



PAYTRONIX

Loyalty Report 2022:

Exploring Your Brand's Most
Valuable Guests

www.paytronix.com

Contents

A Message from Paytronix CEO, Andrew Robbins 3

By the Numbers 4

Methodology 5

Loyalty Programs and the Rise of the Loyal Snacker 6

Why Loyalty Guests Matter 8

Value of Loyalty

Loyalty vs. Non-Loyalty Spend

The Top Tier of Customers

Getting to Know Restaurant Loyalty Customers 11

Meet the Average FSR Loyalty Member

Meet the Average QSR Loyalty Member

Trends Involving Age and Spend

Trends by Concept Type

Annual Spend

Spend per Visit

Inflation Effects

Case Study: Great Harvest

Getting to Know Convenience Store Loyalty Customers 22

Meet the Average Convenience store Loyalty Member

Visit Frequency

Annual Spend

Spend per Visit

Fuel-Buying Behavior

Inflation Effects

Case Study: Yatco Energy

Conclusion 30

A Message From Paytronix CEO Andrew Robbins



I prefer to swim on an empty stomach, but once I've finished my two-mile routine in the pool or around Walden Pond, I've got only one thing on my mind: a treat.

My first stop after my swim is almost always my favorite café, where I get my admittedly excessive usual: a pour-over coffee and a breakfast sandwich on a brioche bun with melted gruyere and an egg over easy and two strips of bacon. That treat is part of my rhythm, as well as my moment of Zen. It's a reward for successfully making it through a tough swim and helps me relax before I dive into the rest of the day. When I finish, I sit back satisfied in my chair and watch the sun rise over the trees across from the café, I feel completely at ease.

This year's Loyalty Report from Paytronix shows I'm not alone and that the most loyal customers of all ages are driving loyalty programs to new heights in engagement, spending, and visits. While at one point most loyalty program members were Boomers, now Millennials and Gen Xers are up, and the numbers for Gen Z are exploding. Those who frequent brands specializing in ice cream or coffee have been increasing their annual visits. And the top 2–3% of restaurant customers are making their presence felt, spending about three times more than the average guest.

This trend isn't limited to restaurants. Many convenience retailers are reaping the benefits of fuel loyalty programs, but they've also become a daily stop for their most valuable customers. While annual spend on fuel increased, gallons of fuel per stop decreased, which suggests that customers are returning to their favorite convenience stores more often for a quick bite or a coffee. In fact, some of the most loyal customers are visiting an average of more than once a day. As everyone competes to provide treats, is a showdown between restaurants and convenience stores looming? We'll have to see what the future holds.

And what does this mean for the future of loyalty? Well, I strongly believe two things:

1. Everything tastes better with melted gruyere.
2. Loyal customers will never be dissuaded. Whether a pandemic, inflation, or the threat of recession, these customers will keep coming back.

As long as snackers seek their favorite treats, loyalty programs will be essential to keeping them connected to their favorite brands. The real lesson here may be that if you don't have a loyalty program, 2022 is the year to implement one.

Enjoy this report, and happy snacking.

- Andrew Robbins

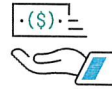
By the Numbers

Why Loyalty Guests Matter



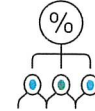
Increase in visits and spend attributable to loyalty programs:

18-30%



Average difference of Loyalty vs. Non-Loyalty Checks:

6%



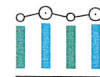
Percentage of total revenue driven by the most loyal 2-3% of customers:

5-17%

Restaurant Loyalty



Inflation percentage at which customer check size drops dramatically: **10%**



Average increase in annual spend by loyalty members: **38%**



Generation with largest increase in loyalty membership:

Gen Z
15-25 year olds



Average increase in fuel visits by loyalty members: **8%**



Visits from the most loyal guests: **1+ per day**

Methodology

It's not enough to have data. People are already swimming in it. According to former Google CEO Eric Schmidt, humanity generates as much information in two days now as we did from the dawn of civilization through 2003. Paytronix proudly contributes to that prolific output by maintaining one of the largest databases of guest behavior in the hospitality industry – and it grows daily.

But Paytronix has something else – one of the deepest benches of data experts in the industry, as well as two decades of translating that data into actionable, helpful customer insights. The algorithms developed by the team support hundreds of individual brands and drive revenue in thousands of locations. Paytronix experts have reviewed the processes of competitors, and while some of them do great work, the results are not as repeatable or actionable. No matter how extensive the data is, it's the analysis that makes the difference.

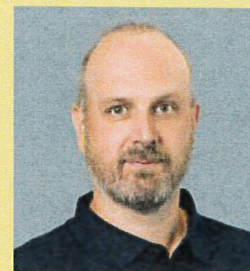
To determine pre- and post-loyalty behavior, a credit card analysis tracks the behavior of individual guests for an equal amount of time before and after their enrollment in the loyalty program. Each guest is linked to a credit card, and personal information is tokenized to protect customer data and ensure PCI compliance. This type of analysis is more accurate than simply comparing the value of loyalty and non-loyalty guests because it eliminates a great deal of self-selection bias. Since a brand's best guests are the most likely to join a loyalty program, comparing the two groups skews the results in favor of the loyalty members.

All data referenced in this report is sourced from the Paytronix database of in-store and online transactions that occurred between January 1, 2019 and December 31, 2021, unless otherwise noted. Only merchants continuously operating loyalty programs between 2019 and 2021 were evaluated. No categories with fewer than five brands were considered in order to preserve anonymity.

Due to changes in the composition of the merchant base between last year's report and this year's, there may be differences in the values reported. Any differences affecting trends have been specifically noted in the text.

Millions of points of data went into this report, and it's the product of passionate data experts who love sharing these insights with you. The team members hope you enjoy reading this report as much as they enjoyed researching it.

Lee's Insights



Thank you for downloading this report. My name is Lee Barnes, and I'm the Chief Data Officer at Paytronix. The team has provided additional commentary throughout this report, which you'll find in callouts like this. As mentioned above, Paytronix has a great team of data experts who enjoyed creating this report, and we hope you enjoy reading it.

Loyalty Programs and the Rise of the Loyal Snacker

Following the rollout of vaccines to combat the coronavirus, Americans and Canadians of all political affiliations, races, creeds, and religions have been joining loyalty programs. The reason is obvious: They want treats ... from their favorite brands ... as often as possible.

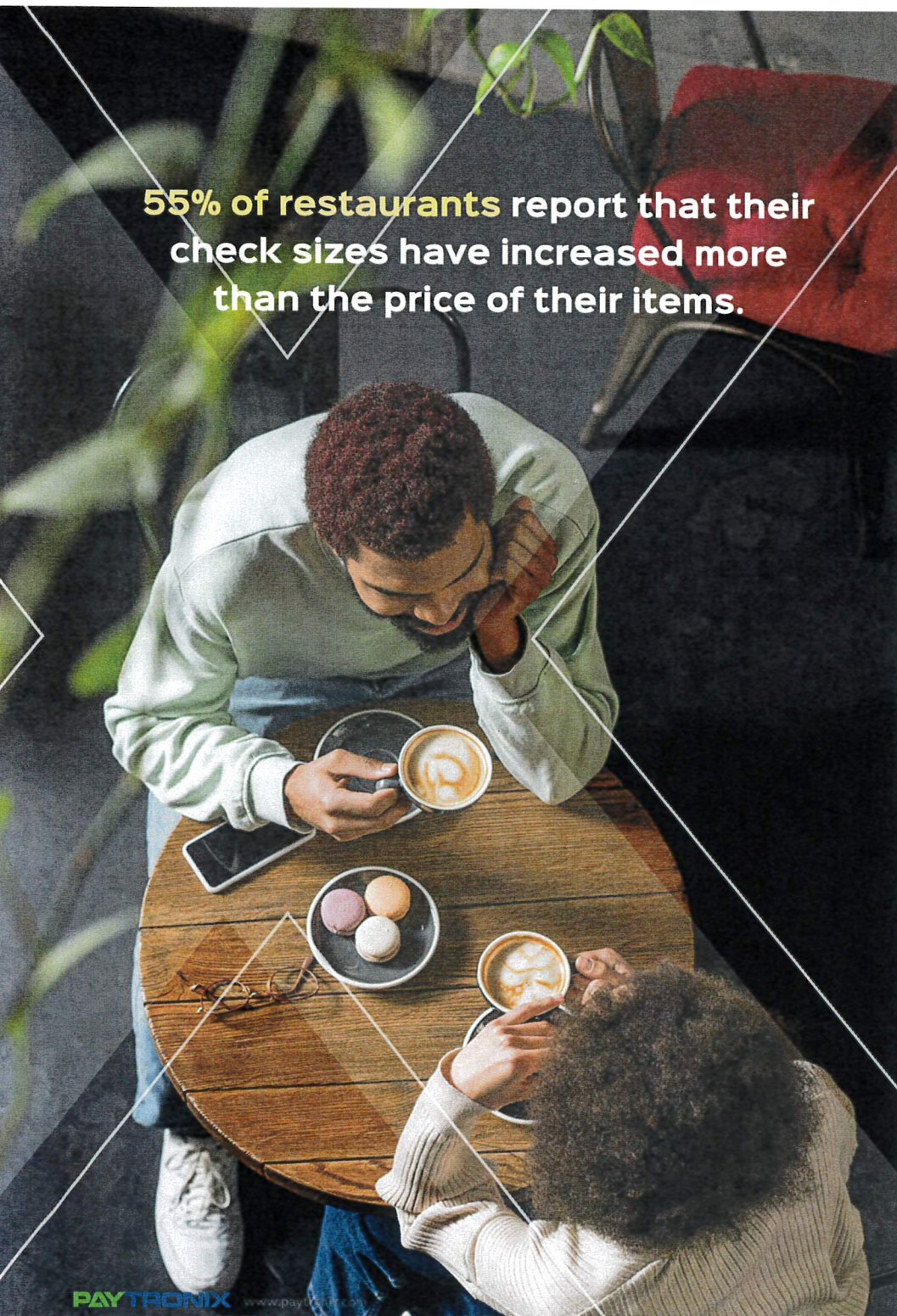
As the pandemic has receded, we have become a nation of loyal snackers. Whether noshing a bagel, grabbing a coffee, snarfing an ice cream, or slathering on the guac, everyone is ready to treat themselves to a little something special. And the brands they love have realized that opening additional avenues for their most loyal guests cultivates a harmonious relationship, with convenience equating to greater spend.

This emerging group of loyalty members is a little younger and more capricious. They indulge more in snacks than in full meals. And they greatly value their time, as reflected by filling up their vehicle when they are close to the gas station rather than when low on fuel. Paytronix data shows that the loyalty crowd is changing, and successful brands are changing with it.

Despite the waning of the pandemic, new challenges have arisen. Inflation has eaten away at discretionary spending, worker shortages are diminishing the customer experience, and the older generations – the previous stalwarts for many brands – have failed to return to the restaurants they once patronized. Perhaps most concerning, numerous economic warning signs are flashing, indicating possible economic uncertainty.

