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MARCH 2022



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Turning Point Restaurants on tapping QR codes, digital loyalty programs to enhance the customer experience

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How restaurants can marry digital preferences with loyalty programs to appeal to younger consumers

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ACKNOWLEDGMENT

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EDITOR'S LETTER

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Following the food service industry's rapid digital pivot in response to the pandemic, many consumers are finding that solutions implemented to ensure social distancing often can be faster and more convenient as well. Whether they are having food delivered to their homes and workplaces, picking up food and eating it at their convenience or simply paying for their meals and leaving without needing to interact with waitstaff, consumers have developed a preference for restaurant experiences that involve fewer steps and less direct contact with staff.

This does not mean that food service is becoming less personal. In fact, the same digital tools that make ordering and payment more convenient for consumers also provide restaurants with powerful data for understanding their customers. Loyalty programs, in particular, offer highly relevant information about restaurants' most regular customers and their habits and preferences. Using digital payment and ordering channels that encourage loyalty program participation can arm restaurants of all sizes with a whole array of tools that enable them to personalize their customers' experiences more than ever before.

Those tools are especially relevant when interacting with members of Generation Z, millennials and bridge millennials, who form the generations most acquainted with technology and most interested in time-saving devices that help them balance their busy lives. The combination of time concerns and interest in technology makes younger consumers a perfect audience for integrated digital solutions that simplify the dining experience. Such tools can allow them to make the most of their limited time, whether they are grabbing breakfast from a quick-service restaurant (QSR), ordering lunch for the entire office or simply looking for a table-service restaurant for a family dinner.

Thought Leadership Team
[PYMNTS.com](https://pymnts.com)

■ Feature Story

Turning Point Restaurants On Tapping QR Codes, Digital Loyalty Programs To Enhance The Customer Experience

EVEN BEFORE THE PANDEMIC BEGAN GRIPPING THE GLOBE AND ALTERING CONSUMERS' DAILY LIVES AND PURCHASING HABITS,

some restaurants had begun implementing new digital tools to improve the customer experience and make their operations more efficient. Many of them specifically looked to solutions that allowed customers to use seamless ordering and payment options through a now-ubiquitous device: the smartphone.

New Jersey-based [Turning Point Restaurants](#) is one such chain that has worked to optimize its digital and mobile ordering and payments offerings over the past several years. The fast casual eatery instituted a solution that places a QR code on each receipt, for example, allowing customers to make payments that are integrated into its point-of-sale solution.

“The minute the customer pays using their phone, whether it’s Apple Pay or credit card or Venmo — however they want to pay it — it populates on their phone, so there’s no app that they have to download,” said Kirk Ruoff, Turning Point’s founder and CEO. “And once the transaction is completed, it shows in our system that the transaction is completed, and it prints out a receipt that says they paid.”

Ruoff said enabling seamless digital payments and ordering options can have a significant impact on customer satisfaction. A positive or negative payment experience can color the tone for the entire relationship, especially for younger customers who are interested in making quick, digital transactions.

THE DIGITAL DRIVE

Offering digital transactions also gives restaurants opportunities to encourage customers to use beneficial payment methods. Ruoff said customers who use Turning Point’s QR code-based system are likely to leave larger tips, for example, because they are presented with options for suggested tipping amounts. The typical QR code user chooses to tip 20% rather than opting to do the math themselves and determine a specific amount.



He also said offering digital payment methods can prompt more customers to engage with loyalty programs. One of the options offered to the restaurant's customers when completing QR code-based transactions is to enter their email addresses and join the restaurant's loyalty program.

"We're getting about a 10% opt-in rate on that, which, from a marketing standpoint, is really nice," he explained.

Ruoff said rewards programs create a point of contact with customers and offer eateries insights that can be used to tailor promotions and perks. A restaurant could offer free meals on customers' birthdays, for example, or notify them of seasonal menu launches and special offers. He said Turning Point's loyalty solution tends to see the most robust engagement among older customers, but allowing consumers to join via its QR code-based payment program

has helped it better engage younger customers as well.

The analytics and information that such programs provide also can greatly enhance restaurants' customer engagement approaches. For example, Ruoff said Turning Point offers incentive opportunities to loyalty program members for filling out surveys, which provide higher-quality data on how well the chain is serving customers' needs compared to random reviews online. These surveys also allow Turning Point to generate valuable insights into how it is satisfying a particularly precious demographic: existing customers.

