

More than just something you stamp

How foodservice retailers can keep pace with the changing face of the UK loyalty card market

Many foodservice retailers are offering a ‘one size fits all’ loyalty programme giving specific rewards to all customers without considering who they are and what they like. Meanwhile retailers across other sectors have been reinvigorating their loyalty schemes by providing personalisation, choice of rewards and tiering, while at the same time giving less margin away to customers. We believe that foodservice retailers can learn a lot from their high street colleagues to attract and retain more of their customers and ensure they come out on top.

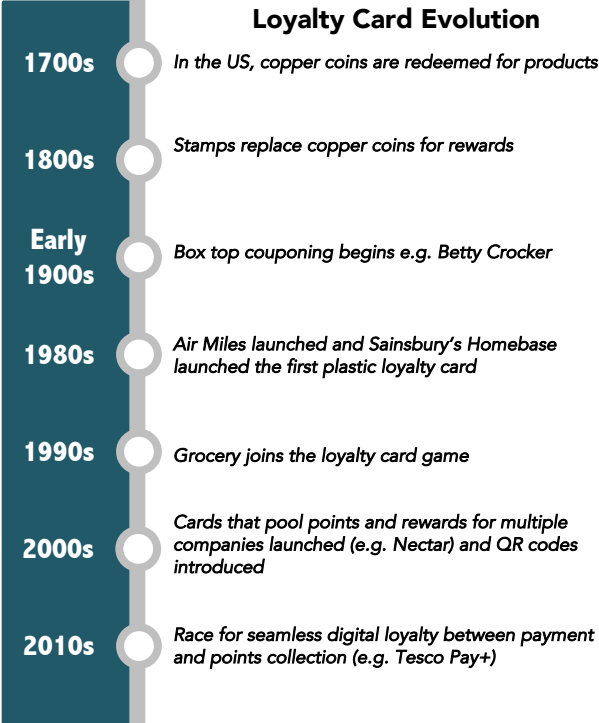
Introduction

Loyalty as a retail concept has been here since the 1700s. Yet it took nearly three centuries before chains began to launch loyalty cards as we know them today. The pioneer was Sainsbury’s Homebase, whose Spend & Save card launched in 1982.

Grocery retailers in particular were quick to see the potential of loyalty programmes to deliver detailed customer data and insights. Tesco Clubcard and Nectar, two of the most popular cards in the UK, tailor and personalise member offers and communications using past spending patterns and habits.

Today, the application of data analytics and artificial intelligence has allowed retailers to move from ‘personalisation via customer segmentation’ towards 1:1 personalisation, something that had previously been too costly to deliver.

They are also expanding their programmes to provide options and control over how points are spent, as well as offering preferential treatment for shoppers who use their cards the most.



Stuck On Stamps

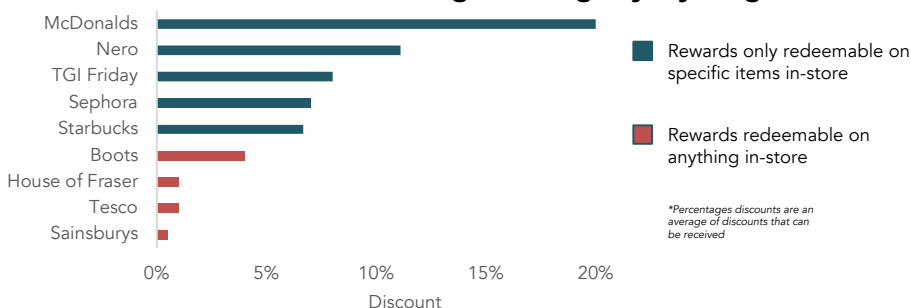
Many foodservice retailers have developed great customer service apps with capabilities such as booking a table and ordering and paying bills. Wetherspoons’ new market-leading app, for example, allows you to order pints direct to your table.

When it comes to loyalty, however, many are stuck in the mindset of stamps for rewards and are missing out on the potential for more personalised interactions with their customers.

Coffee shops and fast food retailers typically adopt a ‘buy x get one free’ concept. The Bagel Factory, Caffé Nero, KFC, Nandos and McDonalds coffee are examples that have not evolved beyond this approach.

In these cases, a savvy customer can achieve up to a 25% discount. Compared to the 0.5% and 1% given away by Tesco and Sainsbury’s, these are striking discounts.

