



# Casual Dining Restaurant Loyalty Index

# State of the Casual Dining Industry

Casual dining is in a transitional period. The challenges that have tested retailers like Kmart and Macy's, such as **over-retailing** and **change in customer spending habits**—are now affecting the dining industry, contributing to sales and closures throughout the past two years. Consumers also have more alternatives to dining out than ever before. Innovative technology has inspired a proliferation of food delivery services like Blue Apron, and on-demand delivery like GrubHub or UberEATS. Synchronously, up-and-coming fast casual chains like Shake Shack are on the rise, many of which are known for their cult following and dedication to more sustainable food sources. One of the above nuances alone can change the market entirely—together, they present an **multifaceted challenge**.

By analyzing foot traffic patterns from a nationally representative group of U.S. consumers who make up our always-on foot traffic panel, Foursquare is uniquely equipped to **help casual dining chains succeed** by understanding dining trends and shifts in consumption. Furthermore, because Foursquare has a deep understanding of where people go in the real world, we can measure loyalty based on customer behavior rather than perceptions, providing an accurate measure for business health and true loyalty. In 2017, we debuted our first-ever Quick Service Restaurant (QSR) Loyalty Index, ranking the top QSRs in the U.S. and their customers' loyalty. Now, we're excited to introduce our first annual **Casual Dining Restaurants (CDR) Loyalty Index** using the same methodology.

## In this report, you'll find...

- The methodology behind the Foursquare Loyalty Index
- The rankings of leading U.S. Casual Dining Restaurants
- Factors that drive loyalty and an analysis of the top players
- What marketers can do to improve customer loyalty

**Editor's Note:** All data is normalized against U.S. census data, and is pseudonymized and aggregated, providing insight into the foot traffic of consumers at casual dining restaurants.

**Sources:** Business Insider

# What is the Foursquare Loyalty Index?

The CDR Loyalty Index is Foursquare's assessment of the top casual dining chains in the United States by their customers' loyalty. This loyalty index distills a complex set of behaviors and preferences into a single metric that can be compared across chains as well as categories. This index aims to answer which casual dining chains are winning customer loyalty, while removing bias for geographic skew.

For this analysis, Foursquare examined a panel of users who have been active on the Foursquare City Guide and Foursquare Swarm apps (as well as our partner apps) for a minimum of one year, visiting at least one of the investigated chains within that year. The Foursquare Loyalty Index is calculated from the following metrics:

## *Frequency*

A measure of 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 northeast chain like Ninety Nine Restaurant was not penalized for only having east coast locations).

## *Share of Wallet*

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

## *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.

# The Foursquare Loyalty Index

Based on *Restaurant Business Online's* Top Chains by Revenue

Loyalty Rank	CDR Chains	Change	Loyalty Rank	CDR Chains	Change
1	Buffalo Wild Wings		26	Bertucci's	▼
2	Old Chicago Pizza & Taproom		27	The Cheesecake Factory	▼
3	Denny's		28	Texas Roadhouse	▼
4	Applebee's		29	On The Border Mexican Grill & Cantina	
5	IHOP		30	Dave & Buster's	▲
6	Cracker Barrel	▲	31	O'Charley's Restaurant + Bar	
7	Bill Miller Bar-B-Q	▼	32	Olive Garden	▲
8	Hooters	▼	33	P.F. Chang's	▲
9	Mellow Mushroom	▼	34	Bonefish Grill	▼
10	Beef 'O' Brady's		35	Ruby Tuesday	▲
11	Ninety Nine Restaurant	▼	36	Carrabba's	▼
12	Hard Rock	▼	37	Kona Grill	▼
13	Twin Peaks	▲	38	LongHorn Steakhouse	
14	Miller's Ale House	▼	39	J. Alexander's Restaurant	▲
15	Uno Pizzeria & Grill	▲	40	Seasons 52	▲
16	Chili's Grill & Bar	▼	41	Benihana	▼
17	TGI Friday's		42	Famous Dave's Bar-B-Que	▼
18	California Pizza Kitchen	▲	43	Logan's Roadhouse	▲
19	BJ's Restaurant and Brewhouse	▼	44	Saltgrass Steak House	▲
20	Outback Steakhouse	▲	45	Maggiano's	▼
21	Islands Restaurant		46	Red Lobster	▼
22	Houlihan's	▼	47	Cheddar's Scratch Kitchen	▲
23	Red Robin Gourmet Burgers	▲	48	Mimi's Cafe	▲
24	Yard House	▲	49	Brio Tuscan Grille	▲
25	Bar Louie	▲	50	Joe's Crab Shack	▲