"Do I want to spend more time trying to bring back a customer who maybe didn't have a good experience with some sort of offer, or do I just want to throw a big net out over our whole community and try to get a customer?" Ruoff said. "It's always easier to keep an existing customer happy than it is to go create a new one."

MEETING DIGITAL EXPECTATIONS

Ruoff said Turning Point plans to continue implementing technologies that attract younger customers in addition to keeping existing ones satisfied. The next step for its QR code-based point-of-sale system will involve offering digital menus that customers can pull up on their phones, enabling them to place an order the moment they are ready. Waitstaff would need to be involved in the ordering and payment process only when bringing food to the table.

"[Younger customers] are comfortable using their phones [throughout the process]," Ruoff said. "They want convenience."

Many of the innovations that became more prevalent because of customers' desires to reduce contact during the pandemic are now permanent features that offer the ease and convenience they seek. Providing cutting-edge solutions that can keep existing customers engaged while reaching new ones will be key to competing in the restaurant space's mobile- and digital-first future.



Q&A

CHARLES GRAY
Chief revenue officer
PAYTRONIX

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In what ways are millennials' and younger consumers' preferences driving best practices for restaurant ordering and payment channels?

Today's restaurants take in nearly half of their orders from a digital channel — largely thanks to bridge millennials. This demographic's higher income and familiarity with tech make them particularly valuable customers for today's restaurants. They are a prime target for your loyalty programs and online ordering services, and they are likely to remain the driving force behind the digitization of the restaurant industry.

Throughout the pandemic, younger consumers grew accustomed to the convenience and safety afforded by digital solutions. Now, as indoor dining returns, today's leading restaurants are combining digital and on-premises services to create a cross-channel guest experience that's flexible and personalized. Once restaurants achieve that balance, they must optimize their tech stacks and operations to ensure a consistent and convenient guest experience across all channels.

What are the benefits for restaurants of integrating loyalty programs, ordering and payment into a single, digital customer experience?

A single, digital customer experience yields terrific benefits for restaurants and their customers. Integrated software tech lightens the load on operations, simplifies data reporting and allows brands to get the most out of their marketing investments. Paytronix's platform provides a centralized hub to process orders — both in-house and through a third party — track customer information and sales data and launch AI-driven marketing campaigns all from one place. Restaurants can easily communicate with guests on a moment-to-moment basis and run tests to optimize their menus. Surveys show that guests ultimately care about the experience — an integrated digital solution enables restaurants to own every interaction with their guests.

On the customer side, a touch-and-go mobile app that combines loyalty, ordering and payment allows customers to fully interact with your brand wherever they are. The entire order and delivery journey is streamlined and personalized: Customers can check and redeem rewards effortlessly, save payment methods and orders to make their next order even easier and stay up to date on changes in store operations. Only through a single, digital customer engagement solution can restaurants provide an industry-leading customer experience.

Meeting Younger Diners' Preferences With Technology

MORE THAN HALF OF UNITED STATES RESTAURANT CUSTOMERS WANT EASIER ORDERING AND PAYMENT OPTIONS ENABLED BY TECHNOLOGY,

and millennial and Generation Z consumer preferences heavily impact that average. Additionally, 53% of millennial consumers want to augment their dining experiences with their mobile devices. Younger consumers' preference for digital tools is a common theme in research, and many in this demographic rely on mobile devices for everything from checking restaurant reviews to exploring what is on the menu.

There has been a significant shift toward digital ordering and payment solutions in the past two years, and restaurants that do not keep up could **lose** the chance to boost sales with 40% of consumers. A 2021 **report** found that approximately 60% of all consumers and 71% of millennials were more likely to order food delivery than they were prior to the pandemic. Even at the drive-thru, only 17% of millennials in a recent **study** said they prefer giving their orders to servers as opposed to digitally, compared to 38% of all consumers.

This month's PYMNTS Intelligence examines how millennial and Generation Z consumers' preferences are shaping their interactions with both table-service restaurants and QSRs and how loyalty programs are affecting those preferences.

BUSY LIVES NEED QUICK AND SIMPLE SOLUTIONS

Takeout and delivery have been a growing part of the restaurant landscape for decades, but their presence in the market has **increased** greatly over time, and that is reflected in generational preferences. Millennials are four times as likely as baby boomers to order delivery or takeout several times a week. This preference appears to be influenced by busy schedules and hectic lives, and households with children show similar preferences for ordering out. The increasing variety of delivery and takeout options allows families to balance other demands in their lives with having family meals.

