed with this information, the marketer simply sent a reminder message to those who had purchased that item in the past – driving full-priced

Challenging members to visit more frequently can boost visits by 50%.

sales. In fact, 17.6% of those members purchased the LTO. While at the same time, to compel trial, the marketer extended a special offer to those guests who had not purchased the item in the past. Before its loyalty program, this merchant would send coupons to everyone it could when the limited-time offer became available. Today, targeted LTO promotions drive more profitable sales.

In another case, a chain was able to quickly identify LTO menu items that should remain on the menu after the LTO period. By offering double points for the purchase of the LTO items, one in every nine of the menu items purchased by a loyalty member was in the LTO group. That's twice the adoption rate the chain experienced at any point prior to this promotion. After seeing the adoption behavior exhibited by its loyal guests, the chain's marketing group had complete confidence when selecting which menu items remained after the LTO.

When our clients run LTO promotions, they typically see traffic increase by more than 20%. ROI rates for this type of promotion vary wildly, from a low of 20% to a high of more than 100%, because of the various margins for the menu items available within the promotion.

Targeted LTO promotions drive more profitable sales.

Paytronix Helps with LTOs in Four Ways:

1. Guest data improves message and offer relevance.
2. Guest data propels quicker, more insightful menu decisions.
3. One-to-one redemption rules control fraud/misuse.
4. Offering points instead of discounts improves ROI.

Bolstering Promotion Results

Improve your promotions by considering these key tips:

- **Plan Ahead.** Add your loyalty promotions to your annual marketing calendar. Plan enough time before a promotion's launch to test its functionality across your POS platforms and within the Paytronix tool set.
- **Create Useful Guest Segments.** Keep in mind the behavior you are attempting to change with the promotion and then segment your guest base accordingly. For example, segment guest data by historical frequency and then deliver unique offers to each segment. For some segments, a simple reminder will compel a visit, whereas lower-frequency guests may not change their behavior until a rich enough offer is presented to them.
- **Develop Relevant Offers and Messages.** Make sure the offer and message are aligned with the target member segment. For example, if your audience is primarily college students, a kid's meal offer will not resonate.
- **Schedule Messages for Optimal Delivery Timing.** The time the message is delivered may impact results. Consider the time of day your message is being received by members. Make sure it's likely to be during the time when guests are making meal decisions. For example, send lunch offers when you believe the audience is likely to be making a decision about lunch.
- **Use the Most Effective Message Channel.** Deliver your message using the appropriate medium. Depending on the timing and the density of content, it may be more effective to send the message via SMS, push, pull, or email. For instant-win promotions, for example, POP materials, receipt messaging, and cashier messaging are critical communication channels.

Putting Loyalty Promotions to Work for Your Restaurants

Surprise, delight, and reenergize your loyalty program with promotions. Members will respond by visiting and spending more at each visit. For a deeper dive into the details of promotions configurable within the Paytronix system, take a look at the “Loyalty Promotions That Work for Your Restaurants” LIS and our library of case studies found at <http://www.paytronix.com/loyalty-improvement-series-library>. Each case study provides details about the merchant’s promotional offer, timing, and results.

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