**Editor's Note:** For this analysis, we looked at chains earning over \$100M in annual revenue according to *Restaurant Business Online's* list of the top casual dining chains. Data derived from 2017 (January - December).

▲ Chain moved up in loyalty rank.  
▼ Chain moved down in loyalty rank.



# Key Findings & Ways to Succeed

A crowded category and complex competitive landscape requires strategic initiatives to acquire as well as retain loyal customers. Consequently, based on the 2018 loyalty rankings, we've identified some key themes around what strategies and tactics successfully drive customer loyalty.

## *Focus On Bar Drinks*

With a sports bar taking the #1 spot in the rankings and a taproom taking #2, it's clear that alcohol, beer in particular, drives loyalty. Many of the players topping this year's rankings were bar-centric, such as Twin Peaks, Yard House (sports and beer-focused chain), Hooters came in at #7, Miller's Ale House at #14 and BJ's Restaurant and Brewery at #19. While these chains don't have the highest penetration, they make up for it with **fanaticism, frequency, and share of wallet**. Other brands are taking note of the trend by "refreshing" their offerings. For instance, TGI Friday's (#17) is doubling down on appetizers and testing booze delivery, Applebee's (#4) is celebrating its origin as a bar in recent months with various \$1 drink deals, and Chili's Bar & Grill (#16) recently added craft beers to its menu. Booze is booming.

## Develop Trendy Menus

Top ranking chains are tapping into trends in consumer tastes to refresh their offerings, inspire loyalty, and draw in new customers. For example, **char-grilled items are a popular alternative to fried foods**, and popping up everywhere. Beef O'Brady's (#9) introduced an entire menu section of chargrilled items from pork chops to ribs, Applebee's (#4) added wood fire grill stations, and TGI Friday's (#17) added fire-grilled meats like sirloin, salmon, and grilled shrimp.

## Combine Forces With Smart Mergers

2017 was a pivotal year for restaurant acquisitions, with surprising (and unsurprising) mergers left and right. For example, Buffalo Wild Wings (#1) recently joined forces with Arby's, J.Alexander's (#39) merged with Ninety Nine Restaurant (#11), and Olive Garden (#32) owner Darden bought Cheddar's. Marrying two popular chains is an appealing option for brands looking to **increase industry presence, capture new audiences, and drive overall share of wallet**. And the big get bigger.

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*Editor's Note: eMarketer.com*