Millennials also very often **are** technology enthusiasts, meaning they regularly engage with nine or more technologies as a part of their lives. PYMNTS' data shows that 27% of millennials and 30% of bridge millennials are technology enthusiasts. Another 26% of millennials and 27% of bridge millennials are technology natives, those engaging with five to eight technologies. This makes them more likely to have some familiarity with restaurants' ordering and purchasing technologies. It also makes restaurants that employ such technologies more appealing to these demographics. On average, millennials and bridge millennials **use** more purchase-encouraging technologies than any other generation, including Generation Z. More than half of both millennials and bridge millennials report using at least five technologies, while only 44% of Generation Z consumers fall into that expanded category. Technology enthusiasts also are the most likely to purchase meals from restaurants repeatedly during the week, with 16% buying food from restaurants at least three times a week and 36% doing so once or twice a week.

KEEPING CUSTOMERS LOYAL






In addition to ensuring that restaurants' technologies meet the expectations of those most likely to patronize them, loyalty programs can help restaurants make sure they are at the top of customers' options. Among QSR customers overall, 21% **say** loyalty programs are either "very" or "extremely" important in determining the restaurants they patronize. That share is 24% among table-service restaurant customers. Among millennials, this grows to 30% of QSR customers and 39% of table-service customers.

Millennial and Generation Z consumers also are more likely than other demographics to participate in loyalty programs. Sixty-one percent of millennials and 64% of Generation Z consumers said they are part of a loyalty program with at least one table-service restaurant, compared to 37% of Generation X consumers and 27% of baby boomers and seniors. Subscriptions offer a similar way to encourage customer loyalty, and millennials and bridge millennials are more likely to have restaurant subscriptions than any other generations.

MOVING INTO THE FUTURE

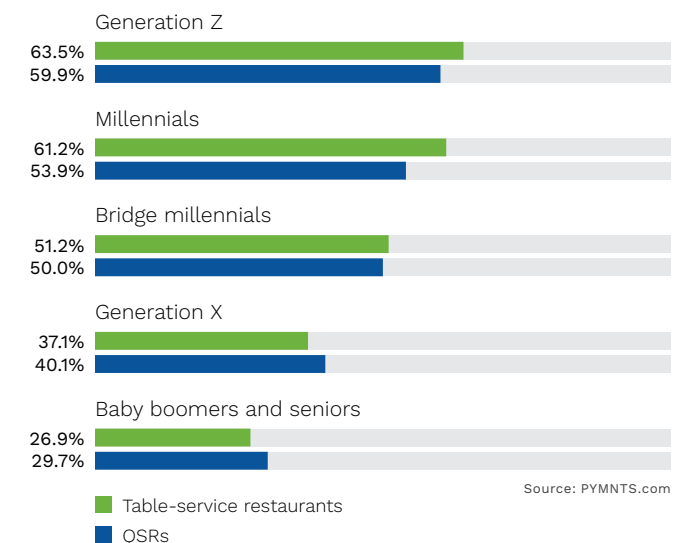
The trends that have shaped millennial and Generation Z consumer preferences will **create** even greater demand for fast, simple and easy ordering and payment options in the future. Technology makes it easier for restaurants not only to inform consumers about such concerns as food waste and healthy menu options, which **motivate** younger consumers and those with families, but also to retain their loyalty with incentives and subscription models. As restaurants **add** offerings that speed and simplify ordering and payment processes, these customer retention tools can be integrated into mobile apps and online portals that encourage younger consumers to keep coming back for more.

