



# Building Customer Loyalty: Retention Strategies That Work

## A Strategic Guide for Minnesota Restaurants

*Prepared in partnership with Performance Foodservice Minnesota and Hospitality Minnesota*



## The Loyalty Imperative in a Changing Market

- **The opportunity.** Restaurant industry research from Bain & Company shows that increasing customer retention by just 5% can boost profits by 25-95%. Yet the hospitality sector has one of the lowest retention rates at 55%, compared to 84% in other industries.
- **Market headwinds make retention critical.** Alcohol sales are declining—beer preference dropped from 41% to 34%, with overall drinking down to 58% among adults. This matters because alcohol represents 21% of full-service restaurant sales. Simultaneously, restaurant traffic has declined for six consecutive months while operators maintain sales through higher check averages. Customers visit less frequently but spend more intentionally.
- **Why this matters:** Acquiring a new customer costs 5-7 times more than retaining one, and existing customers spend 67% more per order. In an environment where traditional profit drivers are under pressure, your regulars aren't just revenue—they're your survival strategy.



## Strategic Loyalty Program Design

- **Start with behavior, not discounts.** Successful programs reward frequency and engagement. Programs requiring 10 visits for rewards lose 80% of participants before redemption. Design immediate value that hooks customers, then layer progressive rewards.
- **Immediate vs. delayed rewards:** Pinkberry gives new members 25 points immediately (halfway to first reward). Pizza Hut allows customers to earn free pizza with one visit. Starbucks offers rewards at 25 stars (roughly \$12.50 spent). These immediate wins convert the 80% who abandon traditional programs.
- **Compensate for declining alcohol revenue.** Programs must drive food attachment rates and non-alcoholic premium options. Reward appetizer additions, dessert purchases, and mocktails as alcohol sales decline.



## Target Your Best Customers Differently

- **Segment by behavior, not just spending.** Create distinct tiers: Regulars (weekly+ visits), High-Value Customers (\$50+ average check), Off-Peak Champions, and Menu Adventurers. Each segment gets tailored rewards.
- **VIP treatment strategies:**
  - **Top Spenders:** Chef's table experiences, early menu access, personalized service, dedicated reservation line
  - **Frequent Visitors:** Double-point days during slow periods, skip-the-line privileges, member-only pricing
  - **Brand Ambassadors:** Social media recognition, kitchen tours, referral bonuses
- **Personalize the experience:** Train staff to greet members by name, remember dietary restrictions and favorite orders. Use purchase history for predictive offers. Veggie Grill's "Health Hero" status aligns rewards with customer values beyond spending.

*For additional resources on seasonal menu planning and operational efficiency, contact Performance Foodservice Minnesota or visit Hospitality Minnesota's resource center.*



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### Leverage Social Proof for Growth

- **Turn members into ambassadors.** Create referral programs with "double rewards"—benefits for both referrer and referee. 92% of people trust recommendations from friends over marketing.
- **Create exclusivity and FOMO:**
  - **Members-only events:** Cooking classes, wine tastings, kitchen tours
  - **Secret menu items:** Wayback Burgers' members-only menu drives mystery and desire
  - **Early access:** New menu items available to members first (Chipotle strategy)
- **Amplify word-of-mouth:**
  - **Social contests:** Branded hashtag campaigns with reward incentives
  - **Review programs:** Bonus points for verified Google/Yelp reviews
  - **User-generated content:** Share-worthy program benefits customers naturally photograph
- **Key stats:** Referred customers have 37% higher retention rates and 16% higher lifetime value. Videos and photos are 40x more likely to be shared on social media.



### Market-adapted Implementation

**Address new spending patterns.** With premiumization trends (54% of younger consumers choose premium options), focus on quality experiences over frequency. Create compelling reasons for customers to choose you during their fewer dining occasions.

#### Timeline for launch:

- **Weeks 1-2:** Segment existing customers, choose technology platform, define reward structure
- **Week 3:** Train staff on enrollment and program benefits, create marketing materials
- **Week 4:** Soft launch with regulars, gather feedback, refine program
- **Week 5+:** Full rollout with coordinated promotion across all channels

**Success metrics:** • Achieving 30-40% repeat-customer rates (industry "good" benchmark) • 12-18% higher incremental revenue from program members • Higher food attachment rates compensating for declining alcohol sales • Increased average check size per visit as frequency patterns change



### The Bottom Line

With declining alcohol sales removing key revenue streams and customers making fewer but more intentional dining decisions, loyalty programs aren't optional—they're essential. Programs that combine immediate rewards, VIP segmentation, and social proof amplification capture the proven 25-95% profit increase from better retention while building sustainable competitive advantages in 2025's challenging market.

**Sources:** Bain & Company customer retention research; National Restaurant Association reports; Gallup Annual Drinking Habits Survey 2024; Paytronix consumer spending analysis; Loyalty program psychology research from SimpleLoyalty, LoyaltyLion; Major chain case studies (Pizza Hut, Starbucks, Pinkberry, Veggie Grill, Wayback)



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**Angie Whitcomb, IOM**

President & CEO  
Hospitality Minnesota

D: (651) 925-4011  
C: (612) 210-3090  
angie@hospitalitymn.com

[www.hospitalityminnesota.com](http://www.hospitalityminnesota.com)

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