The customer engagement & experience guide for restaurants

Overview

30%

to 40% of the Covid-related digital shift in the restaurant industry is expected to be permanent

31%

more was spent by tourists at restaurants in April 2022 compared to 2019 levels

Eating out is a cherished experience for many people. But when the pandemic forced much of the world to stay at home, money usually reserved for dining out was instead spent in grocery stores, with more and more customers trading restaurant menus for virtual cooking classes.

In March of 2020, restaurant spend plunged to -70% year over year, while grocery spend surged to over 100% growth.[1] During this time, demand for low-touch digital channels such as contactless delivery, curbside pickup and mobile ordering also increased. An estimated 30-40% of the Covid-related digital shift in the restaurant industry is expected to be permanent, according to the Mastercard Economics Institute.[2]

Consumers are starting to get back to the restaurant scene, presenting an opportunity for dining establishments to grow their businesses. In April 2022, tourism spending at restaurants was 31% above April 2019 levels.[3] However, like many other industries, restaurants face the challenges of rising inflation, supply chain disruptions and staffing shortages – all of which drive up costs, impact food freshness and cut into profits.

In this guide, we take a closer look at how restaurants can stay ahead of the competition and capture consumers' pent-up demand by using the latest technology, advanced analytics and innovative loyalty programs to enhance the restaurant experience and connect with the post-Covid consumer.

Enhance the experience with speed and personalization

78%

of consumers are not fully satisfied with the level of personalization they see from companies

80%

of consumers will consider leaving a restaurant or drive-thru when they see a long line

Although personalization is top of mind for many restaurants, 78% of consumers are not fully satisfied with the level of personalization they see from companies.[4] People are also looking for quick and convenient experiences – in fact, 80% of consumers will consider leaving a restaurant or drive-thru when they see a long line.[5] Several technologies and analytical tools allow restaurants to dish up a quicker, more personalized experience, including dynamic menu boards, license plate recognition, voice ordering, emerging payments, web technology and transaction analytics.

Dynamic menu boards

Dynamic menu boards and point-of-purchase recommendations enable restaurants to drive larger checks and quicker service using personalized recommendations and upsells based on factors like the time of day, local weather and popular menu item combinations. Restaurants can personalize the menu even more for their registered loyalty program members by highlighting items based on a customer's past purchases or favorite choices. Menu recommendations can also change based on the restaurant's capacity or inventory levels, displaying items that are quicker to prepare during peak demand and removing certain items that are close to stocking out.

License plate recognition

License plate recognition (LPR) has been around for a while in restaurant drive-thrus, but the technology has made recent advancements with artificial intelligence-enabled features that provide an even quicker experience. For example, with appropriate permission, LPR can automatically recognize registered loyalty members, eliminating a frantic scramble for a loyalty card. This technology also elevates personalization by customizing dynamic menu boards based on loyalty members' profiles.

93%

of consumers are considering using biometrics, digital currencies, QR codes and contactless

Voice ordering

Voice-ordering technology increases order accuracy and accelerates order fulfillment, whether through smart devices in the home or artificial intelligence in the drive-thru. Orders get to the kitchen in real time, so food preparation can begin immediately, and staff can focus on preparing the food rather than taking orders. Voice ordering can also help with staffing shortages, allowing restaurants to maintain output levels while minimizing labor costs.

Emerging payments

Consumers are now placing their orders through a variety of channels, including online, mobile, delivery platforms, kiosks, in-person, and dynamic menu boards. Many restaurants are enhancing the payment experience by enabling customers to add their card on file via a mobile app. As a result of the pandemic, consumers are also willing to try emerging payment options. In fact, 93% of consumers are considering using biometrics, digital currencies, QR codes and contactless.[6] Features such as two-factor authentication and facial recognition enhance the safety and security of these innovations, and drive up consumer trust as a result.

Web technologies

Website technologies offer a deeper understanding of today's diners by shedding light on user interests, preferences and affinities. For example, with the right technology, restaurants can distinguish first-time visitors from return visitors who previously made a mobile purchase – and can see relevant contextual insights such as a purchase location or time. Such technologies can transform websites into dynamic experiences that showcase personalized items, messages and offers. And with the use of A/B testing, these digital experiences can be optimized even further.

Transaction analytics

Advanced analytical tools can provide aggregated spending insights, like average size and frequency, which can help enhance the customer experience through menu modifications and personalized promotions. With menu rationalization, restaurants can determine a primary recipe ingredient for several different menu items, reducing cook times and delivering faster service. Additionally, such tools can help shed light on registered customers' purchase decisions following a promotion, which can lead to more personalized offers. The results can help determine if and how a promotion should be rolled out.

Engage customers with a best-in-class loyalty program

Five steps to delivering a best-in-class loyalty program

1. Refine the value proposition

2. Design a simple experience

3. Incentivize registration

4. Understand the customer

5. Personalize promotions

Loyalty programs play a pivotal role in engaging consumers because they increase access to helpful consumer insights, which in turn enable restaurants to build stronger relationships with their patrons. Highly successful programs can even transform customers into brand advocates.