The first annual Paytronix Loyalty Report chronicled the changes caused by the pandemic and how loyalty programs provided a vital lifeline when both customers and brands needed it most. This second Paytronix Loyalty Report examines continuing trends for restaurants and convenience stores across the loyalty landscape, including those involving visits, spend, member demographics, and program types.





55% of restaurants report that their check sizes have increased more than the price of their items.

In short, this report is about the future of loyalty. The snacking future.

Some key insights from this year's report include:

- The top loyalty guests are foundational to a restaurant or convenience store's bottom line. They overwhelmingly represent the highest spenders and the most frequent visitors, and they offer a lifeline during an economic downturn. In addition, these guests indulge their cravings yet have smaller basket sizes at convenience stores.
- Inflation is leaving its mark, but loyalty members typically respond by visiting their favorite brands more often. Paytronix research shows that 55% of restaurant loyalty customers increase their average check size more than the price of the average item increases, and convenience store loyalty customers spend more in store than the increase in item price.
- Younger loyalty members are driving a generational shift, even as older members' numbers decline.

Why Loyalty Guests Matter

VALUE OF LOYALTY

It should come as no surprise that loyalty members visit more often and spend more than non-loyalty members. After all, they are your best customers and loyalty programs allow them to self-select. Paytronix analysis carefully controls for that self-selection and has found that when that bias is removed, loyalty programs are responsible for an 18–30% increase in spend and visit frequency.

In addition to generating a consistent 18–30% lift in visits and spend across industries, brands, segments, and business models, loyalty programs provide other benefits. The data collected through these programs – from member demographics to visit frequency to most popular menu items – is invaluable to any brand seeking to understand its guests better. This information can be leveraged to make strategic business decisions and market more effectively. It can also be interpreted with artificial intelligence to uncover hidden patterns and trends.

Loyalty enables brands to establish a direct line of communication with guests via email, SMS, or mobile app notifications – an absolutely critical lifeline in surviving the COVID-19 pandemic. This level of engagement, along with the rewards guests can earn for repeat visits, fosters greater brand loyalty.



LOYALTY VS NON-LOYALTY SPEND

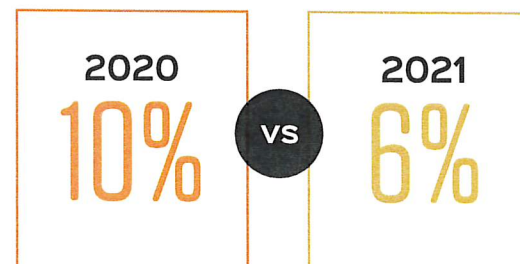
At the end of 2021, loyalty members continued to spend around \$2 more per visit than non-loyalty members. Due to increases in the average subtotal for both groups, that difference dropped from approximately 10% to about 6%.

The disparity between loyalty and non-loyalty checks hit a nadir of 2% in January 2021 but generally increased throughout the year. While the gap remained narrow for the first half of 2021, the difference between loyalty and non-loyalty grew in August (as it did in 2020) and then once again narrowed before the holiday season.

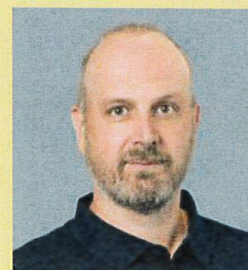
6% Increase in spend per visit for loyalty vs. non-loyalty members.

As 2021 drew to a close, the subtotals for both categories increased, with loyalty spend leaping to 8%. That was the second-highest gap of the year, doubling the 4% difference of 2020. Indications are that loyalty will remain an enduring driver of spend as customers return to their favorite sit-down establishments and discover new ones.

DIFFERENCE BETWEEN LOYALTY AND NON-LOYALTY CHECK SUBTOTALS:



Lee's Insights



Two things are noteworthy here:

- Month after month, loyalty members consistently spend more than non-loyalty members.
- Even though loyalty members receive more discounted items than non-loyalty members, they still consistently spend more.

Loyalty vs. Non-Loyalty Check Subtotals by Month, 2020-2021

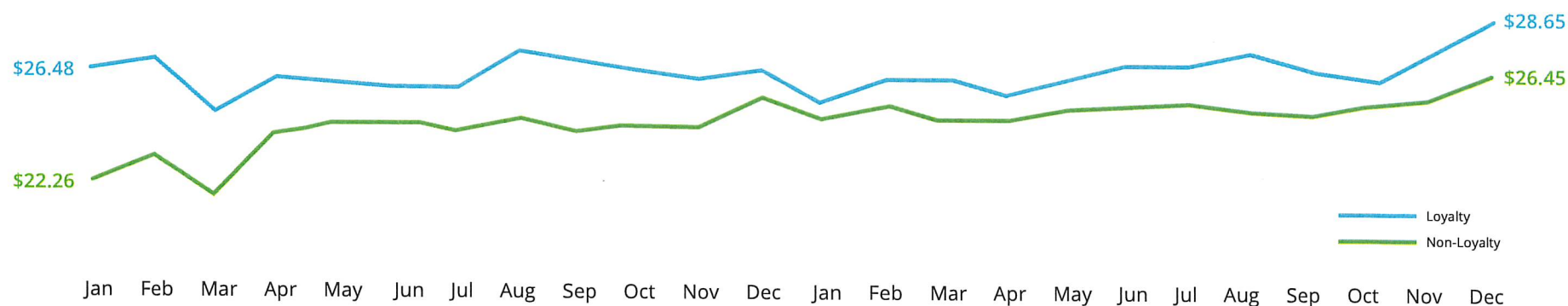


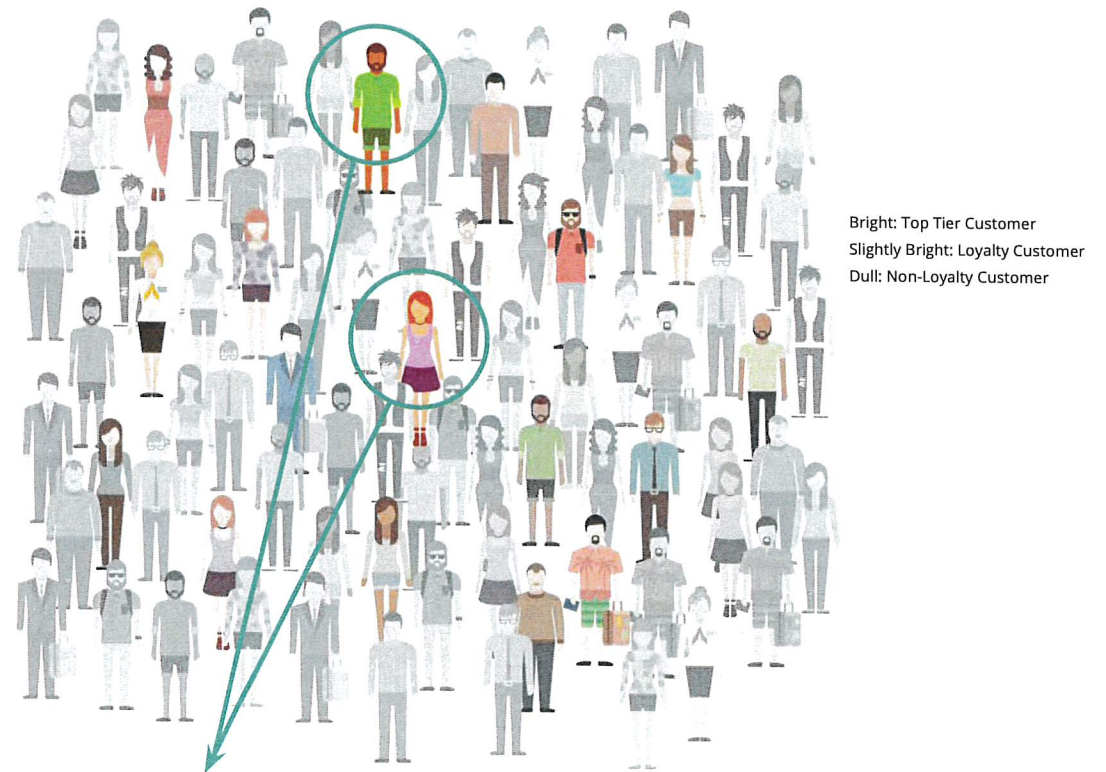
Figure 1

THE TOP TIER OF CUSTOMERS

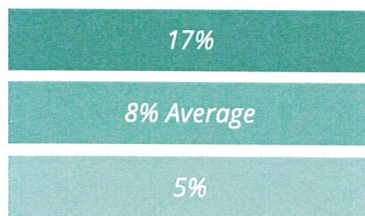
Not all loyalty guests spend similarly. Only about 2–3% of a brand's total customer base qualifies as top-tier members – those who can be counted on to form a firm foundation of spend. This group represents the top 10% of loyalty members.

Using analysis of tickets, Paytronix determined that the top-tier guests in the sample were a special group indeed. On average, this segment is responsible for 8% of overall spend, which is likely double or triple the amount of the average customer. They also constitute roughly 51% of all loyalty spend.

Moreover, 8% is an average. Based on an analysis of a variety of merchants, these top-tier members are responsible for 5–17% of total spend. Some merchants don't just benefit from the loyalty of this group – they base their business around it.



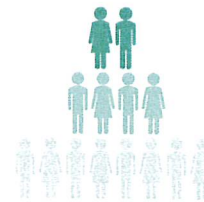
These 2-3% of Customers:



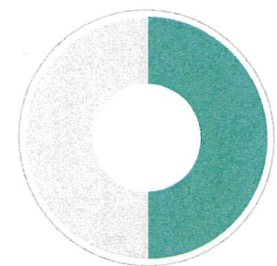
Are responsible for
5-17%
of total spend



Spend
2-3x
more than the average
customer



Represent the top
10%
of loyalty customers



Are responsible for
more than
50%
of loyalty spend

Figure 2

Getting to Know Restaurant Loyalty Customers



FSR

MEET THE AVERAGE FSR LOYALTY MEMBER

Imagine that a group of loyalty members just walked into your full-service restaurant (FSR). They look a little different than they did in 2019. For starters, there are fewer of them – 26% fewer, to be exact. Their unique visits decreased by nearly a quarter between 2019 and 2021. And while the number of FSR loyalty members dropped between 2019 and 2020 for obvious reasons, the number of unique guests continued to drop between 2020 and 2021.

Unique FSR Loyalty Members

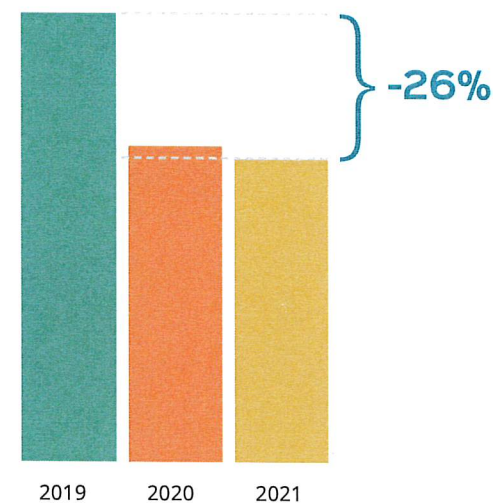


Figure 3

FSR

The average FSR loyalty member has also become younger. Baby Boomers remain the largest loyalty segment, but their numbers decreased the most (nearly 30%!) from 2019 to 2021, and almost no bounce-back was seen between 2020 and 2021.

