

Quick-Service Restaurant (QSR) Loyalty Index

*Second Annual Report
Location-based Insights, 2018*



Using Location to Measure Loyalty

While consumers are still out there eating, drinking, and dining—it's important to note that the QSR industry is in flux as the industry adapts to new challenges. So where are these challenges coming from? For one, brands are facing some intense direct competition: there are now more than 350,000 QSRs in the U.S. Another is the rise of indirect competitors like online ordering, direct-to-consumer meal subscriptions, ready-made meals, and even casual dining restaurants (see our casual dining loyalty index) just to name a few. It seems every day there's a new product or service that's aiming to change the QSR game.

Despite the changing landscape, our foot traffic analysis is proof positive that it's possible to create a dedicated fan base. **Building a loyal customer base is a top priority for QSRs, and our annual Loyalty Index provides the most accurate assessment of customer loyalty.** With a deep understanding of how people move around the real world, Foursquare is uniquely able to measure loyalty based on true consumer behavior, rather than perceptions of a brand.

In this report, you'll learn...

- The methodology behind the Foursquare Loyalty Index
- The rankings of America's leading QSRs in terms of customer loyalty
- What QSR marketers can do to improve customer loyalty

Editor's Note: Foursquare analyzes foot traffic patterns from millions of Americans that make up our always-on panel. Foursquare measures 3+ billion place confirmations per month globally. All data is either anonymized, pseudonymized, or aggregated, and is normalized against U.S. Census data to remove age, gender and geographical bias. Indexed numbers in this report indicate percentage more likely than the average U.S. consumer to frequent a specific venue or place. Sources (for this page only): NPD

What is the Loyalty Index?

The QSR Loyalty Index is Foursquare's assessment of the top QSR chains in the United States *by revenue according to QSR Magazine*, and their customers' loyalty. This loyalty index distills a complex set of behaviors and preferences into a single metric that can be compared across chains, revealing which QSR chains are winning customer loyalty (removing bias for geographic skew).



The Foursquare loyalty index is calculated using the following metrics:

Frequency

A measure of the average annual visits per customer to each brand.

Penetration

The percentage of category visitors who visited that brand within a year. (Penetration was only measured for regions in which the chain exists, so a southwest chain like Whataburger was not penalized for not having locations in the Northeast.)

Share of Wallet

The median share of each customer's total QSR visits to a particular chain over a year period.

Fanaticism Threshold

The number of visits within a year required for a user to be within the top 1% of users who visit a particular chain.

Editor's Note: For this analysis, Foursquare analyzed a panel of users who have been active on the Foursquare City Guide and Foursquare Swarm apps for a minimum of one year and have visited at least one of the analyzed chains within that year. All data is anonymized, aggregated and/or pseudonymized, and normalized to match the U.S. Census (removing age, gender, or geographical bias). For this year's index, we looked at data from July 1st, 2017 through June 30th, 2018.

The Foursquare Loyalty Index

Based on QSR Magazine's 2017 Top QSRs

Loyalty Rank	QSR Chains	Change
1	Starbucks	—
2	Dunkin' Donuts	▲
3	McDonald's	▼
4	Chick-fil-A	▲
5	Sonic Drive-In	▲
6	Tim Hortons	▼
7	Whataburger	▲
8	Taco Bell	▼
9	Subway	▲
10	The Coffee Bean & Tea Leaf	▼
11	Panera Bread	▼
12	Jack in the Box	▲
13	Chipotle Mexican Grill	▼
14	Bojangles' Famous Chicken 'n Biscuits	▲
15	Wendy's	▼
16	Bruegger's	▼
17	Burger King	▼
18	Del Taco	▲
19	In-N-Out Burger	—
20	Culver's	▲
21	Dairy Queen	▼
22	Smoothie King	▲
23	Einstein Bros.	▲
24	Zaxby's	▼
25	Tropical Smoothie Cafe	▼