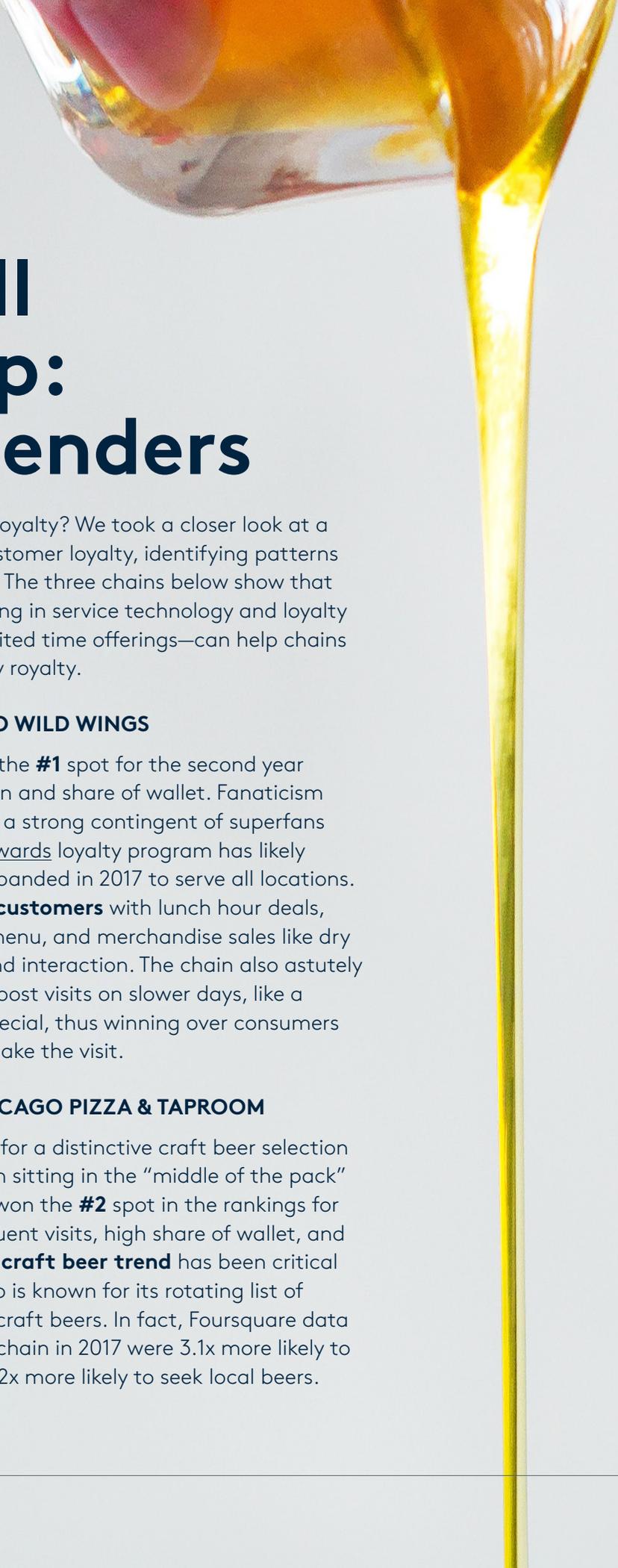
## EASY STREET

Some chains are investing in new technologies geared towards delivery and takeout services to provide flexible, convenient options for consumers. In fact, U.S. restaurant delivery sales are expected to reach \$76 billion by 2022, up 77% from 2017.

### Noteworthy additions:

- Buffalo Wild Wings (#1 two years in a row), Chili's (#16), and TGI Fridays (#17) are now on Grubhub
- Beef O'Brady's (#9) added an online ordering program with delivery in select areas
- Olive Garden (#33) built its own online ordering platform
- Outback Steakhouse (#23) opened "Express" locations for takeout only

Reaching today's consumers is all about personalizing their brand experience. Foursquare's **Pilgrim SDK technology** can improve loyalty by sending targeted notifications to customers when they're near a restaurant location, or at home or other delivery points-of-interest, and segment delivery audiences based on their unique foot traffic patterns.



# How It All Stacks Up: Top Contenders

So, what's the secret to consumer loyalty? We took a closer look at a few of the top CDRs in terms of customer loyalty, identifying patterns to better understand their success. The three chains below show that capitalizing on taste trends, investing in service technology and loyalty programs, as well as leveraging limited time offerings—can help chains claim their stake among the loyalty royalty.

