

Customer Loyalty in the Coffee Shop

Implementing an Effective Business Building Loyalty Program



Granbury
Restaurant Solutions

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How much do you know about your customer base? Sure, you probably recognize a few customers by name, and maybe you know their favorite drink. But how much of your business is generated by your loyal customers versus those just passing by? How often, on average, do your loyal customers purchase, and how much do they spend? Do your best customers always order the same thing, or are they willing to experiment with new offerings? And how do you go about turning a casual customer into a loyal one?

You may think you know the answers to these questions, but you may be surprised! A study of restaurant owners indicated that they believe that 60% of their customers are "frequent" patrons. But analysis of credit card transactions indicate that only 15% of customers could be considered "frequent" buyers ... and that 15% typically accounts for 1/3 of a shop's revenues.

So, how do you increase customer loyalty, maximize the relationship with your customers, and compete against the myriad of marketing messages targeting your clientele? A well-designed customer loyalty program can help, and when supported by the right technology tools, it can give you a real leg up in the quest to build your business.

WHY A CUSTOMER LOYALTY PROGRAM?

Today, it seems everyone's got a customer loyalty program. What started with airline miles expanded to your local grocery store, pet store, and now - coffee shop. So why do successful retailers consider customer loyalty a cornerstone of their marketing program? Because they work!

For most business owners, a customer loyalty program is designed to meet the following objectives:

- Increase frequency among regular customers
- Increase ticket averages
- Encourage customers to choose your business over other alternatives
- Encourage customers to expand the products they purchase

You know that attracting new customers is much more difficult than maintaining old ones. But a loyalty program can help you with this goal as well! Referrals are one of the most overlooked mechanisms in getting customers, and creating a referral incentive program may prove very profitable. In one recent survey, 82% of loyalty program members referred at least one person to their program, and 42% referred four or more. Customers who bring their friends and business associates to your shop will help to build more loyal customers.

Beyond rewarding your customers, those who get the most out of a loyalty program recognize that the real goal is to gather valuable information about your customers. This information can be used to cement your relationship, attract new, similar customers, and to improve your business in ways that will make your customers even happier. Effective loyalty programs integrate with your point-of-sale system to tie customers to specific purchase history, and give you the tools to analyze this data.

CUSTOMER LOYALTY PROGRAMS ARE EXPANDING RAPIDLY

An online survey was conducted in 2010 among National Restaurant Association members showed that:

- Seventy-seven percent of respondents said loyalty programs helped drive business during the economic downturn.
- Nine out of 10 respondents said loyalty programs give them a competitive advantage (90 percent).
- Of those that currently operate a guest loyalty program, 84 percent plan to maintain or increase their program investment in 2010.
- More than four in 10 respondents (41 percent) currently operate a loyalty program, and nearly half (47 percent) are planning to launch one.
- About three-quarters of respondents (74 percent) use social media to support their loyalty program. Facebook was the most common social networking site used (65 percent), followed by Twitter (40 percent), and blogging (17 percent).

Industries with high purchase frequency and stiff competition — like airlines, hotels and grocery chains — are most likely to adopt loyalty programs. For grocery chains, participation is at 65%; for medium-size and larger hotel chains, 85%; for the major airlines, 100%. Restaurants fit this profile - high-frequency patronage and stiff competition - and among restaurants, coffee shops fit it best.

REWARDS: BEYOND THE PUNCH CARD

When you think “Customer loyalty” do you immediately think “Buy 10 get 1 free”? The ubiquitous punch card barely scratches the surface of what today’s loyalty programs can offer. Sophisticated



loyalty programs integrate into point-of-sale systems to track multiple types of purchases and offer rewards to customers.

Technology Can Help!

Leading coffee shop POS system Vital Link offers an integrated loyalty solution that lets you set up multiple reward levels. So beyond just earning a free drink after 10 cups, your customers could earn a free pastry, free sandwich, or any of up to 10 reward levels. This means customers are always one step closer to an award and are always motivated to come back!

When designing your loyalty program, think beyond just a “Discount”. Offering \$2 off your next purchase or a free cup of coffee is expected, but can just train your best customers to expect to pay less. According to a study by Stanford University, “Buy 10 get 1 free” type programs tend to work best not for your most frequent customers, but for those mid-range or infrequent customers who may need that extra incentive. Rather than always discounting the product the customer orders already, expand your loyalty program to offer discounts or free samples of new products. Getting your regular coffee drinkers to try a specialty coffee, introducing iced coffee drinks, encouraging coffee bean purchases, and adding food to the mix are all great ways to increase your business without discounting.

Research by Wharton Marketing professor Xavier Dreze indicates that successful loyalty programs carefully development their award system to give consumers the ability to select a "goal" and to strive to earn points toward a new "goal" after they achieve an reward. He says that his research suggests that once people experience a rewards redemption, they are more likely to work harder to do what it takes to cash in again.

Another trick that works well in motivating customers to take advantage of your loyalty rewards is to pre-load their account with a "bonus". "The illusion of progress toward a goal induces purchase acceleration," found a Columbia University research study. So instead of requiring customers to buy 10 cups to get 1 free, require them to buy 12, but start them off with "2 free credits."

Random free rewards are another amazing way to surprise and delight your customers. When implementing a program, consider periodically giving your best customers a free cookie - just because. They will love you for it!