Loyalty Rank	QSR Chains	Change
26	Taco John's	▼
27	Carl's Jr.	▲
28	Qdoba Mexican Grill	▲
29	Arby's	▼
30	Taco Cabana	—
31	White Castle	▲
32	Popeyes Louisiana Kitchen	—
33	Jersey Mike's Subs	▲
34	Moe's Southwest Grill	▲
35	KFC	▲
36	Jimmy John's	▼
37	Jamba Juice	▼
38	Steak 'n Shake	▼
39	Raising Cane's	▲
40	Church's Chicken	▼
41	Panda Express	—
42	El Pollo Loco	—
43	Noodles & Company	▲
44	Five Guys	▲
45	Jason's Deli	▼
46	Checkers	▼
47	Firehouse Subs	▼
48	Schlotzsky's	▼
49	Wingstop	—
50	Krispy Kreme Doughnuts	▲

Krispy Kreme was the only new brand to break into the top 50, and Krystal was the only brand that fell out of the top 50 this year.

- ▲ Chain moved up in loyalty rank.
- ▼ Chain moved down in loyalty rank.
- Chain remained the same in loyalty rank since 2017.

Trend Spotlight: Timing it Right

Now that we've revealed who made this year's cut, it's time to see if we can dig a little deeper into some trends and learnings. A major strategy for retention this year? Let's just say it involves really watching the clock...



Early Birds

Last year, we learned that breakfast and coffee offerings were key to driving customer loyalty. Many of the top ranking QSRs last year were indeed mainstay breakfast/coffee focused chains, including Starbucks, Dunkin' Donuts, Coffee Bean & Tea Leaf, Bruegger's, and Einstein Bros.



This year's rankings confirm the continued uptick in this trend. Starbucks remained in the #1 spot for the third year in a row, and Dunkin' Donuts took the #2 spot from McDonald's, up +1 rank YoY. We see that breakfast and coffee chains are particularly strong in terms of driving **visit frequency**. In fact, consumers visit Starbucks 16.4x per year, and Dunkin' Donuts on average 8x, respectively. (For context, consumers visit most non-breakfast QSR chains only 2 - 6x per year.)

“The morning is a routine, it's a ritual”

Tony Weisman,
CMO Dunkin' Donuts
Source: WSJ



Afternoon Acquisition

But breakfast and coffee brands may not want to rest on their laurels. An interesting shift is taking place as breakfast and coffee chains **place a new focus on the afternoon daypart**, which is traditionally less routinized. These top brands know there's a big opportunity in the afternoon, especially for existing customers coming in for a refill. Consumers spend \$27 billion at fast-food restaurants and coffee chains between the hours of roughly 2PM and 4 PM each year, according to NPD.



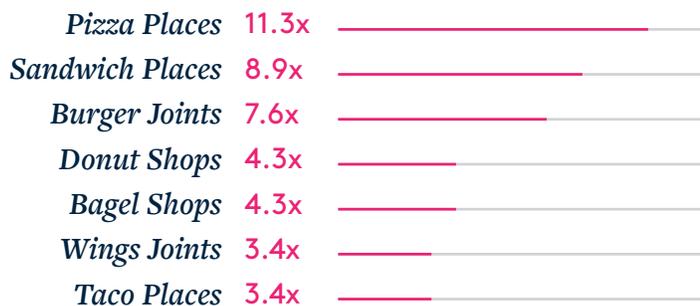
Some breakfast and coffee shops actually declined in loyalty this year, indicating the need for innovation and conquering new dayparts: Tim Horton's at #6 is down two places YoY. The Coffee Bean & Tea Leaf at #10 is down one spot YoY, and Bruegger's at #16 is down three rankings YoY. Meanwhile, lunch players like Qdoba, Jersey Mike's Subs, and Moe's all moved up in the rankings— so for these more typical afternoon brands, lunchtime truly is a mainstay.