Discounts Available To Customers Through Existing Loyalty Programme



Movers and Shakers in Retail

New opportunities for the Foodservice industry to generate loyalty from the 21st century consumer can be found by looking at the broader retail market. Personalising reward programmes, providing choices for how rewards can be redeemed and offering preferential treatment through tiering are increasingly commonplace. Retailers are appealing to today’s consumer wishing to embody an aspirational ‘Instagram’ lifestyle.

By the end of the year, the personalised ‘My Offers’ feature on the Boots app will use location-based technology to prompt shoppers with offers when they enter a store, making Boots one of the first major UK high street retailers to use this technology.

US beauty retailer Sephora tiers customers into white, black and gold card members. Gold status is gained when a customer accumulates 1,500 points within a 12-month period and, in addition to personalised offers, gold card members receive invites to private sales events, VIP newsletters and other member-only services.



Harvey Nichols allows customers to redeem their rewards on anything, from in-store champagne dinners to botox treatments and luxury massages.

The Waitrose loyalty programme puts a twist on the original points for rewards format, letting card holders pick which ten items they want to receive 20% off on.

Why Should Retailers Care About Loyalty?

72% of Nielsen survey respondents stated that, all other factors equal, they will buy from a retailer with a loyalty scheme over one without

2 out of 3 people... say loyalty programmes would influence their spend if they received exclusive products, services or access

Percentage of UK loyalty survey participants who are more likely to participate in a loyalty programme if rewards were personalised and tailored to them is... 74%

Harvard Business Review found it costs businesses between 5-25 times more to obtain new customers than to retain existing ones



Personalisation can deliver five to eight times ROI on marketing spend and lift sales by 10% or more



Existing customers spend 67% more than new customers, and word-of-mouth marketing is consistently rated more effective at generating new customers than any branded content and advertising

79% ...say they want the ability to choose among several types of rewards

Developments In Foodservices Loyalty Programmes

Some emerging leaders in foodservice loyalty are developing personalisation and member-only services.



Leading sandwich brand Subway's SUBCARD® cardholders can team up to form a SUBSQUAD and bolster points received when two or more squad members buy a sandwich within four hours of each other.



In the US, TGI Friday's Rewards Club and app give preferential treatment to members by rewarding them on every third visit with a 'Jump the Line Pass'.

TGI Friday's also gives members a chance to preview new menu items before anyone else and offer invitations to exclusive events.



The Starbucks loyalty programme, despite being a 'stamps for rewards' offering, has a tiering element that entitles 'gold status' customers to free extra shots, syrups and whipped cream once 50 coffees have been purchased. They also invested in an AI real-time personalisation engine that produces 400,000 variants of emails each week (up from 30 in their old system). By Christmas, they will be able to send 1:1 personalised offers and food recommendations, uniquely generated based on each individual customer's preferences and past purchases.

Conclusion

We think this is a space to watch, with many foodservice operators having some catching up to do to align their loyalty proposition with the changing demands of today's consumer.

Foodservice retailers need to keep pace with the movers and shakers across the industry. Advanced analytics and the use of artificial intelligence will become increasingly important, further separating the winners and losers in the world of loyalty.

Loyalty and digital leaders should be looking to analytics to answer questions such as: "If we increase the number of partners with which our members' points can be redeemed, will our revenue increase?", "How would offering a special customer experience positively impact our bottom line?", "How can we use artificial intelligence to increase the loyalty of our customer base?"

Foodservice retailers need to think about long-term customer retention strategies and look at loyalty as 'more than just something you stamp' to attract and retain their customers and ensure they come out on top.

About PatelMiller

PatelMiller is a specialist retail consultancy. We combine the tools, methods and analytics of a business consultancy, with the pragmatism of a retailer, to ensure that potential benefits are quickly realised. Our team gained their skills from working for leading consulting firms and the world's best retailers – and we are now blending these skills together in our own unique way.

Our services include:

Strategy & Analytics - Creating a challenging vision for your business whilst using your data to ensure you are making the right decisions

Lean Operating Models - Improving how your business runs across organisation, processes and technology – including applying lean six sigma to drive improvements

Programmes and Change - Structuring change programmes in an insightful and practical way and managing them to give you confidence in delivery

Our people have worked with businesses including Dunelm, feelunique.com, John Lewis, M&S, Monsoon Accessorize, Morrisons, Nisa, White Stuff, BT and Thomas Cook.

Find out more:

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James has extensive retail and consumer experience, having worked as a Consultant for Bain & Company and as a Director in KPMG's Strategy Group. He also spent time as Director of Strategy Development for Howden Joinery Group



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Sarah has experience in the delivery of large transformation programmes across the consumer business and technology industries