Gen Z was the only group that didn't have declining membership between 2019 and 2021. That said, many of the others regained members from 2020 to 2021, with the 26–45 age range showing a significant increase. The trend reflected throughout this report is that Gen X and Millennials are joining Boomers as loyalty members. However, Millennials have not flocked to full-service restaurants in sufficient numbers to replace the departed Boomers.

The last item of interest is that loyalty members visit fewer times a year than they did in 2019, but their spend per visit has gone up. The guests that continued to patronize full-service establishments also spent around 20% less per year in 2020 than they did in 2019, and while that number hasn't fully recovered in 2021, it remains only slightly below the 2019 annual spend per loyalty member (see Figure 10).

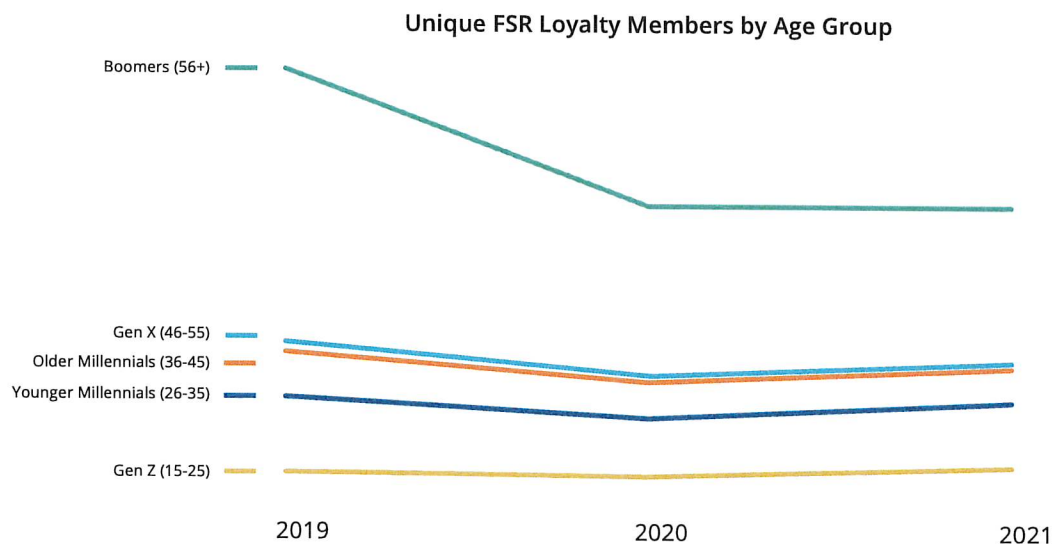


Figure 4



QSR

MEET THE AVERAGE QSR LOYALTY MEMBER

Now let's welcome back the "average" quick-service restaurant (QSR) loyalty customers. Like their FSR counterparts, these guests visit slightly less than in 2019 (down about 16%), but more frequently than they did in 2020. While there was a slight drop-off in the number of unique QSR loyalty customers in 2020, a strong recovery took place in 2021.

Again, not all ages of customers returned. The 56+ crowd shrank in 2020 and then continued to shrink in 2021, while the 46-55 group dipped and then failed to fully recover. Although these two segments decreased, Millennials and Gen Xers more than made up the ground. Those generations became loyalty members at a higher rate than their elders, indicating a generational shift. The average loyalty member for a QSR is decidedly younger than for an FSR.

But the real growth from 2019 to 2021 came from the youngest relevant segment. Gen Z loyalty members saw their numbers expand by nearly a third, making them the segment to watch.

As is the case at FSRs, loyalty members at QSRs are spending more per visit than in 2019. Additionally, they're also visiting more often. Those loyalty members increase their average spend by roughly 7% annually, with the pandemic having almost no effect.

Unique QSR Loyalty Members

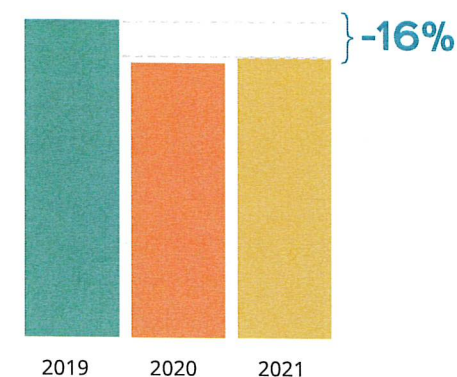


Figure 5

Unique QSR Loyalty Members by Age Group

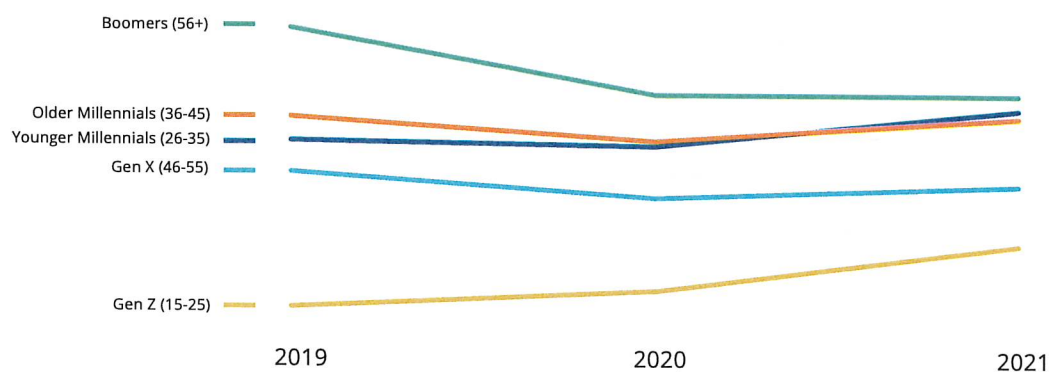


Figure 6

Lee's Insights



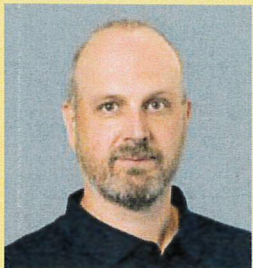
QSRs need to keep an eye on Gen X – this group has a lot of spending power and still has children in the household.

TRENDS INVOLVING AGE AND SPEND: A GENERATIONAL SHIFT IS SEEN

The segments for the 36–55 age range have an outsized percentage of spend, while the 56+ segment has an outsized percentage of visits. The largest untapped potential lies with those who are 16–35, as this group has the most guests who neither visit nor spend.

Both the growth in spend for the 36–45 segment (from 23% to 25%) and the shrinkage in spend for the 56+ category (from 33% to 28%) indicate that Millennials are the future of loyalty programs. In particular, the increased spend of the 36–45 segment in comparison to that of 46–55 shows that Millennials have the potential to become the largest and most valuable group of loyalty customers.

Lee's Insights



Younger generations are increasing spend, but not visits. These age groups would rather go out less often, but be more indulgent when they do.

Age and Spend Trends by Generation

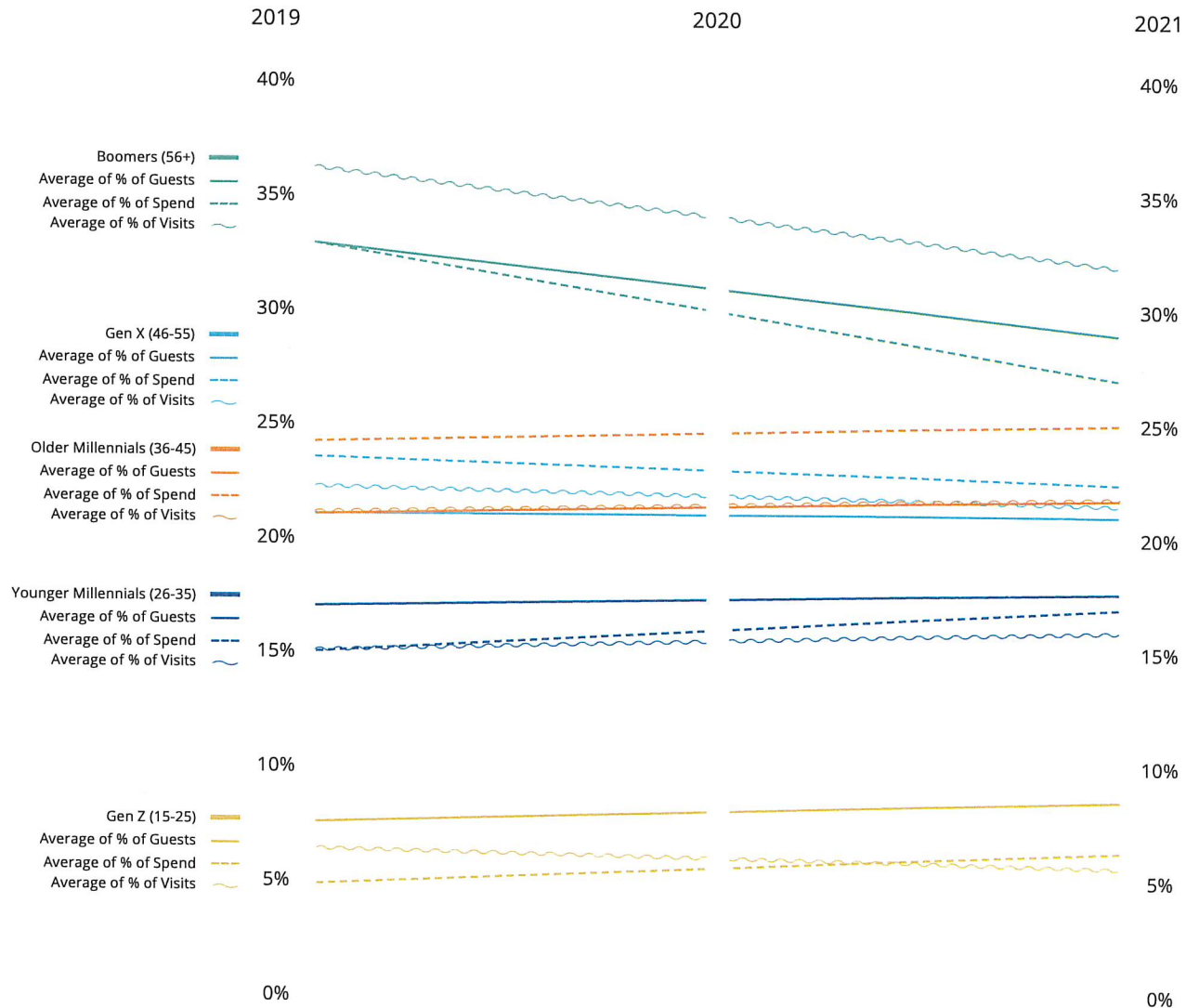


Figure 7

TRENDS BY CONCEPT TYPE: CUSTOMERS RETURN

After registering a minimal drop during the worst of the pandemic, QSRs were quickly bolstered by their loyalty members. Gift card data indicates that QSRs weathered the pandemic with less loss than their full-service counterparts, and their most loyal patrons even started visiting more often.

