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How QSRs Add Flavor to Loyalty Programs and Retention Strategies in 2023

Unlocking the secret recipe for building loyalty faster with composable technology.

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# Introduction

The importance of customer loyalty in the QSR industry

There are over half a million fast-food restaurants spread across the globe. With over $300 billion of annual revenue in the US alone, it is no wonder that fast-food brands are going beyond taste to attract and retain customers. By offering more than a delicious meal, restaurant chains can create a loyal customer base, excited to come back again and again.

USD 972.74 billion

USD 1,467.04 billion

2021

2028
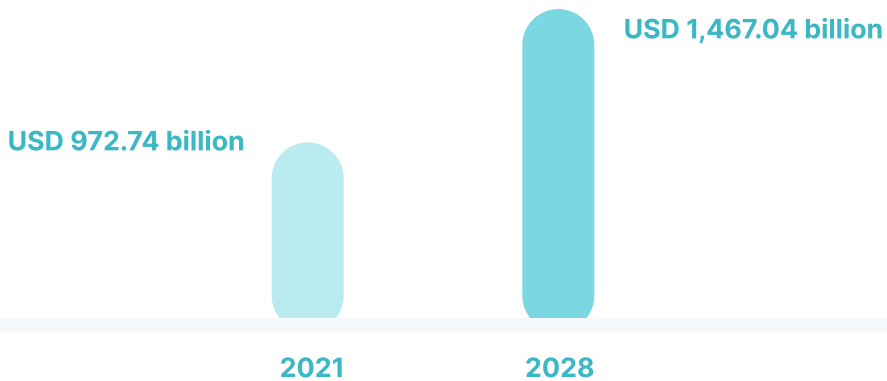
In the United States, the market for QSR delivery has more than doubled during the COVID-19 pandemic, following healthy historical growth of 8 percent. (Source: McKinsey)

QSRs
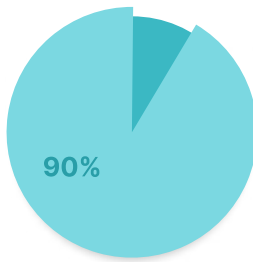
Traditional restaurants

90%

56%

90% of quick-service operators adjusted to the pandemic, compared to 56% of traditional restaurants. (Source: Polaris Market Research)
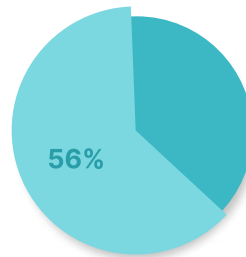
In 2019, the onset of the pandemic compelled the QSR sector to hasten its digital transformation to meet the changing preferences of consumers. Remarkably, in a matter of months, they achieved their goal. During this period, the majority of QSRs had created their own mobile applications to facilitate ordering methods and added alternatives such as curbside pickup.

With so many QSRs joining the digital initiative, the need to differentiate themselves from others is more important now than ever. One way to boost the business is through **customer loyalty programs** and **strategic incentives and rewards**. However, the growing number of digital platforms and channels means that customers now face more marketing noise than ever before. To stand out and maintain a connection with customers, QSR brands must move beyond batch-and-blast communications, spray-and-pray incentives, and burn-and-earn loyalty models to embrace individually relevant experiences.

This whitepaper explores the unique challenges and opportunities for building customer loyalty in the QSR industry alongside case studies on how top QSR brands nurture brand loyalty among diners with reward programs and strategic incentives.

Today's QSR Loyalty Landscape

How do QSR brands approach loyalty?

Starbucks was one of the first retail food and beverage retailers to launch a loyalty program back in 2009. By 2020, Starbucks Rewards had more than **19 million members** and accounted for **nearly 50%** of the brand's revenue.

Traditionally, the QSR industry benefited from a steady and reliable flow of repeat customers. However, recently those numbers started to shift due to mega-clusters of QSR brands situated in close proximity. In this scenario, a customer's selection between Chain A or Chain B is frequently an impromptu decision influenced by factors such as parking availability, drive-thru wait times, sudden cravings, or plain chance. This is why QSR brands are now looking into **strategic incentives** and **loyalty programs** to build a compelling narrative for customers to choose their chain over the competition.