Consumers expect rewards to be at the heart of any loyalty program, and you must be careful to design the program so that it is easily achievable and not frustrating to the guest. It's also important to be able to communicate status - so a POS system that will print the reward levels right on the guest receipt will help reinforce the message.

DON'T FORGET THE WARM FUZZIES!

While rewards may drive customer loyalty enrollment, your competitors can easily match these rewards, leading to a downward spiral of profitability. That's why "perks" are an essential and extremely effective strategy for gaining truly loyal fans. Why not give loyalty club members a special pass to the front of the line during the busy rush? Or designate one POS terminal for VIPs, just like the airlines do for frequent fliers. Loyalty cards which also allowed for stored value (gift cards) make the payment process speedy. RFID "speed pass" type cards are even faster.

Perks may include special events or sampling of new coffees or new roasting techniques. Loyalty club members may enjoy a "behind the scenes" look at your operation or a special roasting / brewing seminar from your baristas. Free wi fi or free refills for your club members may also be attractive.

Customers like to be recognized, and your loyal customers will especially appreciate a personal touch. Your POS system can help by bringing up detailed customer information and purchase history once you swipe their card. A good POS system will let you easily re-order the customer's last order, helping you remember all those special modifications. Train your staff to ask for the loyalty card at the beginning of the transaction so you can take advantage of this valuable information. You may even want to reward staff for learning customers names & faces on sight!

A successful loyalty program is more than just giving away free stuff. Human beings like to be part of a group, and being part of your exclusive club is a way to feel special. Reward your best customers with visible "inclusive" perks like a special VIP mug, t-shirt, book bag or other souvenir.

Keep in mind that every customer who signs up for your loyalty program is in essence "raising their hand" with an invitation to interact with them. Don't miss out on the chance to learn more about their preferences! What perks would your customers enjoy? Ask them! Your loyalty customers are the perfect target market to survey. Use the results to tailor your loyalty program even more, and to help shape the types of products you offer. Customers love to be involved in changes they can see and taste in your shop!

AN INTEGRATED APPROACH

A successful coffee shop loyalty program puts the power in your hands to slice & dice your customer data and communicate in multiple ways. Once you've got loyalty

data, you have an invitation from your customers to keep in touch. This might be via e-mail, postcards, or through social media, but however you choose to communicate, you've got the power to connect in a very personal way. Look for technology solutions that make it easy to use the valuable data you are collecting!

Automate your Marketing!

Got no time for marketing? No problem - it's easy to set up an automated marketing program that will touch your customers just at the right time. For instance, Granbury Restaurant Solutions offers "Sales Builder" integrated with the Vital Link POS loyalty program. This "set it and forget it" marketing program will automatically e-mail or snail mail customers with rewards and incentives based on criteria you set up. From one locations to many, it offers a powerful solution.

Consumer research shows that while they love loyalty programs, they get frustrated with "irrelevant spam" and "low value rewards". According to the CMO council, a global marketing think tank, "While clearly open to monetary perks, what consumers really want is to be

embraced and known by the business they patronize. They don't want meaningless personalization like sticking their name at the top of a mail merge letter. They want companies to gaze into a crystal ball and know, based on their past behavior, what message will mean the most, and when."

So what does that mean to your coffee shop loyalty program? Just an invitation to use the data you are collecting. Your quick-stop-on-the-way-to-work customer is going to appreciate conveniences like online or smart phone ordering, while your soak-up-the-atmosphere-and-read-my-book customer may enjoy special events or free wi fi. Think about what types of customers you are targeting and tailor your follow up messages accordingly.

Wondering what to talk about with all those customers? Marketing experts suggest that you should appeal to the "Wallet", "Heart", and "Head". Of course the "wallet" is the easy one - our natural inclination to send out discounts and coupons, specials and rewards. The "Heart" appeal will point out how your business may share similar values with your customer - such as a "buy local" mentality, "fair trade" commitments, and participation in causes and community. The "Head" appeal will educate your customers about your business, giving them tips for improving their coffee techniques at home or health information about the benefits of coffee drinking - providing valuable information they can use.

SUCCESSFUL IMPLEMENTATION

Even the best designed loyalty program will fail to succeed if it is not consistently implemented. Before launching your program, make sure that you have sufficient signage and promotional materials. Train and incentivize your staff to encourage them to ask customers to sign up, and to remind customers to identify themselves when ordering. Don't give up on the program after the initial launch - be sure to keep it fresh and relevant.

Track the results of your program by setting targets for new enrollments. You can set a baseline in the first few months

of your program by determining the average frequency and spending per month of enrolled customers, then set goals to increase both frequency and ticket average among your club members.

Customer loyalty programs are a powerful tool that will give you a unique connection to your customers. Of all the marketing investments, this is one that is direct, measurable, and results-oriented.

ABOUT GRANBURY RESTAURANT SOLUTIONS

Granbury Restaurant Solutions is a technology company focused on innovative point-of-sale, online ordering, and customer loyalty solutions for coffee shops and restaurants. Our Vital Link POS system for coffee shops is a full-feature solution that assists thousands of business owners nationwide in achieving control over their business while building their customer base. **Contact Granbury for more information at 800-750-3947 or www.granburyrs.com.**



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