Full-service restaurants likewise welcomed the return of loyalty members, with a 9% jump in annual visits as compared to 2020. This is still 11% less than 2019, but encouraging signs are found in the Paytronix data, which indicates that customers are anxious to return to FSRs.

9% increase in loyalty customer visits
2020-2021 at full-service restaurants

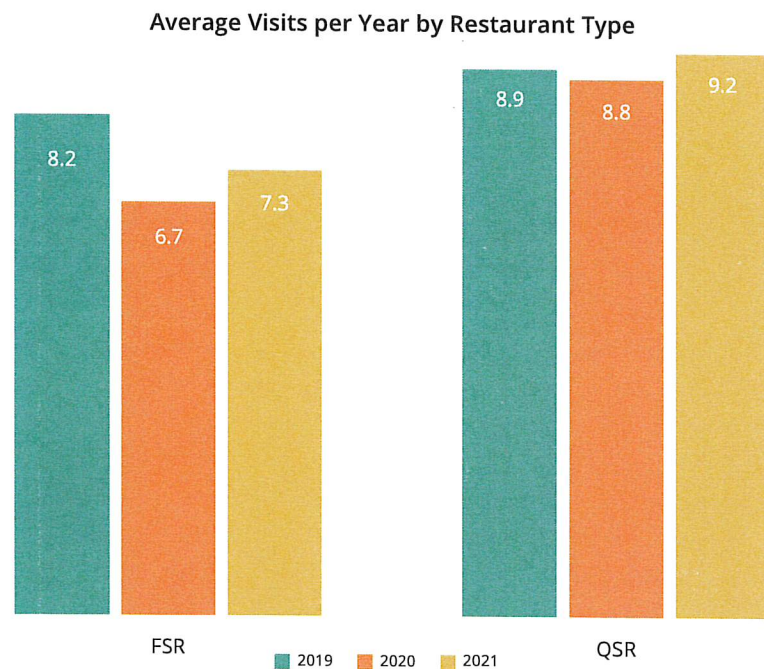


Figure 8: Average annual visits among loyalty members who visited at least twice annually across full-service and quick-service restaurants, 2019-2021

In last year's Loyalty Report, brands specializing in ice cream or coffee saw an increase in visits from their most loyal customers. The trend continued in 2021, as loyalty members indulged their cravings for daily lattes and Sunday sundaes more.

Other concepts witnessed a decrease in average visits per year from 2019 to 2021, but an increase from 2020 to 2021. Both casual dining and Mexican and sandwich brands saw a 15–17% decrease from 2019 to 2020, followed by an increase of about 8% the next year. Since this mirrors trends for QSR gift cards sold during the year, a structural change in the restaurant economy may be underway.

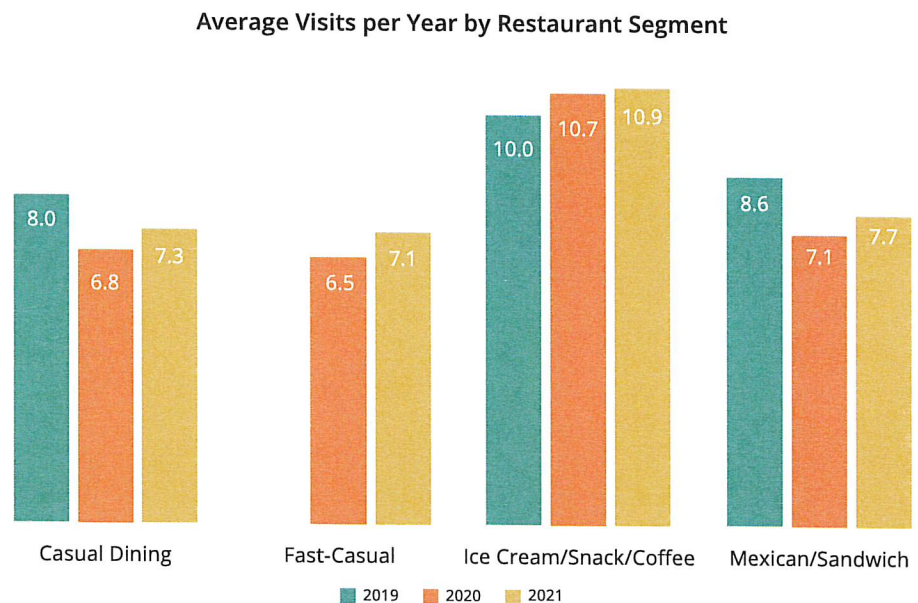


Figure 9: Average annual visits among loyalty members who visited at least twice annually across all restaurant segments, 2019-2021

ANNUAL SPEND: WALLETS REOPEN

Paytronix reports have shown time and again that full-service restaurants have borne the brunt of the pandemic's wrath, whereas quick-service restaurants have been able to limit and even avoid its negative consequences. As far as annual spend per guest, QSRs saw a steady increase of about 7% among loyalty members in 2021, which was similar to the year before. Conversely, the average spend per guest at FSRs had dropped significantly in 2020 but nearly rebounded to the 2019 level.

Average Restaurant Spend per Guest per Year

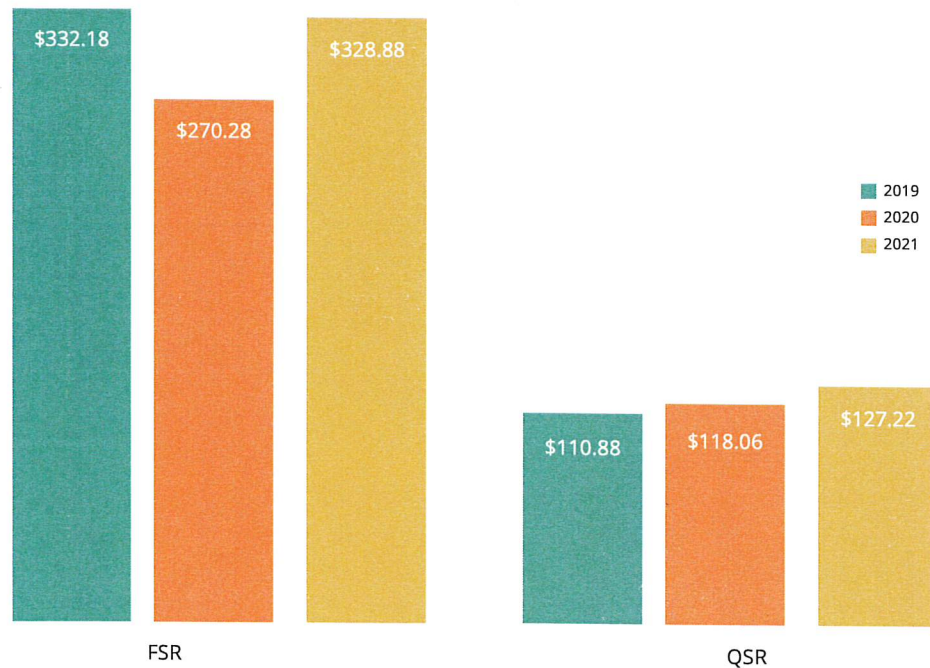
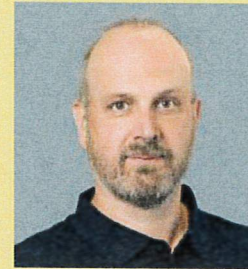


Figure 10: Average annual spend among loyalty members who visited at least twice annually across full-service and quick-service restaurant concepts, 2019–2021

Lee's Insights



In Paytronix's Order & Delivery report, we saw in-store orders decrease by 42% since pre-COVID while digital orders increased by 113%. Quick-service restaurants that already had digital-ordering capabilities were better able to avoid the impacts of COVID.



Across all concepts, 2021 saw the highest annual spend per guest of any year for which Paytronix has data. The difference was often minimal, but the ice cream/snack/coffee segment proved an exception once again, as guests eagerly increased their spend through the worst of the pandemic and into 2021.

Average Restaurant Spend per Guest per Year



Figure 11: Average annual spend among loyalty members who visited at least twice annually across all restaurant segments, 2019-2021



SPEND PER VISIT: ORDER SIZES INCREASE

Every segment experienced a year-over-year increase in spend per visit, with casual dining enjoying the largest one. The ice cream/snack/coffee segment saw a whopping 20% jump from 2019 to 2021, as guests descended on those brands to load up on treats. The other concepts had more modest increases.

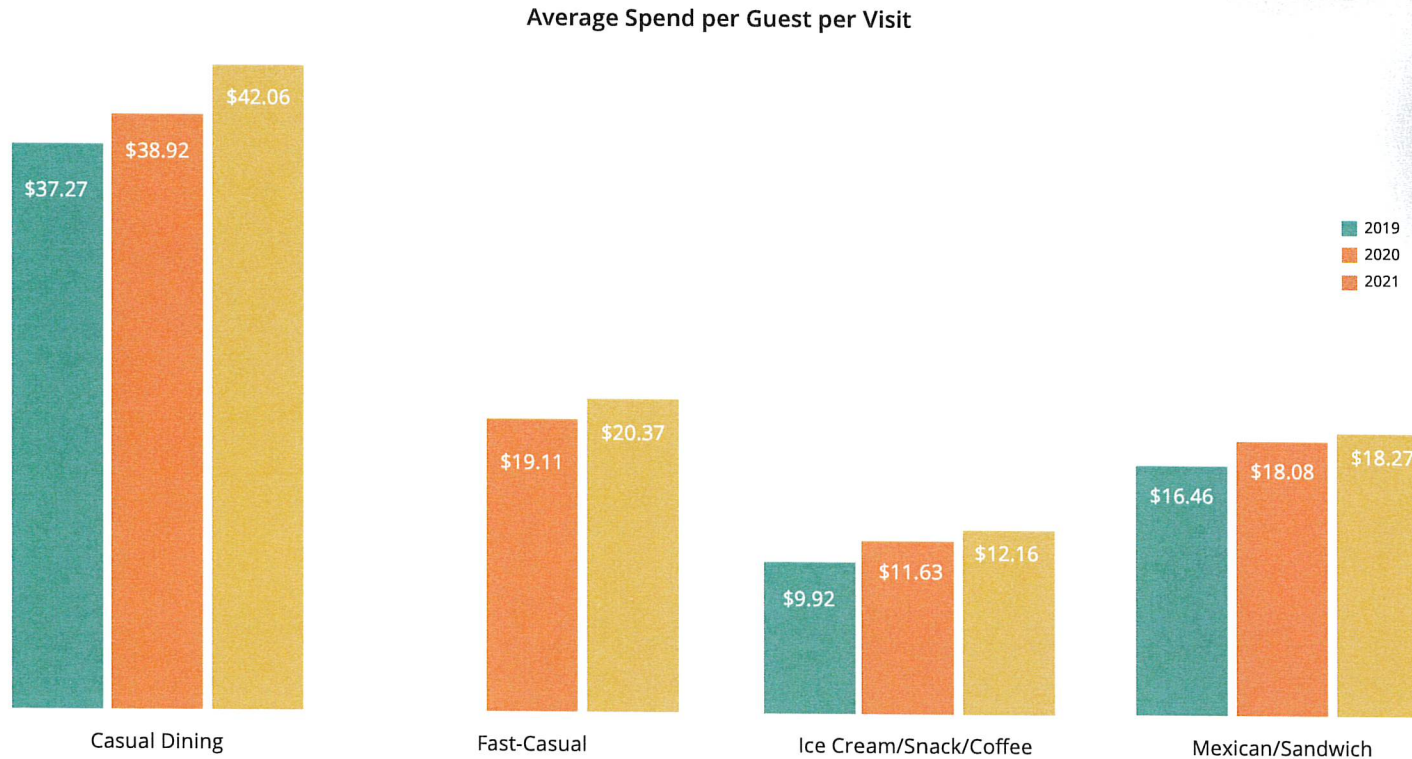


Figure 12: Average per-visit spend among loyalty members who visited at least twice annually across all restaurant segments, 2019-2021