47%
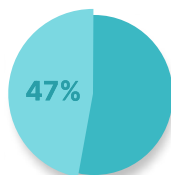
- **47%** of customers are members of at least one QSR loyalty program. (Source: Paytronix/PYMNTS report)

57%
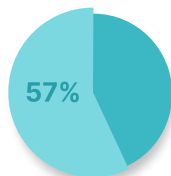
- **57%** of restaurant program members said they would spend more at other restaurants if they offered loyalty initiatives. (Source: Paytronix/PYMNTS report)

92%
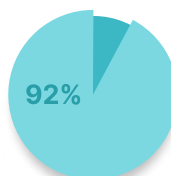
- In 2020, the average restaurant rewards member spent $167 per month on meals eaten in-house. That's **92%** more than non-rewards program members at the same sites. (Source: Paytronix/PYMNTS report)

Fast forward to 2023, almost all major QSR brands, from Tim Horton's to Domino's, have implemented a loyalty program to incentivize returning customers. Each with different goals, strategies, and policies. The overarching pitfall of most earn-and-burn loyalty programs is that:

- **It takes too long to earn points and rewards.**
- **Rewards are not attractive or irrelevant.**
- **Program membership causes communication chaos with too many notifications.**

Speaking of communication – not long ago, brands were happy to send any type of message to consumers and receive a positive response. However, as the number of messages increased, consumers became less receptive to generic marketing communications, negatively impacting customer loyalty.

"It takes a lot of planning to be this spontaneous. We leveraged Braze and Voucherify to help our client build a best-in-class tech stack that enabled real-time, memorable consumer experiences ahead of the re-launch of its now-famous sandwich. "

– Rebecca Nackson, Notable Growth's founder.

In 2023, the most innovative QSR brands use customer data to tailor campaigns to forge a new type of customer relationship. And rightfully so. Research conducted by McKinsey reveals that **71%** of consumers anticipate receiving personalized interactions from companies and that **76%** feel frustrated when this is not true.

So how to approach building customer loyalty in the QSR industry in 2023?

Building Effective QSR

Loyalty Programs

Tips for overcoming common challenges and pitfalls in QSR loyalty program design and implementation

To create a loyalty strategy that will work for your restaurant business, you need to consider a few things. First, what are your primary goals and expectations? What are your budget and allocated technology toolkit? Do you have any key insights into your target market and audience that can determine the form of loyalty incentives you are going to use?

But what is the most straightforward reward to start building loyalty?

Strategic promo codes

Promo codes may not be the first thing that comes to mind when thinking about loyalty. However, they are an extremely potent tool as they are easy to understand and use.

With the right technology, dynamically changing conditions or rolling them back is also a matter of selecting different attributes. This makes public promo codes a scalable marketing tool for incentivizing customers. Instead of rolling out a full-blown point program, QSR brands can start with promo codes (public and bulk) to see how they impact customer loyalty.

Context-aware promotions

Besides promo codes, QSR brands can use automatic discounts that apply the incentive automatically once the eligibility criteria are met. When you feed your promotion system with the current cart structure, the branches of the promotional rules tree grow tenfold. With this in place, your promotional mix gets new knobs that allow you to control how much margin you can invest in your campaigns based on the ROI they bring.

Digital wallets

Customers may have more than one deal at once, and they usually have accounts in more than one place. It is difficult for them to keep track of special offers or loyalty points across various brands. A customer dashboard is supposed to make it easier for them to find offers available to them, which in turn makes them more prone to ordering at your QSR chain. This is why most QSR brands rolled out dedicated mobile apps – to make it easier for customers to track their loyalty score and see delicious deals waiting to be claimed.

If you have already checked the points above and you are ready to run a big-scale rewards program, the following program structures work best in the QSR industry.

Point-based programs (earn and burn model)

In the restaurant industry, loyalty programs typically operate on top of a point-based system. Customers earn points for making orders and exchange these points for free menu items and discounts. It is the best model when you are getting started or if you are a QSR brand where concepts of customer experience or privilege lose with instant savings. However, this type of program carries some risks.

First of all, by competing with other brands on price only, it's more than likely that customers will quickly switch to your competitor as soon as their price drops a cent lower than yours. Also, make sure that the reward value doesn't cut into your profits when the demand goes up. You can make your point-based program more interesting by offering proportional points for making orders above the specific order total or purchasing specific menu items, e.g., double points for each burger in the order.