## THE REIGNING CHAMP: BUFFALO WILD WINGS

This popular sports bar chain took the **#1** spot for the second year in a row, ranking high in penetration and share of wallet. Fanaticism also increased year-over-year, with a strong contingent of superfans “wild” for the chain. The [Blazin' Rewards](#) loyalty program has likely been key to their success, which expanded in 2017 to serve all locations. The program **incentivizes repeat customers** with lunch hour deals, takeout orders, a special rewards menu, and merchandise sales like dry rubs or sauces—all to enhance brand interaction. The chain also astutely leverages **limited time offers** to boost visits on slower days, like a Tuesday buy-one-get-one wings special, thus winning over consumers who perhaps wouldn't otherwise make the visit.

## THE PERFECT PITCHER: OLD CHICAGO PIZZA & TAPROOM

This relatively smaller chain known for a distinctive craft beer selection punches above its weight. Although sitting in the “middle of the pack” in terms of penetration, the chain won the **#2** spot in the rankings for the second year in a row, with frequent visits, high share of wallet, and high fanaticism. **Tapping into the craft beer trend** has been critical to the chain's success—Old Chicago is known for its rotating list of regional, hyper local and exclusive craft beers. In fact, Foursquare data shows that consumers visiting the chain in 2017 were 3.1x more likely to value a craft beer selection, and 3.2x more likely to seek local beers.

## THE MENU MAVEN: IHOP

The pancake chain's **#5** spot in the rankings was driven primarily by high penetration. Most recently, IHOP has **invested in menu development** to bolster loyalty. The chain also introduced dishes designed to appeal to millennials like the croissant waffle, or the Criss-Croissant, and introducing more non-pancake choices such as French-toasted donuts. IHOP is also catering to millennials by **expanding its delivery platform**, opening venues near college campuses, and sprucing up restaurants with student-friendly amenities like free wifi. Foursquare data reveals this is a smart move—IHOP visitors are 71% more likely to seek out free Wifi.

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*Sources: Nation's Restaurant News, Fortune*



# Let's Increase Your Loyalty

*Foursquare partners with leading casual dining chains to track customer loyalty, while determining their path-to-purchase, affinities, and tastes. Using location data, Foursquare can help marketers measure incremental visit lift, changes in visit frequency, and defection—as well as comparing effectiveness by campaign, message, and segment to optimize media in real-time.*

## *How can I improve visit frequency?*

- Deliver proactive location-contextual messaging to consumers in times of consideration, intercepting them on the path-to-purchase.
- Segment customers into fanatic, sporadic, lapsed, and defector (or disloyal), to effectively plan CRM strategies. Tailor messaging to consumer preferences and behaviors by time of day.
- Conquest daypart competitors (by breakfast, lunch, and dinner) to drive affinity and visits.

## *How can I improve penetration?*

- Determine the types of experience consumers are seeking (trendy, authentic, cheap, or indulgent), guiding menu development or seasonal promotions.
- Foursquare's first-party taste data from our consumer apps enables us to identify emerging trends, fading preferences, and the most popular tastes by region.

## *How can I improve share of wallet?*

- Location technology can help you determine and refine your true competitive set (nationally and regionally). Target media to conquest visitors of competitive chains, while accounting for factors like loyalty segments and daypart.
- Include store locators in both media and mobile apps to reach consumers during decision-making moments.
- Build brand affinity by understanding consumers' lifestyles and preferences, rather than driving one-off visits with deals and discounts.

## *How can I improve fanaticism?*

- Use loyal fans' affinities and preferences to influence menu development, seasonal promotions, and much more.
- Leverage location insights to align with consumers' lifestyles and tastes, like whether they skew healthier or more indulgent.

A close-up photograph of a hand pouring water from a clear glass bottle into a glass containing two slices of lemon. In the background, a sandwich with various fillings is visible on a plate. The scene is set on a wooden table with a menu or paper underneath.

To access your brand's full loyalty report, the rankings of your competitors, and a custom, tailored loyalty strategy—contact us at [ads@foursquare.com](mailto:ads@foursquare.com) or visit [enterprise.foursquare.com](http://enterprise.foursquare.com) today.