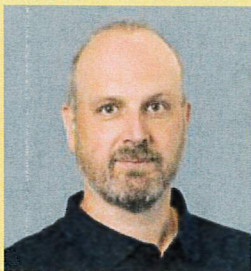
Effects of Inflation on Check Size

INFLATION EFFECTS: BE AWARE OF 10% INCREASES

Soaring inflation has been a hot economic topic in 2022, and Paytronix data indicates that loyalty members have responded to it by supporting their favorite brands. As prices have risen, many customers have been increasing their spend, with 55% of restaurants reporting that their check sizes have increased more than the price of their items. It's an especially prosperous time for brands specializing in ice cream or coffee, as people remain committed to their favorite treats.

55% of restaurants report that their check sizes have increased more than the price of their items.

Lee's Insights



On this chart, points below the red line indicate that check sizes are growing less than item prices – this means that customers are trading down – either buying cheaper items or fewer items. Points on the line indicate customers are buying the same things at the higher prices, and above the line means customers are actually spending more.

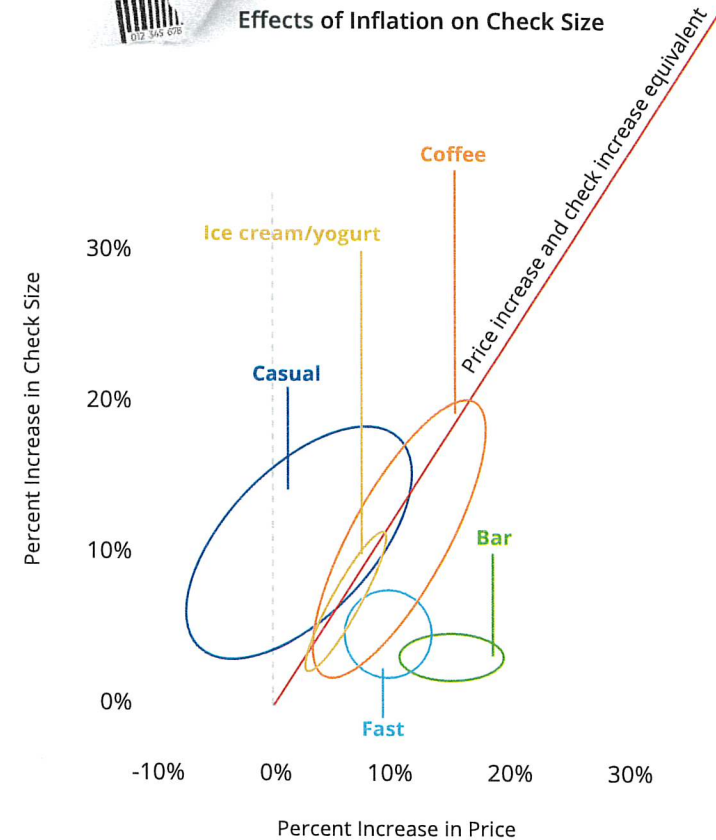


Figure 13

Paytronix data also indicates that there's a point at which loyalty customers will no longer tolerate price increases. Once the price of items rises more than 10 percent, check sizes drop drastically. This shows that even the most loyal customers have their limits.

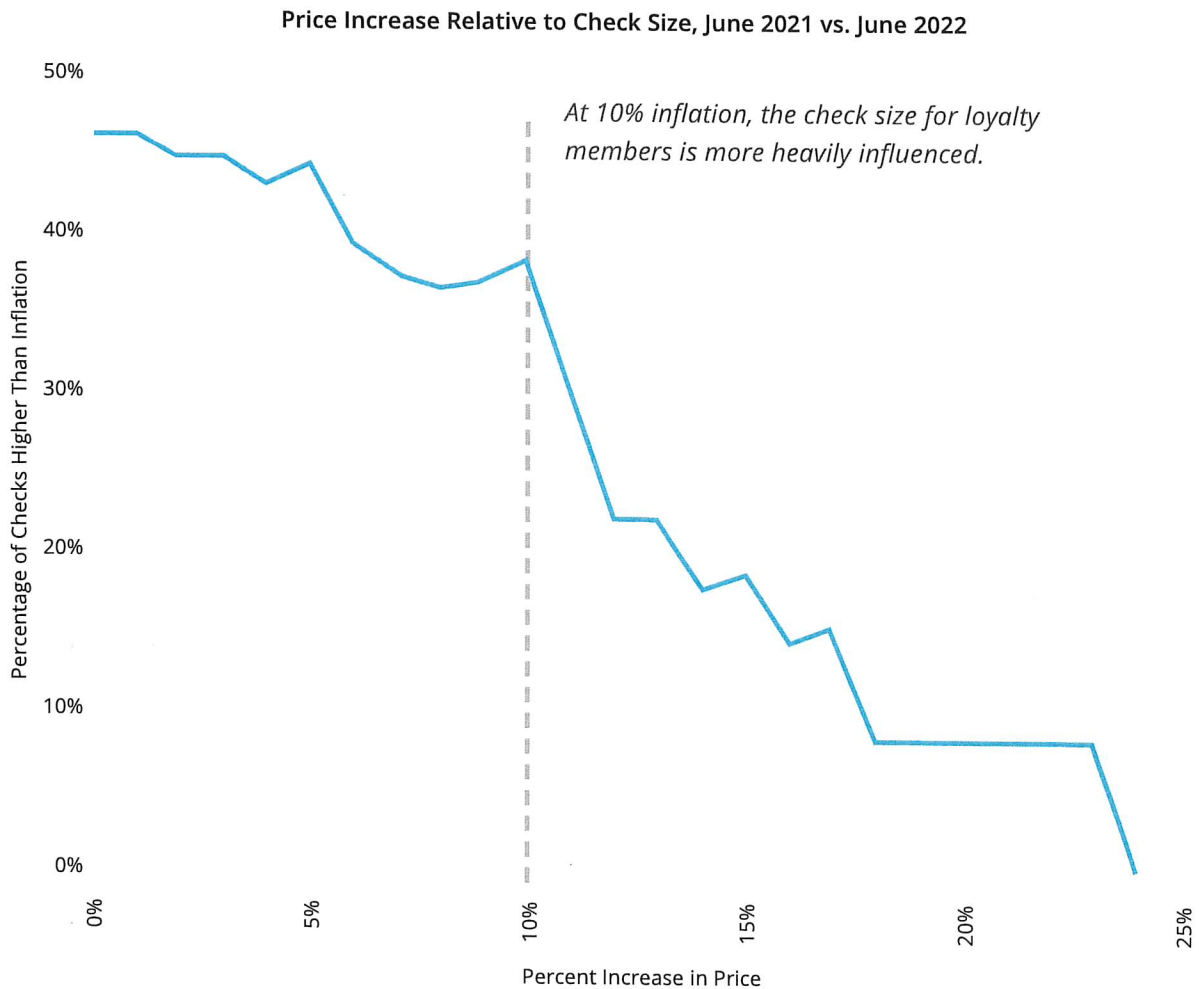


Figure 14



CASE STUDY: GREAT HARVEST



Great Harvest is a bakery and café brand dedicated to serving fresh-baked bread alongside more traditional fare such as breakfast, sandwiches, soups, and baked desserts. Founded in 1976 in Great Falls, Montana, today there are more than 200 Great Harvest bakery and café franchises across the United States.

Great Harvest's loyalty program comprised approximately 60% aged 55 or older in February 2019, when leadership directed stores to appeal to younger members. The brand added a pizza product to the menu and shifted their TV advertising to stations with a younger audience, resulting in a profound and effective generational shift. As of July of 2022, more than half of loyalty members are now under the age of 55, with a more than doubling of membership of 16-35 year olds. Generations are more evenly represented, and there are plans to follow up on the brand's success by investing in a give-back program with local schools and by offering their pizza product as an afternoon special.

”

“We are working to make sure Great Harvest is every generation's top choice for simple, wholesome, and delicious fresh-baked treats, and are so happy to see younger customers taking advantage of our rewards program.”

- MIKE FERRETTI, CHAIRMAN AND CEO OF GREAT HARVEST

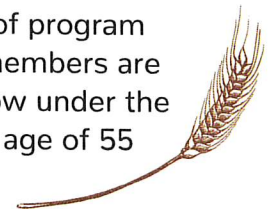
February 2019

60%
of program
members aged
55 or older



July 2022

+50%
of program
members are
now under the
age of 55



Doubling
membership of 16-35-years-old

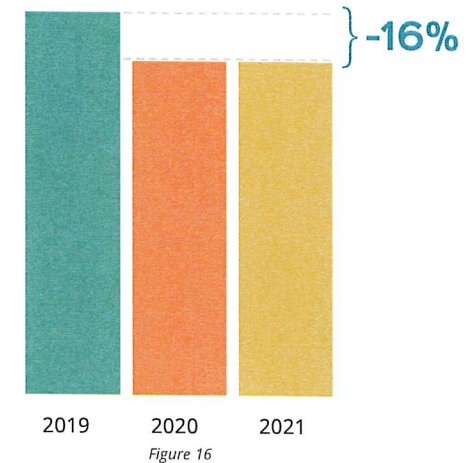
Getting to Know Convenience Store Loyalty Customers

MEET THE AVERAGE CONVENIENCE STORE LOYALTY MEMBER

Similar to loyalty members for QSRs, there are fewer convenience store loyalty members in 2021 than in 2019. The total number dropped around 16% during that span, and this decline was once again led by the oldest segment – members who are 56+. Most segments saw a decline between 2019 and 2020, but a generational shift has occurred since: There are now more members in the 36–45 segment than in the 46–55 segment.

