2015

Formalizing a Strategy for Casual Restaurants

The Impact of Smartphones, Apps and Loyalty Programs

A Quick Service & Fast Casual Restaurant Study

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The quick service and fast casual restaurant industry is one of the fastest growing and profitable industries in the US with sales in 2014 reaching over $179 billion. But with profits come challenges. The category faces tough consumer demands for higher quality and more options, increased costs due to the rising prices of commodities, decreased margins, and above all, a rapidly saturating market.

With the explosion of locations and popularity of fast casual restaurants like Chipotle and Panera and quick service restaurants like McDonald's and Burger King practically on top of each other, restaurants need to constantly innovate, improve their product offering and create unique, personalized experiences to stay competitive in the marketplace.

Quick service restaurants have made improvements and attempts to stay modern and cater to customers' expectations -- Wendy's remodeled its restaurants for a more upscale feel and Taco Bell rolling out a breakfast menu. Fast casual restaurants like sweetgreen are appealing to millennials with menu items like "Beets Don't Kale My Vibe" and the "Rad Thai" salads.

But is it enough to stay head of the curve?

> According to NPD foodservice market research, lunch and dinner meal times, which represent two-thirds of all industry visits, have experienced traffic declines over the past several years. **Consumers, ages 25-49, have dropped a total of 44 annual visits per person over the last three years.**

So how can quick service and fast casual restaurants adjust their approach to increase traffic and create engaging, rich customer experiences in an oversaturated market?

In this article, we will take a closer look at the habits of quick service and fast casual diners and the impact smartphones have on the dining experience to understand how smartphones can be leveraged to increase the frequency of visits and build brand loyalty.

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The Survey

SessionM fielded a ten question mobile survey to its members and received feedback from over 8,000 people. The insights gathered give a deeper under-standing of how smartphones impact and influence consumer decision-making at quick service and fast casual restaurants and how they plan to use smartphones in the future.

The Results

People go to quick service or fast casual restaurants regularly -- and loyalty programs are critical to the experience.

The majority of respondents have eaten at a quick service or fast casual restaurant in the last 30 days (86.5%) with 34.5% of all respondents visiting these types of restaurants over 5 times in a month. About 70% of respondents are currently members of at least one QSR / FC loyalty or rewards program with the most attractive parts of the program being features like free menu items (54.4%), the ability to track rewards/points (33.8%) and personalized rewards (33.3%). Almost half (49%) of respondents said they would participate in a loyalty program that links to their smartphone -- but only 23.7% of all respondents would participate in a strictly mobile payment rewards program.

Takeaway: People are busy and enjoy the convenience of quick service and fast casual restaurants -- but with such an oversaturated market, it's important to offer customers loyalty programs to keep them highly engaged and motivated with program perks like free menu items and personalized offers. According to Loyalty 360, My Starbucks Loyalty program membership rose 28% since the same period last year equaling 10.4 million active My Starbucks Rewards members, including 6.2 million Gold members (up 32% in the past year). My Starbucks Loyalty mem-bers now account for approximately 30% of total tender in North America. Star-bucks shifted their in-store experience to be mobile-first and customer-first, mak-ing their customer feel valued, motivated and more likely to visit again.

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People like quick service and fast casual restaurants apps -- for deals, discount and loyalty programs.

Over half of people (59.2%) currently have a QSR or FC app on their phone, with most people having 1-2 apps installed. People would be motivated to download an app if they included features like real-time deals and discounts (63.0%), getting promo codes for special deals (59.4%), access to the restaurant's loyalty program (53.1%), and the ability to order through the app (34.0%).

Takeaway: Smartphones make finding deals and participating in loyalty programs while dining more accessible and easier for customers. But mobile pay does not equate to a loyalty program -- customers want something more robust and interactive like personalized offers, deals and promotions to drive deeper engagement. For example, by offering an ordering service via their app, Taco Bell's app orders are 20% higher on average compared to in-store because consumers are more likely to add toppings to their orders or send in group orders via the app.

Most people check their smartphone while dining, but not to pay.

Over 60% of people said they have never used mobile payments for quick service or fast casual meals (either in-store or online) because they prefer to pay with credit or debit card (39.0%), they worry about the security of their personal information (30.4%) or they prefer to pay with cash (29.4%). The most popular uses of a smartphone while at a restaurant were finding coupons and deals (45.6%), checking progress towards earning a loyalty reward at that particular restaurant (33.2%), or social functions like tweeting, taking/sending pictures or checking in (25.6%).