Digital punch cards

Even though punch cards fell out of fashion a while back, the concept of rewarding customers with free menu items for making consecutive orders is still live and kicking. It's a simple concept – customers are rewarded for purchasing an item a certain number of times. For example, if they buy nine cups of coffee, they get the 10th free. This encourages repeat business and loyalty among customers. And it's a great way to show appreciation for their business. Item-based reward systems are also easy to set up and manage. So if you're looking for a way to show your customers that you value their business, an item-based rewards system is a great option to start.

Tiered loyalty rewards

A tiered loyalty system is a great way to encourage customers to spend more at your restaurant. The way they work is quite simple – the more a diner spends with you, the higher level of membership they earn. Tiered loyalty programs work for one reason – exclusivity. Customers love feeling like they are part of a premium group, and by offering tiered benefits, you can tap into that desire.

Tiered benefits tend to work better in physical venues that focus on delivering excellent service and VIP-like experiences. By implementing a tiered loyalty system, you can identify the best customers and offer them a unique dining experience. If you are big on pampering top diners, you can provide them with free items and other perks each time they visit without any need for collecting and redeeming points.

Chick-fil-A One® membership benefits

Tap the icons to view our four membership tiers and see how your benefits grow as you accumulate more points.

Chick-fil-A One® MEMBER	Chick-fil-A One® SILVER MEMBER	Chick-fil-A One® RED MEMBER	Chick-fil-A One® SIGNATURE MEMBER
$1 = 10 pts — Earn 10 points per dollar to use towards available rewards (based on your total prior to tax).	Use your points to redeem available rewards.		Receive rewards from your local Chick-fil-A, just because.
Receive a birthday reward from Chick-fil-A, valid for 30 days.	Participate in bonus points challenges.		First to know about new menu items and insider content.

Gamified loyalty programs

Similarly to tiered reward programs, gamified loyalty models tap into exclusivity, achievements, and challenges as the primary sources of loyalty engagement. The formula of a gamified loyalty program can take many shapes and forms. Depending on your unique selling proposition and target audience, you can run fun challenges on social media, organize giveaways and contests, or offer double points days to stimulate demand in slower periods. Personalized experiences have high ROI and recall value, so if your loyalty technology allows it, use personal occasions such as birthdays and anniversaries to send relevant notifications and encourage diners to drop by or order online to claim surprise gifts.

Whatever approach you take, your loyalty program has to be easy to understand and use. The last thing you want is for customers to sign up but then be confused about how it works. Keep it simple and ensure the benefits are clear, and you'll be on your way to creating a successful loyalty program. Always remember to put the customer first, and the rest should be a piece of cake.

Whatever loyalty format you choose, there are five critical components to building a QSR loyalty strategy that will stand the test of time:

- A deep understanding of customer behavior and expectations.
- Personalized yet not overbearing communication.
- Commitment and alignment to the loyalty strategy across the organization.
- Awareness of the social and economic environment.
- Use of the best loyalty technology.

Challenges in building

an effective QSR loyalty program

When it comes to the nitty-gritty of running a loyalty program for a restaurant business, there are a few common mistakes to avoid.

1. Don't follow the trends blindly

Digital marketing is full of buzzwords and short-lived ideas. If you want your loyalty program to stand the test of time, you must ensure the rewards program is tailored to your customer's expectations. There is no one-size-fits-all approach – what works for one QSR brand might not work for another. Current trends in food and hospitality tend to focus on customer experience rather than plain savings. However, in times of raging inflation and economic uncertainty, you might be better off with an earn-and-burn loyalty program focused on instant savings rather than ephemeral experiences.

2. Make program promotion your priority

You can't create a loyalty program and expect your customers to sign up – you need to promote it through all your channels, especially social media. As found by MGH, **42%** of diners have interacted with restaurants on at least one social media platform. Of that group, **66%** are more likely to order food from the restaurant they follow.

Social media is all about FOMO (fear of missing out). If you can tap into your customers' FOMO and show them what they're missing out on by not being a member of your loyalty program, you're more likely to get them to sign up. Another idea is to combine a referral program with your loyalty scheme and reward brand advocates with loyalty points for spreading the word about your venue.

3. Keep the program simple

One of the most common mistakes restaurants make is overdoing it. Finding the most effective program structure, reward actions, and rewards is always going to take time. It's better to start with the basics and iterate from there.