In 2021, convenience store loyalty members bought less fuel per visit but more fuel overall, indicating they visited more often. Both their spend per check and spend per year increased across all categories.

Unique Convenience Store Loyalty Members



Unique Convenience Store Loyalty Members by Age Group

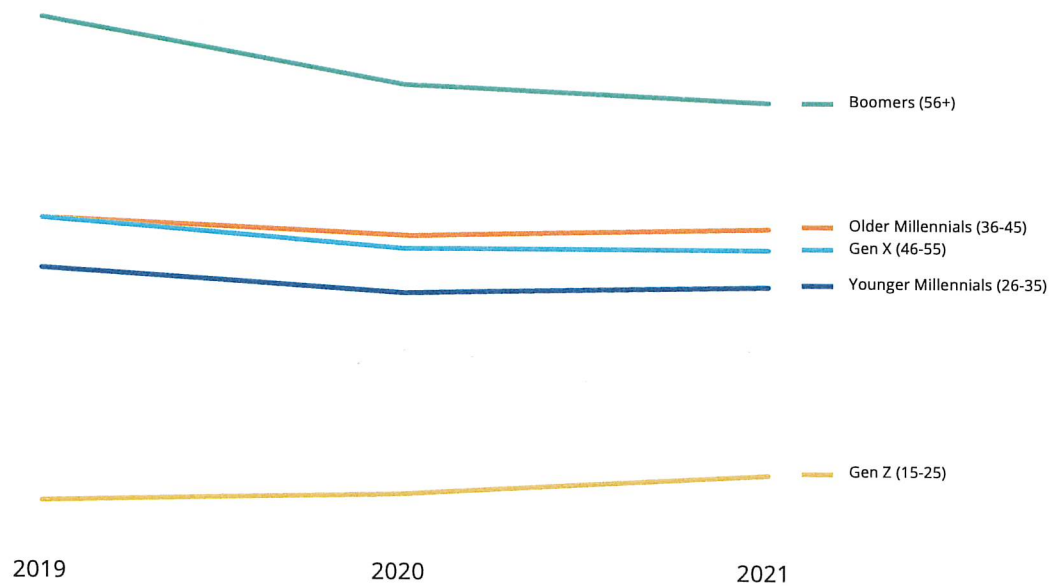


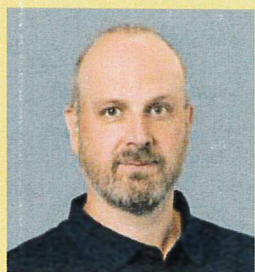
Figure 17

It's difficult to characterize the average convenience store loyalty member because there are three distinct groups. In any given month, about a third of convenience store loyalty members only purchase fuel and an additional 12% only purchase merchandise. The remaining 55% is made up of guests who purchase both. The fuel-only segment is the only one that has grown, having surpassed the merchandise-only group in late 2021.

As with restaurants, a small percentage of loyalty members make a big difference. Paytronix research shows that approximately 8–10% of loyalty members are responsible for about 40% of visits, averaging more than one a day (see the Top Tier line in Figure 20).

Finally, the number of checks containing fuel increased slightly in 2021, indicating that loyalty members largely continued their routine with respect to convenience stores. This again highlights the value of a well-designed loyalty program – its members maintain their behavior even as conditions change.

Lee's Insights



We are seeing more convenience stores position themselves as a destination for items beyond fuel by associating their brand with specialty items such as coffee or ice cream.

Percentage of Visits by Convenience Store Loyalty Members by Group

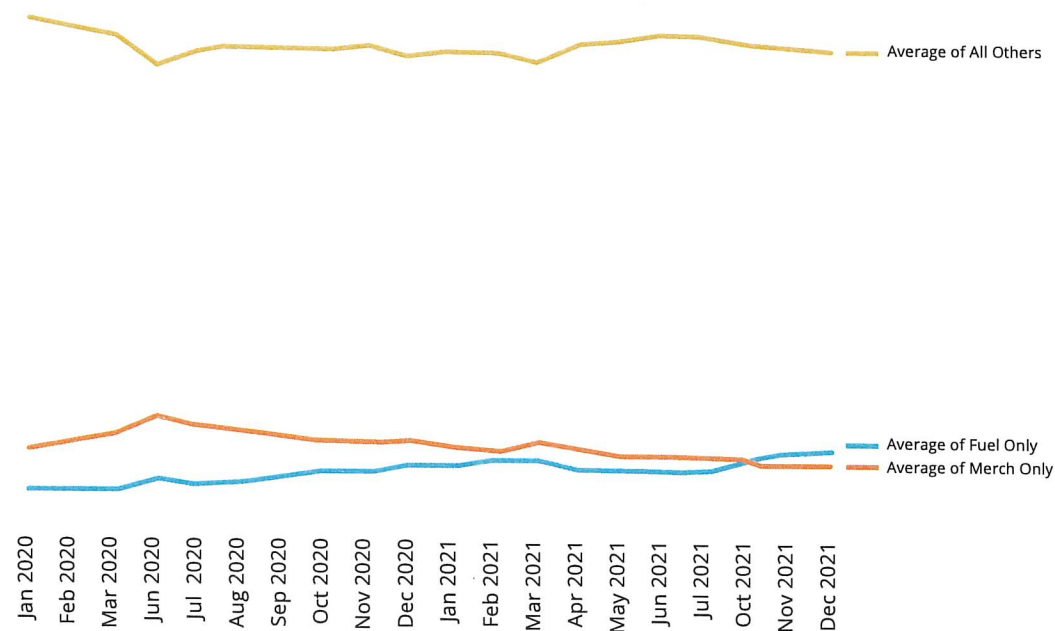


Figure 18

Percentage of Checks by Convenience Store Loyalty Member Segments

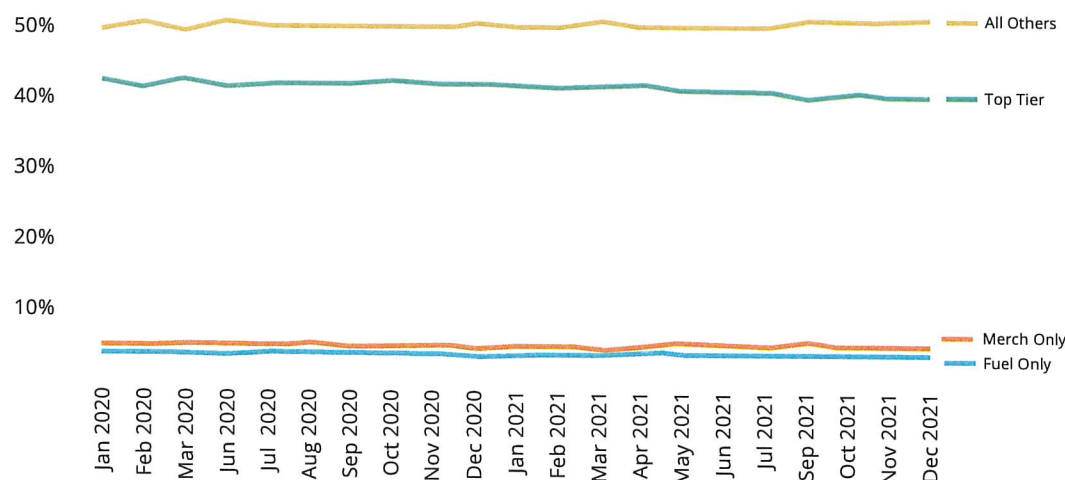


Figure 19

SPEND PER CHECK: INFLATION HITS BOTH IN-STORE AND AT THE PUMP

The spend per check for convenience store loyalty members increased by about 25% last year, and much of it can be attributed to price increases in both fuel and in-store items.

Breaking down convenience store customers by behavior yields additional insight. As mentioned earlier, exclusive purchasers of fuel visit convenience stores only 2–3 times a month, but they have the highest spend per check. The average amount for these customers has gone up more than 40% – from \$22 to nearly \$40 – which is the largest increase of any category. In-store customers, on the other hand, increased their average spend by approximately \$5 per check.

Average Convenience Store Spend per Check



Figure 21: Average spend per check among convenience store loyalty members who visited at least twice annually, 2019-2021

Average Convenience Store Spend per Check

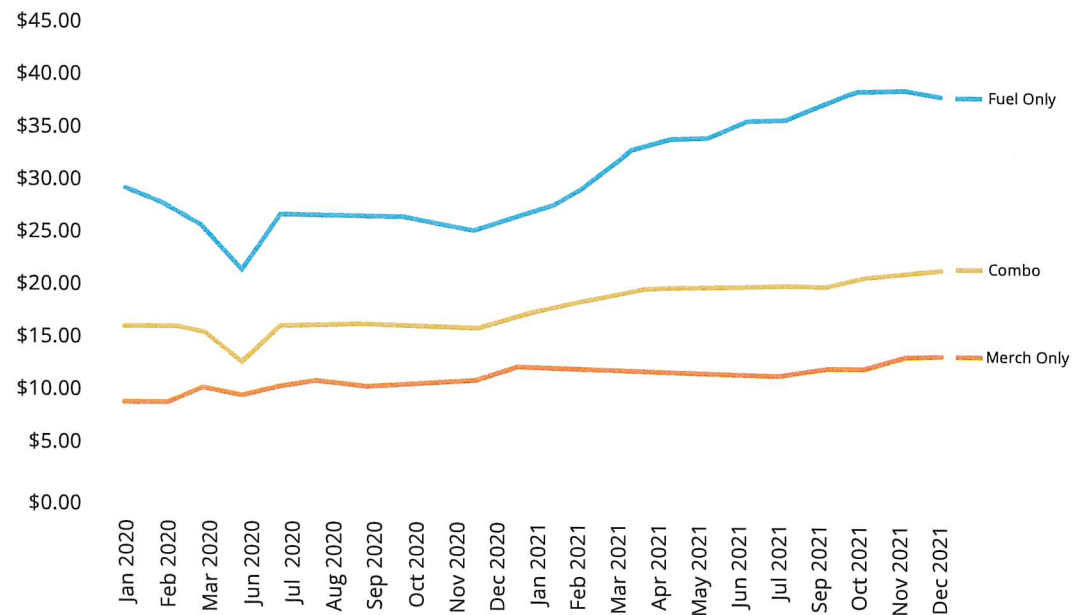


Figure 22: Average spend per check by month among convenience store loyalty members who visited at least twice annually, 2019-2021

VISIT FREQUENCY: HABITS DON'T CHANGE

As mentioned in the last section, top-tier guests are responsible for a large percentage of visits. Paytronix data shows that the top 8–10% of loyalty members visit an average of 32 times a month – more than once a day – and four times as often as the next highest tier. Conversely, loyalty members who exclusively purchase fuel visit only two to three times a month.