Takeaway: Smartphones give quick service and fast casual restaurants access to customers in real-time to offer them deals, discounts and personalize their experience. Chipotle recently announced they're relying solely on mobile payment data to gather insights about their customers -- but without first-party data, their customer might as well be anonymous. 3rd-party data from payment services like Google Wallet or Apple Pay provides merely transactional data -- purchase, timestamps, locations. It doesn't provide robust first-party data about who their customer is -- what's their favorite hot sauce? What type of rewards do they love? When's their birthday? Mobile payment is a slow growing trend, so loyalty programs are critical to access customers and build first-party profiles to personalize their in-store experience and influence their purchases.

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2015 was dubbed the year of mobile payments but eMarketer reports only 15% of smartphone users have used mobile payment in the past six months (which is an improvement from 9% in 2013). Mobile payments give restaurants access to a customer's transaction data -- frequency of visits, location and orders but they don't create robust profiles of their preferences, habits and who they are. Mobile-first loyalty programs give quick service restaurants the ability to create meaningful, personalized and one-on-one relationships with their customers.

With a full picture of their customer journey and access to first-party data from smartphones, brands are able to uncover behaviors and habits to offer real-time rewards and relevant information. Quick service and fast casual restaurants can analyze offer effectiveness and optimize outreach to increase loyalty and convert occasional visitors into high lifetime value guests.

Quick service restaurants and the fast casual dining industry will continue to be a competitive and oversaturated market, but by leveraging a mobile-first approach to loyalty, restaurants are able to continually offer personalized experiences to retain current customers and increase visits, while also attracting new ones. Even the biggest player in the QSR space is taking the plunge -- recently McDonald's announced they're rolling out a new mobile app with a loyalty program to reward people with a free beverage after five purchases of McCafe drinks like coffees and shakes. McDonald's plans to pilot the program for a year to refine promotions and measure effectiveness, but it's a step in the right direction to differentiate themselves from other key players in the space.

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Denny's Increased Traffic to their Restaurants & App Downloads

To leverage a mobile-first strategy and reward their customers' loyalty, Denny's utilized an in-app location check-in feature to drive foot traffic to Denny's locations and downloads of their new Atari app. Consumers who checked in at any Denny's location received an entry to win a $50 Denny's gift card. After checking in, they saw a sponsored ad from Denny's prompting them to download Denny's new Atari from iTunes or Google Play.

Results

✓ **40-50% increase in store traffic**

✓ **42% click-through rate to download the app**

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Here Are 3 Ways to Leverage a Mobile-First Approach to Increase Loyalty & Improve Your In-Store Experience

1 **Influence in Real-time**
Smartphones give you access to your customers in real-time to provide consistent offers and personalized in-store experiences. Smartphones give brands insights and behaviors to measure what drives consumers, what they react to and what they are coming back for more of. Apps, especially with loyalty programs, drive deeper engagement to build relationships and incentivize high value behaviors for lifetime customers.

2 **Reward**
Consumers want to feel valued and appreciated. Customers are giving you their time, insights about themselves and are choosing to spend their money with your brand -- now it's up to you to reward them for their loyalty. Reward customers with a free coffee or a size upgrade after a certain number of visits -- it goes a long way with a customer and they're sure to share their great experience.

3 **Market to a Person, Not the Masses**
See your customer as an individual, instead of a mass audience. Loyalty programs give brands access to first-party customer data to make marketing outreach more effective by delivering messaging, campaigns and rewards that resonate with an indivudual and make them feel valued. Menus are heading upmarket. It's time for marketing to do the same.

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Methodology

SessionM's research is based on data compiled from a survey of over 8,000 randomly selected smartphone users, as well as the billions of data points from SessionM's proprietary mobile audience intelligence platform.

The survey & platform data were collected from July 27 - August 5, 2015.

About SessionM

SessionM is the next generation consumer loyalty and engagement platform. The company's cloud-based solutions integrate loyalty marketing technology with ad serving and data management capabilities to drive personalized consumer relationships through the mobile device. The company is headquartered in Boston with offices across the country.

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