In addition to driving engagement, loyalty programs also empower restaurants to capture digital spend and differentiate themselves from competitors. However, these programs are relatively new for restaurants, and many could face challenges with program design or execution. The following steps can enable restaurants to deliver a best-in-class loyalty program that engages customers.

Step 1: Refine the value proposition

Restaurants can develop a strong value proposition for their loyalty program by considering what registered customers can be rewarded for and how they will be rewarded. Many restaurant loyalty programs focus on rewarding customers solely for the amount they spend – so rewarding for non-transactional activities, such as visit frequency or mobile app engagement, are powerful ways to differentiate a program.

Restaurants can recognize customers with traditional rewards, such as redeemable points or cash back, or use more innovative "surprise and delight" tactics to boost engagement and deepen consumers' emotional connection to the brand. For example, the Starbucks Rewards program provides each member with a free food item or beverage to celebrate their birthday. Starbucks also used gamification in its "Prize & Delight" initiative, in which customers could play daily scratch ticket games for a chance to win prizes. A strong value proposition will drive emotional loyalty by using the right balance of traditional and innovative tactics.

Step 2: Design a simple experience

Once restaurants have refined the overall value proposition of their loyalty program, they must bring it to life with an engaging experience across all channels – including a mobile app. The app should be intuitive, since 68% of consumers prefer brands with convenient and easy digital experiences.[7] Customers should be able to easily navigate the app, earn rewards and redeem their benefits. Gamification can enhance this experience – some restaurants reward customers for watching short instructional videos, for example.

Step 3: Incentivize registration

Once the loyalty program has been developed, restaurants must appropriately incentivize registration by simplifying the process and clearly communicating the program's perks. Restaurants should deploy A/B testing to determine how best to communicate the program's value, and to identify the right benefits to highlight based on customer profiles. By registering loyalty members and obtaining their informed consent, restaurants can develop a deep and dynamic understanding of their customers, and provide a more personalized experience as a result.

Step 4: Understand the customer

Loyalty programs provide data-driven insights that can unlock a 360-degree view of the customer. When a customer signs up for a loyalty program and provides consent, the restaurant can then leverage their purchase history, such as past orders, along with their non-purchase information, such as app engagement, to drive smarter and more targeted communications.

68%

of consumers prefer brands with convenient and easy digital experiences

Loyalty programs can turn customers into brand advocates

Unknown customer: These customers are unknown due to reasons such as paying in cash.

Known customer: Although these customers are not registered in the loyalty program, restaurants know who they are because they use a consistent identifier, such as the same credit card.

Loyal customer: These customers have registered for the restaurant's loyalty program.

Brand advocate: These are loyal customers who assist in brand advocacy through positive, organic word of mouth.

Step 5: Personalize promotions

Consumers want a personalized experience across channels – and within that experience, they especially want to see personalized promotions. In fact, 80% of consumers want promotions tailored to their needs, and they expect more from companies to retain their loyalty.[8] To stay competitive, restaurants must be able to deliver the right offer, at the right time, through the right channel. By using the 360-degree view of a customer captured from a loyalty program, restaurants can create dynamic segmentations and successfully deliver personalized offers that incrementally motivate spending activity.

By using data-driven insights to carefully craft promotions, restaurants can avoid "trade down" offers – offers to customers who would have transacted regardless. To efficiently deliver their promotions, restaurants can use technologies that enable scheduled and customer-decision-triggered communications across email, push, SMS and digital channels. Once a promotion has been delivered, restaurants should measure the impact in terms of units sold, price and average check size. The promotion should be evaluated over time to identify optimization opportunities.

80%

of consumers want promotions tailored to their needs

Conclusion

With pent-up consumer demand for dining out pitted against rising inflation, supply chain disruptions and staffing shortages, restaurants are at a critical moment. Cutting-edge technology, robust analytics and engaging loyalty programs can enhance the experience for consumers, improve speed and efficiency within the restaurant and ensure that diners return.

To understand these restaurant strategies in more detail, and to use data-driven insights to make smarter decisions with better outcomes, please reach out to your Mastercard representative.

For more information, explore the following interactive experience

Data-driven loyalty: three strategies that work for brands

Learn how brands can upgrade their loyalty strategies by personalizing communications, engaging customers, and optimizing initiatives using business experimentation.

Endnotes

1. Mastercard SpendingPulse.
2. Mastercard Economics Institute: Commerce E-volution, 2021.
3. Mastercard Economics Institute: Travel 2022 Trends and Transitions, May 2022.
4. Bond, "The Loyalty Report '19: The New Story of Loyalty," 2019.
5. Bluedot, The State of What Feeds Us.
6. Mastercard New Payments Index: Consumer appetite for digital payments takes off, 2021.
7. Mastercard Sponsored Report, The Value of Experience: Customer Needs Top the Innovation Agenda, 2021.
8. The Age of Personalization, Mastercard-Sponsored Report by Harvard Business Review Analytic Services.

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