Customers are getting bombarded daily with various marketing communications. Forcing them to devote a big chunk of their personal time to grasp the mechanisms of your loyalty program is a grave mistake. Also, your communication should focus on "redeem points" rather than "earn points". Only when customers redeem points for rewards will they return to your restaurant, and you will see higher participation rates.

4. Lack of loyalty touchpoints

The food industry is a crowded space, and if you find yourself constantly fighting for market share, mobile channels can be the direct link to customers that you have been missing. By having an easy way to run not only the program but also place orders, you can cut on high delivery app fees.

Examples & case studies:

Examples of successful QSR loyalty programs and what makes them effective

MyMcDonald's Rewards

It's no surprise that the undisputed king of fast food runs a wide-scale loyalty program.

"Loyalty is the single biggest driver of digital adoption and MyMcDonald's Rewards has exceeded expectations in terms of enrolment and participation. After just six months in the US there are over 30 million loyalty members enrolled and 21 million active members earning rewards."

– McDonald's CEO, Chris Kempczinski.

MyMcDonald's Rewards is an app-based rewards scheme that follows the earn-and-burn model with some gamification elements in the form of tiers that unlock more menu items that members can claim as rewards. The McDonald's mobile app was the top-installed QSR app in 2021 (24 million downloads) – part of this success goes to the quick order options built within the app.

The MyMcDonald's Rewards program is simple and easy to use, which is undoubtedly one of the key building blocks of its success.

Chipotle Rewards

Chipotle launched its US reward program in 2019, and in only three years, 28 million members have joined, making it one of the food industry's fastest-growing loyalty programs.

"Chipotle Rewards is another access point for guests to engage with our promise of real ingredients prepared fresh daily, and a way for us to say thank you for joining our mission of Cultivating a Better World."

– Anat Davidzon, Managing Director at Chipotle Canada.

To boost accessibility, Chipotle runs the program through a dedicated app and a web app. The program follows an earn-and-burn model with no dedicated tiering system in place. Program gamification relies on bonus points days, birthday surprises, and other in-venue events, such as Halloween specials.

Burger King Royal Perks

Burger King was a tad late to the loyalty party, but they definitely made their entrance note-worthy. Burger Kings Royal Perks program also follows a point-based model but with a twist – they offer a custom currency (Crowns) and a unique reward (free order upsized once daily).

"Since announcing the rollout of our loyalty program last September, Royal Perks is now available in nearly every Burger King restaurant nationwide. Enhancing the digital guest experience continues to be a major focus for our brand."

– Tom Curtis, President of Burger King North America.

Similarly to Chipotle, the program is available both via an app and a web customer portal.

Chick-fil-A One

Chick-fil-A is a loyalty pioneer as the brand released the first version of the reward program way back in 2016. Today, the brand offers its program through an app and the web. The program is structured around tiers – the higher the tier, the better the points multiplication, with the highest level earning 13 points per $1 spent. All in all, there are four membership levels with various perks and privileges based on annual spending.

There are plenty of paths you can take your loyalty program down. Both earn-and-burn and tiered loyalty models have proven to be effective in the fight for customer stomach share.

For starters, you might be more interested in the streamlined point-based model with hassle-free rules and experience. For more mature brands, we recommend choosing incremental loyalty, where perks and rewards depend on the customers' standing with your brand.

Alternatively, you can start with loyalty incentives in the form of promo codes and funnel-aware promotions.

Earn points.
Redeem rewards.
· · ·
Join Chick-fil-A One™ today

How a global QSR brand won the Great Chicken Sandwich War with strategic incentives?

A popular QSR brand needed to develop a scalable and personalized loyalty strategy when the launch of their chicken sandwich went viral. If they didn't quickly pivot and adapt, they'd risk losing the buzz after the sandwich sold out.

Throughout the build-up to the sandwich's return, the QSR brand leveraged **Braze** and **Voucherify** to run a cross-channel campaign built on a one-to-one customer engagement approach. This included:

- **Personalized push, in-app messages, and emails that drove loyalty with relevant human communication.**
- **Timely reactions to the news, social media trends, and other events – all within 24 hours of when they happened – delivered through push, email, and IAM.**
- **A National Chicken Sandwich Day email that reached over one million customers.**
- **Customer-oriented promotions that drove engagement to the newly launched mobile app.**

Through creative flexibility and a best-in-class MarTech stack provided by **Notable**, the client was able to quickly transform a social media sensation into long-term success through responsive and personalized engagement tactics. They created a fun, humanized campaign that led to high engagement rates and an impressive increase in revenue.