TABLE 1:
Persona distribution
Share of respondents citing select numbers of technologies as purchase-encouraging, by generation

	 GENERATION Z	 MILLENNIALS	 BRIDGE MILLENNIALS	 GENERATION X	 BABY BOOMERS AND SENIORS
• Technology enthusiasts	23.2%	27.4%	29.8%	23.7%	13.7%
• Technology natives	21.1%	25.5%	26.5%	25.8%	25.4%
• Technology skeptics	30.1%	32.5%	26.1%	25.7%	26.0%
• Technology dodgers	25.5%	14.6%	17.5%	24.7%	34.9%

Source: PYMNTS.com

FIGURE 1:
Consumer engagement with loyalty programs
Share of consumers who use loyalty programs at select restaurant types, by generation



Source: PYMNTS.com



NEWS & TRENDS

CHANGES IN HOW RESTAURANTS SERVE CUSTOMERS

MILLENNIALS AND GENERATION Z LEAD IN ORDER-TO-EAT PREFERENCES

Ordering out has taken a central position in the lives of U.S. consumers, with 54% of adults in a recent [report](#) saying takeout and delivery food are essential to the way they live. That is even more true among younger generations, with 72% of millennials and 66% of Generation Z consumers considering takeout and delivery essential to their lifestyles. Those younger consumers also want the ability to order takeout and delivery alcohol with their food, with 70% of Generation Z consumers and 62% of millennials saying they would be more likely to order from a restaurant that offers alcohol as an option.

Additionally, 80% of millennials and Generation Z adults said they would be interested in meal subscription programs from their favorite restaurants, compared to only 57% of adults overall. Many restaurants still are catching up in terms of technology to support off-premises dining, with plans to continue ramping up in 2022. Investment is expected in online and mobile ordering, reservations, mobile payment and delivery management technology.



RESERVATIONS AND ORDERING ARE BECOMING MESSAGE-BASED AS RESTAURANTS DITCH THEIR PHONES

Since the start of the pandemic, restaurants have [seen](#) a significant shift toward online and mobile ordering and reservations, with millennials in particular interacting more frequently with restaurants through their cellular phones without ever making a phone call. Apps such as Grubhub, Uber Eats and DoorDash have experienced skyrocketing use, while restaurants' phones are not ringing as much as they used to. Some restaurants even have stopped answering the phone altogether, taking orders solely through email or messaging apps tied to social media.

Restaurants have viewed the change as generally beneficial. Message-based communication with customers simplifies the ordering process and even frees-up staff. Not all customers are happy with the change, but restaurants that have chosen to phase out phone ordering see the trade-off as worth it.



MAKING PANDEMIC ADAPTATIONS PERMANENT TO MEET CUSTOMER DEMAND

Shake Shack, which expects to open between 45 and 50 new restaurant locations in 2022, is one example of a restaurant that has successfully [adapted](#) technologically to meet pandemic-driven changes in consumer demand. The company had a mobile app in 2017, but its mobile ordering experience was relatively nascent prior to the pandemic, with more than 85% of sales still completed in person at the cash register. By Q2 2020, that proportion had flipped, with 75% of sales made digitally.

That digital switch has included permanent implementation of some early pandemic measures, such as multichannel delivery and enhanced digital preordering. Adaptations such as pickup shelves and curbside pickup also have become built-in features of new Shake Shack locations.

CUSTOMER LOYALTY AND REPEAT BUSINESS

QSRs ARE DRIVING SALES WITH LOYALTY PROGRAMS

Canada-based QSR Tim Hortons is another chain seeing continued growth in its digital services, in large part attributed to its loyalty program. Tim Hortons' online channels accounted for one-third of the QSR's sales in its home market in Q4 2021. Ernest Choi, senior director of digital and loyalty sales for Tim Hortons Canada, [told](#) PYMNTS that the Tims Rewards loyalty program has helped the QSR better understand its customers, leading to better and more productive customer engagement.

A February 2022 PYMNTS [survey](#) showed that 39% of restaurant customers would be encouraged to make more purchases with restaurants that offer loyalty programs. A January 2022 [study](#) showed that 61% of consumers had earned loyalty points in the past month, and more than half of consumers in their mid-40s or younger have loyalty program memberships.

SUBSCRIPTION PLANS OFFER ADDITIONAL PATH TO CUSTOMER LOYALTY

Subscription programs are providing another way for restaurants to both gauge consumer preferences and ensure customer loyalty. QSRs such as Panera Bread and Caribou Coffee have [launched](#) successful subscription services for coffee, Taco Bell ran a 30-day test launch for subscription tacos and Urban Plates offers a \$10 monthly subscription that makes any item on its menu \$11 or less for subscribers. Urban Plates said the program has generated a substantial increase in customer visit frequency, quadrupling visits for some customers. Caribou customers can order products ranging from craft-roasted coffee grounds to coffee pods, teas and canned beverages through its subscription service, which the company said has been very well-received.