Rather than doubling down on loyalists, temporal acquisition is an interesting trend we're seeing more of. **Starbucks, for instance, has launched initiatives to drive visits in the afternoon.** Foursquare data shows they're down in penetration YoY, and need to focus on acquisition rather than fanaticism. While emphasis may have been on fanaticism in the past, with promotion of its best-in-class loyalty app, it seems the brand is trying a new tactic.

Dunkin' Donuts is also attempting to focus on the afternoon. The brand recently introduced a new afternoon snack menu designed to go well with cold coffee drinks, switching digital menu boards in the afternoon hours to feature snack items.

As for some more category trends, while consumers visit QSRs an average of 26.7x per year (essentially every other week) visit frequency varies by the type of food.

Visit Frequency Per Year



Source: *Wall Street Journal*

Foursquare Data in Action

Dunkin Donuts tapped into Foursquare's Insights to understand who currently visits during the afternoon. Our analysis revealed a unique competitive set for each daypart, as well as distinct audiences. High school students, college students, and Baby Boomers visit in the afternoon, whereas Gen X and Millennials visit in the morning. Afternoon visitors may be looking for a quick bite on the road, frequently seen at rest areas and toll plazas when visiting Dunkin' Donuts, as opposed to professionals stopping for coffee in the morning on their way to work or school drop-off. We're using **Attribution by Foursquare** to measure how effective different channels and messaging are at driving foot traffic to stores in the afternoon, and will be watching closely to see how this new strategy plays out.

So... is it working?

We can't say for sure yet. Foursquare data shows foot traffic to both Starbucks and Dunkin' Donuts in the afternoon actually declined slightly over the past few years. However, they've still maintained their top spot in the rankings, while other breakfast and coffee shops declined in loyalty this year. Tim Horton's down two rankings YoY, the Coffee Bean & Tea Leaf is down one ranking YoY, and Bruegger's is down three rankings YoY. Still, it's smart to stay ahead of trends in consumer behavior, and Foursquare is here to help.

Case Studies in Action

As experts in location technology, we know that harnessing the power of real world insights is one of the best ways to reach your real world consumers. Take a look at the below case studies, and even review some of our partnerships in action.

#4 Chick-fil-A (up +1 spot YoY)

Foursquare data shows the brand moving up in **penetration**. By revenue, the chain is the seventh biggest chain, and is expected to jump to the third largest by 2020, after Starbucks and McDonalds. The brand is drawing **new audiences by focusing on Millennials and Gen Z**—Millennials are 30% more likely to visit than other generations, while Gen Z is 40% more likely. (Check out our Gen Z report for more information on this important age cohort.)

Other initiatives include the addition of more **technology** (stores are using handheld tablets to speed up long drive-thru lines), healthier menu additions, geographic expansion (such as in NYC), and more focus on customer service (like with their new “Mom’s Valet”). Foursquare data shows these initiatives lean into consumers’ preferences (Chick-fil-a customers are 63% more likely to value great service) and they’re working—our data shows young moms are **27%** more likely visit the chain than the average U.S. consumer.

#12 Jack in the Box (up +5 spots YoY)

Foursquare data shows the brand moving up the most in **share of wallet** is Jack in the Box. Jack in the Box partners with **Pinpoint by Foursquare** to reach audiences based on where they go in the real world with relevant messaging. For example, Foursquare connected with Millennials and gamers to promote the late night “munchie menu” using mobile display and video ads. Foursquare generated a visit lift 1.5x benchmarks, with the most exposed visits occurring 9-10pm on Saturdays—just one example of how getting the right messaging



to the right consumer online can drive foot traffic offline.

Some of the brand’s other initiatives include a focus on value in both menu creation and messaging, innovative creative strategies (such as a campaign targeted at gamers with Jack in the Box branded vehicles in the driving game Grand Theft Auto), and a Super Bowl ad featuring Martha Stewart. The chain is also winning with **urbanites** and **Millenials** in particular—urbanites are 28% more likely to visit and Millenials are 10% more likely to visit the chain, both as compared to the average U.S. consumer.