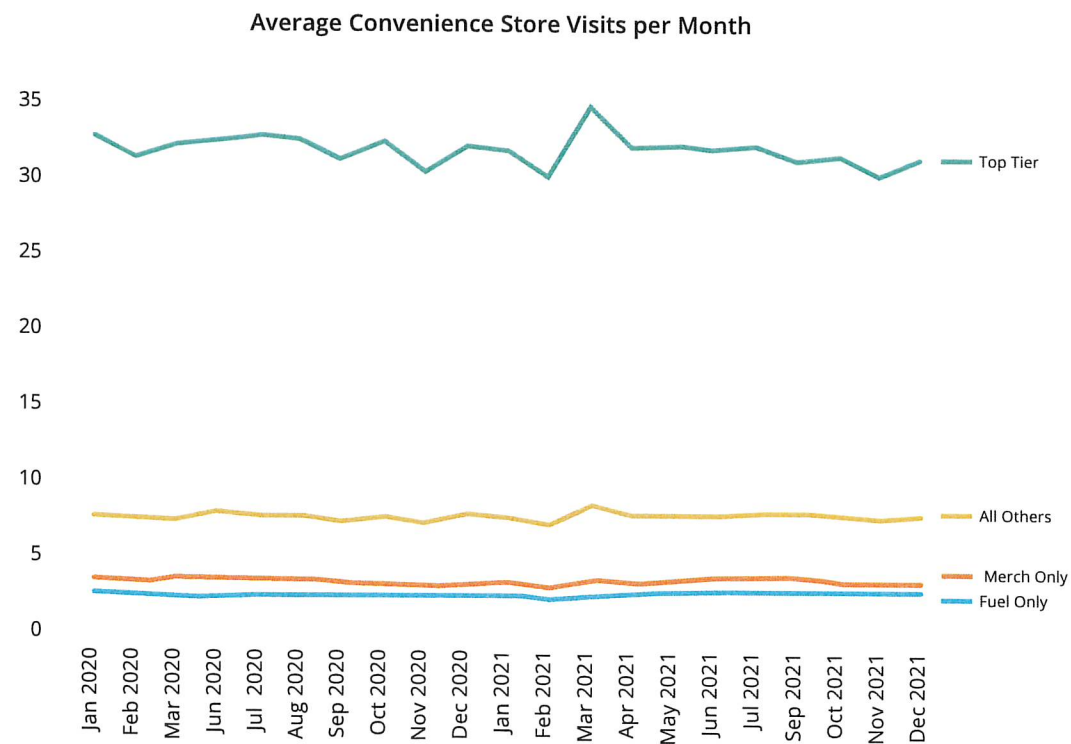
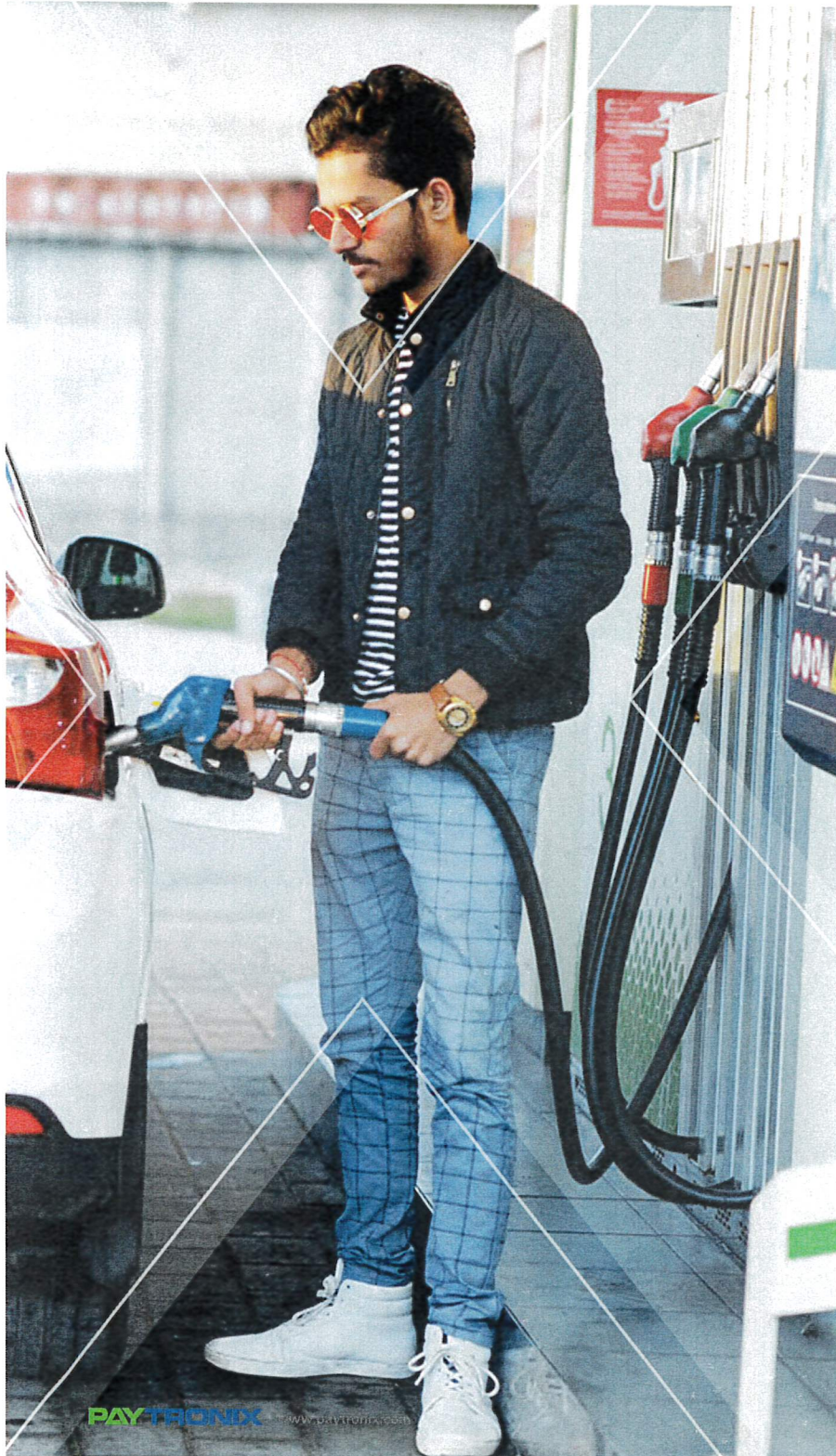


Figure 20: Average visits per month among convenience store loyalty members who visited at least twice annually, 2019-2021





ANNUAL SPEND: NUMBERS SURGE

It's impossible to overstate the impact that rising fuel costs have had on the average convenience store loyalty member. While the spend per check increased approximately 25% from 2020 to 2021, the annual spend for convenience store loyalty members increased nearly 40%. Fuel purchasers were paying more per gallon and visiting more often.

Average Annual Convenience Store Spend

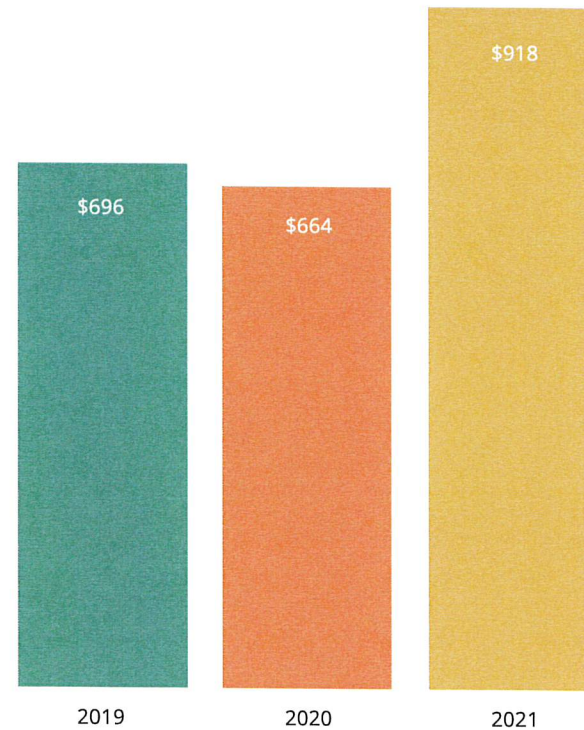


Figure 23: Average annual spend among convenience store loyalty members who visited at least twice annually, 2019-2021

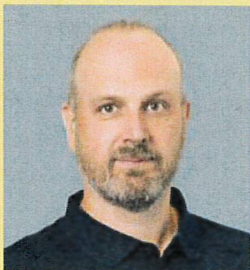
FUEL-BUYING BEHAVIOR: VISITS INCREASE

Although loyalty members bought more fuel in 2021, they bought less of it per visit. Possible reasons for the latter include being more budget conscious and purchasing in set amounts (such as \$20 or \$40). Loyalty members increased their visits by roughly 8% in 2021 as compared to both 2019 and 2020.

Paytronix data also shows that the percentage of convenience store checks with fuel rose in 2021. Loyalty members were not only visiting more often, but also fueling up with greater frequency. Still, only 35% of visits included fuel, so these customers were primarily purchasing snacks and the like.

8% increase in visits from loyalty members in 2021 over both 2019 and 2020

Lee's Insights



As supported by the graph on the next page, the cause of this increase in visit frequency is likely due to customers purchasing smaller amounts of fuel each visit.

Convenience Store Loyalty Member Average Gallons per Check

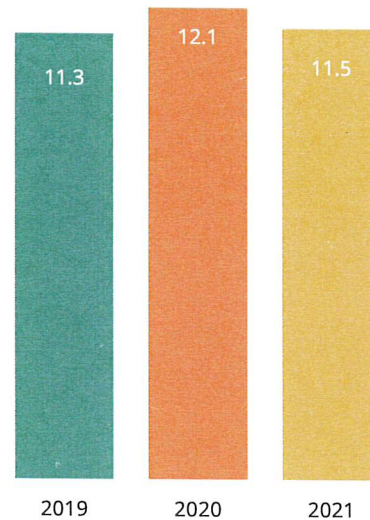


Figure 24: Average gallons per check among convenience store loyalty members who visited at least twice annually, 2019-2021

Convenience Store Loyalty Member Average Gallons per Guest



Figure 25: Average annual gallons purchased per guest among convenience store loyalty members who visited at least twice annually, 2019-2021

Convenience Store Loyalty Member Percentage of Checks with Fuel, 2019-2021

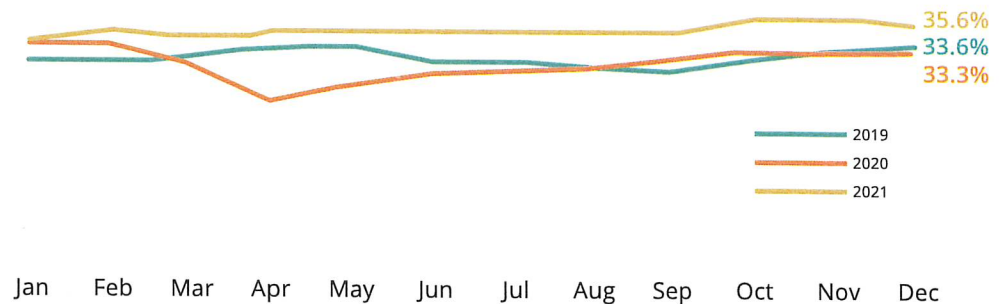


Figure 26: Percentage of checks containing fuel among convenience store loyalty members who visited at least twice annually, 2019-2021

INFLATION EFFECTS: GAS CHECKS FALL, IN-STORE CHECKS RISE

As seen with restaurants, not all increases in the price of items correlate to increased check size. The same holds true for convenience stores, but with a twist.