While Urban Plates did not report struggling prior to launching its subscription program, the feature has helped the restaurant keep customers loyal as in-restaurant eating fell from 70% to 40% due to the pandemic. With more consumers ordering online or through mobile apps and either picking up their food or having it delivered, subscription programs can help restaurants retain a connection with their customers.

Technology is key to attracting and retaining customers

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Particularly for millennial and Generation Z restaurant patrons, digital tools are increasingly significant in determining which restaurants they patronize.

Technology enthusiasts and the digital tools their restaurants offer*

More than half of both millennials and bridge millennials regularly engage with five or more technologies, and more than one-quarter of each demographic engage with nine or more technologies, making them technology enthusiasts. That preference for technology is reflected by the restaurants these technology enthusiasts frequent.

TOOLS AVAILABLE AT TECHNOLOGY ENTHUSIASTS' TABLE-SERVICE RESTAURANTS:

- 72% Restaurant-provided digital devices
- 70% QR code menus
- 64% Mobile device payments

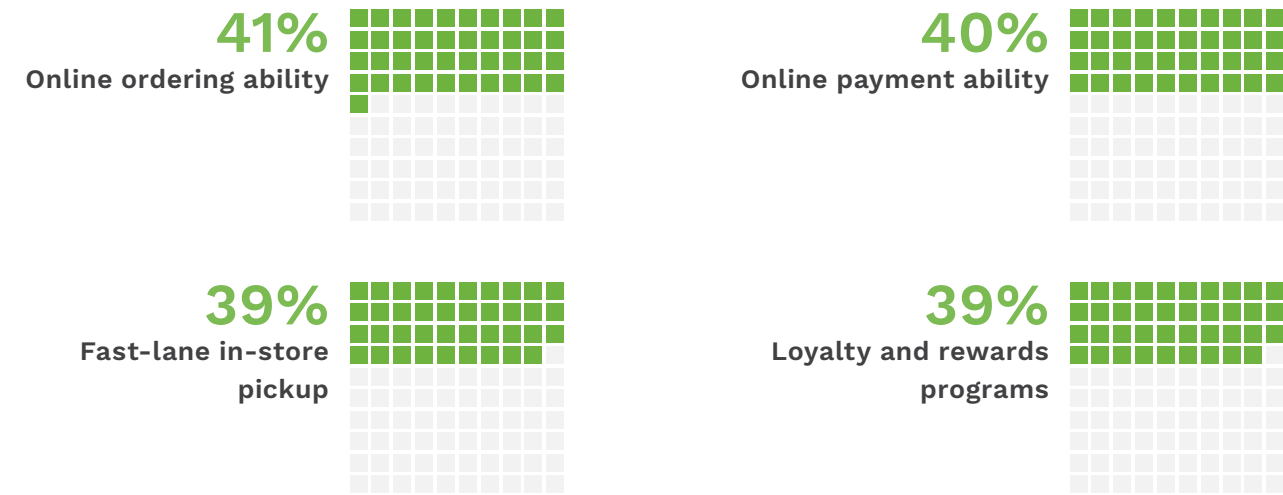
TOOLS AVAILABLE AT TECHNOLOGY ENTHUSIASTS' QSRs:

- 71% Mobile device payments
- 68% Mobile device ordering
- 55% Self-service kiosks

Technologies that encourage consumers to purchase*

Technology features can influence consumer purchasing at restaurants, and restaurateurs who hesitate to modernize ordering and payment processes may miss an opportunity to boost sales.

Portion of consumers who indicate that select features would encourage them to make purchases at restaurants:



* Digital Divide: Technology As A Catalyst For Restaurant Purchases. PYMNTS.com. 2022. <https://www.pymnts.com/wp-content/uploads/2022/01/PYMNTS-Digital-Divide-Report-February-2022.pdf>. Accessed March 2022.

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PAYTRONIX

Paytronix provides software-as-a-service (SaaS) customer experience management (CXM) services for restaurants. Its portfolio includes loyalty, gift and email solutions for fast-casual, fast food and quick-service restaurants (QSRs). Once implemented, these can be used to help establishments elevate their brand profiles. Its offerings also can be used to generate data insights to help restaurants pinpoint opportunities to improve their operations and customer engagements. The company’s platform can integrate with many widely used restaurant POS systems.

For more information, visit www.paytronix.com.

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