#36 Jimmy John's (down -8 spots YoY)

The popular sandwich chain dropped more than any other brand, down eight spots YoY. This decline was caused by **diminished visit frequency**, meaning consumers visited the chain less often over the past year, and declines in fanaticism, with the top 1% of Jimmy John's visitors visiting much less than before. Some potential causes could be **increased competition** from Subway (#8, up two spots YoY) as well as Jersey Mikes (#33, up five spots YoY). They've stopped **highlighting value**, no longer offering \$1 subs on customer appreciation day. It may also stem from **not leaning into consumer trends, like the rise of healthy living**. Location data indicates that foot traffic to categories like salad places and juice bars are on the rise YoY, and Foursquare data shows Jimmy John's customers are 28% more likely to seek healthy food.

However, Jimmy John's is actually leaning away from this trend, introducing a 16-inch sandwich clocking in at 2190 calories, and investing in their "Freak Yeah" TV and radio campaign targeting customers with larger appetites including construction workers and colleges students. Perhaps it pays to listen to the voice of the consumer.

Other Honorable Mentions

Top Taco Joint: *Taco Bell* (#8)

Top Coffee Chain: *Starbucks* (#1)

Top Sandwich Spot: *Subway* (#9)

Top Burger Joint & Most Penetration: *McDonald's* (#3)

Sources: *QSR Magazine, Holmes Report, SBNation, Bisnow, Foodable, Business Insider*



Ready to Increase Your Customer Loyalty?

Do limited time offers drive one-off visitors or do the consumers they attract become loyal customers? Are sales on the rise due to net new customers or increased visits from existing customers? **Foursquare partners with the ten leading QSR brands to measure consumer behavior, determining path-to-purchase, categorical behavior, and competitive insights.**

Location technology helps marketers measure net new incremental visit lift, visit frequency, and competitor defection—as well as comparing effectiveness by campaign, message, target, and even partner, and determining definitively how media strategy and spend ties back to store visit behavior. Need help on the below? Let's talk.



To Improve Frequency...

- Deliver proactive location-contextual messaging to consumers in times of consideration to intercept them on the path to purchase.
- A strategy built solely on delivering frequent discount promotions may falsely assume loyalty. By segmenting customers into fanatic (high loyalty), sporadic (moderately loyal), and defector (disloyal), QSRs can more effectively plan CRM strategies, refine strategies by segment, and save money on customers who are less likely to become loyalists.
- Tailor messaging to consumer preferences and behaviors, which vary based on time of day. Conquesting by daypart (breakfast, lunch, dinner, and even late night) coupled with loyalty targeting will allow brands to connect with the right diners and boost visits.
- Measure media campaign's impact on customers' visit frequency.

To Improve Penetration...

- Foursquare's first-party taste data from our app Foursquare City Guide reveals emerging trends, fading preferences, and the most popular food and beverages by region. Location data also helps determine what type of experience consumers crave (trendy, authentic, cheap, or indulgent), guiding new menu development, seasonal promotions, and viral marketing.
- Uncover which QSRs are winning with different demographic and psychographic



cohorts, augmenting conquering strategies to reach new audiences in the places they go.