Figure 27 shows year-over-year differences between June 2021 and June 2022. The x-axis represents the increase in item price, and the y-axis represents the increase in check size. The line in the middle depicts equivalence, with an increase in item cost matching an increase in check size. Checks to the right of the line indicate that loyalty members cut their spend due to inflation, while checks to the left of it indicate customers increased their spend.

Convenience store checks containing only fuel are overrepresented on the right side of the graph, where loyalty customers are purchasing less fuel per check. On the other hand, those who purchased in store are increasing their basket sizes. While fuel purchases have been declining in size, loyalty members who stop in for a daily treat are continuing their purchasing behavior in spite of inflation.

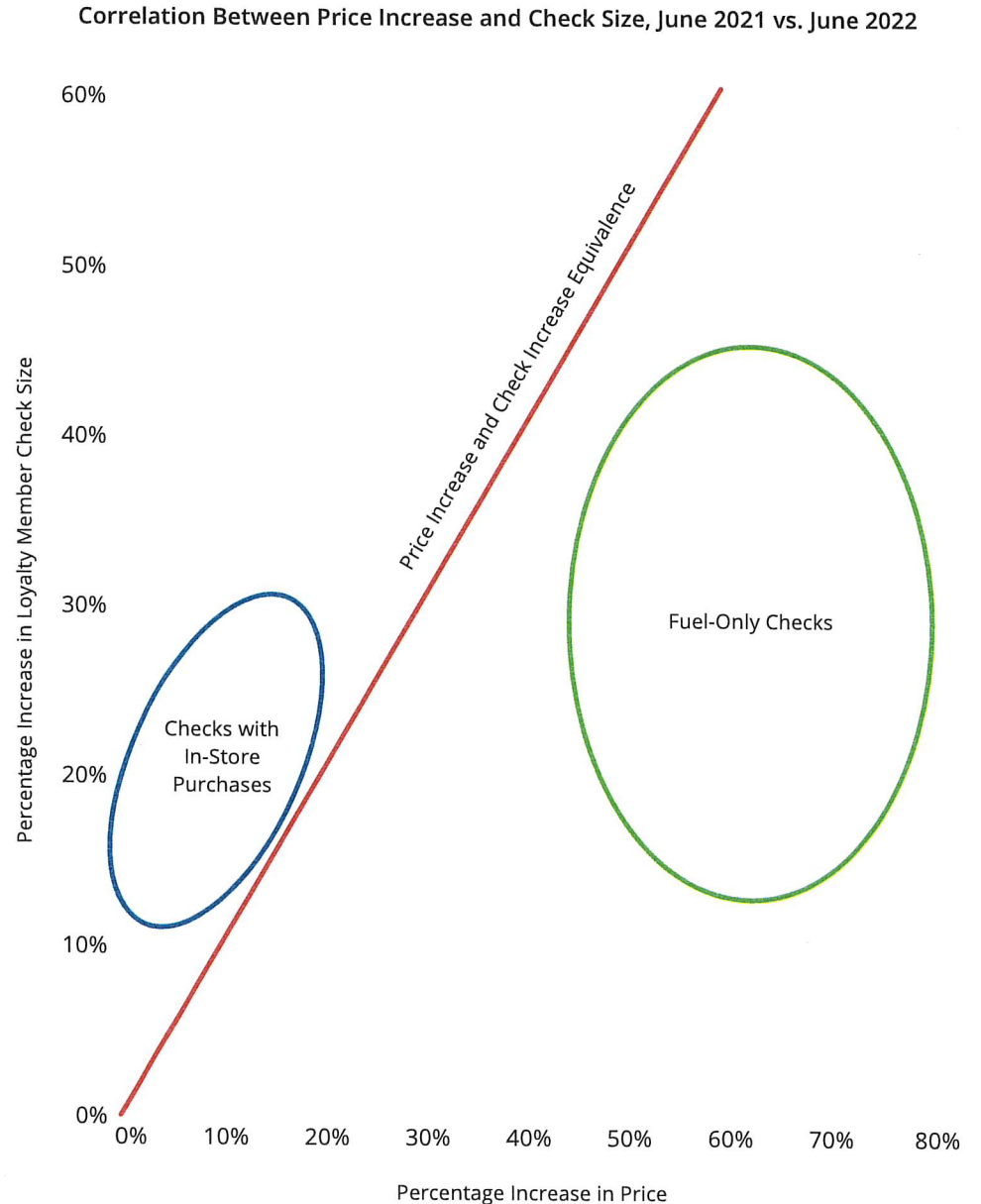


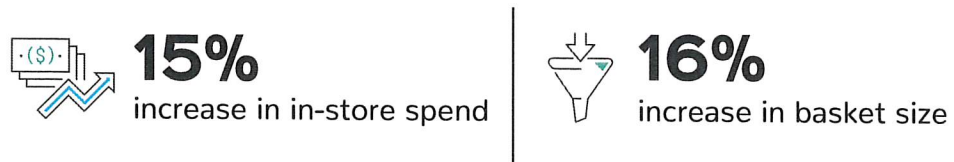
Figure 27

CASE STUDY: YATCO ENERGY



With rising gas prices denting customer budgets, Yatco introduced a promotion that ran for 2 weeks, starting during the 4th of July weekend. Loyalty members were offered a 25-cent gas discount with a \$10 in-store purchase in an effort to increase visits during a time when they typically decline. Yatco was seeking to establish itself as a go-to source for both fuel and convenience items, and this promotion helped achieve those goals.

Compared to the previous two-week period, the promotion was an unmitigated success:



1.5% decline in visits (this was expected due to the holiday weekend)

A review of individual accounts showed that guests responded almost immediately to the promotion. Incentivizing in-store spend with discounts at the pump encouraged more activity from loyalty members who may have previously purchased fuel exclusively.

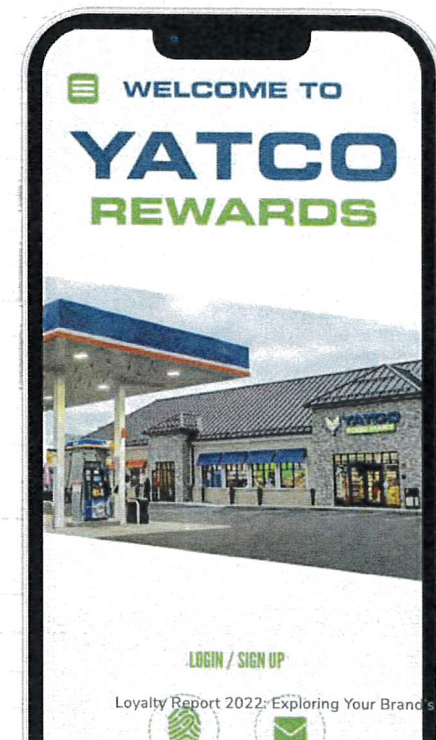
Hussein Yatim, vice president of Yatco, has stated that the brand will run a similar promotion in the near future. According to Yatim, "Campaigns linking fuel discounts to in-store spend have been very well received. We're aware of how fuel prices are affecting our customers, and we want to show how our stores can help customers stretch their spend."



Receive 25¢ off Per Gallon!

What to do:

- 1) Spend at least 10\$ in store 
- 2) Scan your Yatco Rewards app at checkout 
- 3) Receive 25¢ off loaded onto your account 



Conclusion

Loyalty members are tough to dissuade. As this report shows, neither inflation, nor changing demographics, nor rising fuel prices, nor generational shifts have stopped customers from seeking out deeper relationships with the brands they love. As Chris McCoy, vice president at Foodservice Media, noted in a newsletter, “[T]he next fast-food value war will be fought on mobile phones and in local markets, rather than on a broad national scale. Goodbye Dollar Menu, in other words, hello free fries with new loyalty signup.”

As this report shows, the potential of loyalty to build relationships between customers and their favorite brands has never been greater. Between the ongoing generational shift and the critical importance of the top tier of 2-3% of guests, it has become increasingly clear that growing cadres of loyal customers are vital for the health of brands. And the loyalty members of convenience stores who visit daily show the potential of loyalty customers to visit more often.

Loyalty has always been beneficial, but as the pandemic recedes and a new day dawns for dining customers, restaurants and convenience stores will come to rely on their most loyal customers more than ever before. As a favored technology partner of restaurants and convenience stores, Paytronix stands ready to partner with them to convert visitors to repeat customers and build recurring revenue with a loyalty program tailored to the strength of their brands. These restaurants and convenience stores have the snacks – why not get them into the hands of loyal guests through the simplest customer experience possible?

The future is coming. And it's bringing snacks.



You and your guests will love Paytronix Loyalty Programs

Your guests will love being able to:



Participate in fun and unique promotions and campaigns.

Enjoy a dynamic experience by participating in engaging challenges and promotions.



Enjoy an improved experience. Guests already love your food.

Connect them to your brand with added benefits and promotions.



Stay connected and never miss an opportunity. Make it easy for guests to stay up to date through their preferred channel, whether online, in the app, through email, or SMS.



Easily identify themselves. Online or on-premises, your guests will have multiple opportunities and avenues to identify themselves and accrue rewards.



Redeem points regardless of ordering preferences. Your guests will be thrilled to redeem and accrue awards online, as well as on-premises.



Have their experiences and opinions heard. Surveys enable your guests to let you know their thoughts, fostering a deeper connection to your brand.

You'll love having the tools to:



Efficiently and effectively create campaigns. Save time executing targeted campaigns and promotions that will increase your guests' CLV.



Offer more than just discounts. Increase your top line by attracting guests with nontraditional incentives, such as subscription programs and secret menus.



Stay connected to your guests. Create messages on a variety of channels, including SMS, emails, and push and pull notifications, from a centralized location.



Acquire new guests. Expand your program by offering an omni-channel approach to guest acquisition.



Retain more guests. By offering the same benefits for online and on-premises orders, your guests will be encouraged to enjoy your concept more often.



Send targeted surveys based on POS activity. Deploy the message, collect and analyze results, and view individual responses in one platform.



With over 450 integrations, including over 40 integrations with POS systems alone, the Paytronix platform expands your ability to surprise and delight your customers.

For more information, visit www.paytronix.com or call 617-649-3300, ext. 5. Or visit www.paytronix.com/resources for more tips on how to improve your loyalty program.