New trends for building

customer loyalty in the QSR industry

Emerging trends and predictions for how QSR loyalty programs will evolve in the years to come

The customer journey has been completely revolutionized by new technologies, which have eliminated the friction and improved efficiency. Here are the 4 loyalty trends that we see among QSR brands:

1. Dynamic and AI-powered personalization

Personalization is crucial for a successful customer loyalty strategy. Loyalty programs have enabled businesses to gather vast amounts of customer data, which can be utilized for achieving personalization at a larger scale. By adopting a **headless loyalty platform**, such as Voucherify, marketers can integrate data from multiple sources to enable intelligent and scalable personalization.

2. Digital wallets

Convenience is the key driver of customer loyalty. In-app digital wallets allow customers to save everything from coupons to credits and cash in a single place, keeping your QSR brand top of mind. By adding the digital wallet functionality, restaurants can transform how customers earn, save and spend their points and rewards. For businesses, a digital wallet enables you to:

- ✅ Easily search by profile to see all customer wallet details.
- ✅ Set up and manage calculations per individual region.
- ✅ Track and communicate campaign information like active, expired, and pending points.

3. Engagement-inducing journeys

Building customer loyalty doesn't have to rely on transactions only. Providing bonus points for other activities, such as trying new menu items, can enhance customers' engagement with a restaurant. By offering double points on specific items or days of the week, customers are encouraged to interact with the brand frequently. The availability of more incentives increases the likelihood of customers re-engaging with the brand and recommending it to others.

4. Partner rewards

Building loyalty doesn't need to end when the customers leave your restaurant. QSRs are now partnering with other companies to offer joint loyalty programs and cross-partner incentives. For example, a QSR might team up with a gas station or retail store to offer customers rewards that can be redeemed at both businesses.

With an advanced loyalty solution like Voucherify, QSR brands can use points portability to enable members to use their points with hundreds of partners in travel, dining, rent, fitness, and more, right in the app. This gives loyal customers a unique way to spend their points while encouraging them to make their points go further.

Takeaways

Final thoughts and takeaways for QSR brands looking to enhance their customer retention efforts

Post-covid, the restaurant industry has experienced a significant transformation, with **87%** of people expecting these changes to become the new baseline. Restaurants and QSR chains that meet customers where they are today are more likely to thrive in this new world.

The key to success lies in understanding and addressing the evolving needs and preferences of consumers and offering innovative solutions that provide convenience and streamline processes. Starting from strategic loyalty-inducing incentives to full-scale loyalty programs, QSR brands have a vast selection of strategies to choose from.

This ebook provided valuable insights into the various factors that influence customer loyalty in the QSR industry. By leveraging these insights, QSRs can create a customer-centric approach that delivers a seamless and personalized experience, leading to increased loyalty and repeat business.

Achieve True Loyalty With

Voucherify and Notable
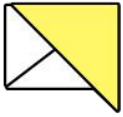
About Notable

Notable is a full-service digital marketing agency that helps businesses achieve their growth objectives by providing customized and data-driven solutions. Notable Growth offers a range of services, including user journey optimization, MarTech audit & consultation, A/B testing, campaign orchestration, and omnichannel engagement strategy.

Notable Growth has experience working with brands across different industries, including healthcare, technology, finance, and e-commerce, such as Anheuser-Busch, Burger King, Tia, Intuit, and HBO GO.

About Voucherify

Voucherify is an API-first Promotion Engine that helps brands deliver effective and personalized promotions and loyalty programs. With Voucherify, marketers have the freedom to create any type of promotion they can imagine without bothering the development team.

Voucherify supports both mid-sized and enterprise clients across industries. Our client portfolio includes brands such as Delivery Hero, TIER Mobility or easyJet.

When used together, Voucherify and Notable help brands design and manage personalized end-to-end customer journeys that can drive stronger loyalty and business results.

Brands that pair Voucherify with Notable to create coordinated, end-to-end personalized experiences can see increased engagement, customer loyalty, and revenue.

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