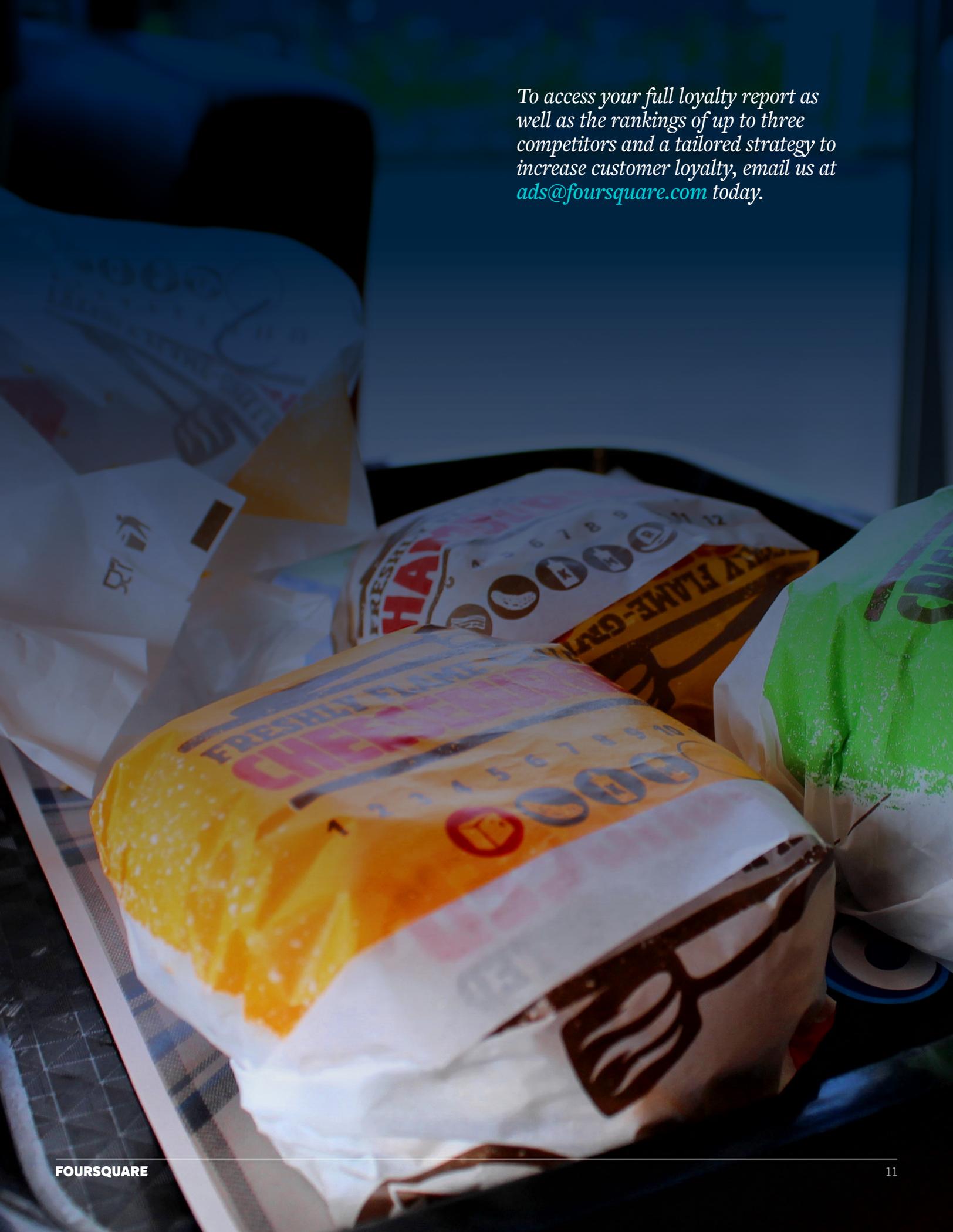
- Measure whether media strategies are effectively driving visits from net new customers.

To Improve Share of Wallet...

- Leverage location technology to determine your true competitive set -- it may surprise you. Target media to conquest visitors from competitive chains, while accounting for loyalty, audience, daypart, and region.
- Include store locators in both media and mobile apps to intercept consumers in decision-making moments.
- Build brand affinity by understanding and aligning with consumers' lifestyles and preferences, rather than driving one-off promotional visits.
- Augment conquering strategies to include adjacent categories consumers frequent, like convenience stores and casual dining restaurants.

To Improve Fanaticism...

- Use loyal fans' affinities and preferences for menu development.
- Leverage location data to derive meaningful insights about your customers' lifestyles, tailoring promotions and rewards to their preferences, whether they skew healthy or on-the-go.



To access your full loyalty report as well as the rankings of up to three competitors and a tailored strategy to increase customer loyalty, email us at ads@foursquare.com today.