Casual Dining Restaurant Loyalty Index

Using Location to Measure Loyalty

Technology is changing the way people think about eating and dining out – and it's presenting a slew of new challenges for the dining industry. From fast casual brands such as Chipotle, to meal delivery kits like Blue Apron, traditional dining establishments are facing stiff competition from all angles. Even tech giants such as Amazon are getting into the game with their own app-enabled alternatives.

But it's not all doom-and-gloom for casual dining restaurants. Despite this changing landscape, more than 90 percent of all consumer spending still occurs in the real world, and dining out is no exception. Foursquare's foot traffic data shows that modern consumers enjoy going out to eat as much as ever. More importantly, our data proves that it's still possible to create a loyal, dedicated customer base – even in the face of technological change and increasing competition. **Building a devoted customer base is a top priority for restaurants, and our proprietary index provides the most accurate assessment of customer loyalty.** With a deep understanding of how people move through the real world, Foursquare's unique capabilities and data sets measure loyalty based on true consumer behavior, rather than vague measures of brand perception.

In this report, you'll learn…

- The methodology behind the Foursquare Casual Dining Loyalty Index
- The loyalty rankings of America's leading casual dining restaurants
- Best practices for improving casual dining 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.

What is the Foursquare Loyalty Index?

Foursquare's Casual Dining Loyalty Index is an in-depth, location-based assessment of the top casual dining brands and restaurants in the United States in terms of customer loyalty. Foursquare has aggregated, analyzed, and distilled complex data on consumer behaviors and preferences to come up with a single metric that can be compared across brands.

We've accounted for and removed any bias factors or geographic skew using U.S. Census data, and **revealed which chains are winning the most in customer loyalty.**

The Foursquare Casual Dining Loyalty Index is calculated with the following metrics:

Frequency
The average number of annual visits each customer makes to a given brand.

Penetration
The percentage of casual dining category visitors who visited a brand within the past year. Penetration was only measured for regions in which that chain exists. For instance, a Southwest regional chain was not penalized for not having locations in the Northeast.

Share of Wallet
The median share of a consumer's total category visits that each brand received.

Fanaticism Threshold
The number of visits within a year required for a customer to be within the top one-percent of visitors for that specific brand.

Editor's Note: 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 2018, considering the top 100 restaurants by revenue according to Restaurant Business's list of the Top 500 Chains. https://www.restaurantbusinessonline.com/top-500-chains.and geographical bias.

The Foursquare Loyalty Index

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

Loyalty Rank	CDR Chains	Change
1	Waffle House	New
2	Buffalo Wild Wings	▼
3	Applebee's	▲
4	Old Chicago Pizza & Taproom	▼
5	Denny's	▼
6	Perkins Restaurant and Bakery	New
7	Beef 'O' Brady's	▲
8	Ninety Nine Restaurant	▲
9	Hooters	▼
10	Miller's Ale House	▲
11	Bill Miller Bar-B-Q (San Antonio)	▼
12	Eat'n Park	New
13	Bob Evans Restaurant	New
14	Huddle House	New
15	Chili's Grill & Bar	▲
16	Islands Restaurant	▲
17	IHOP	▼
18	Twin Peaks	▼
19	Cracker Barrel	▼
20	Duffy's Sports Grill	New
21	LaRosa's Pizzeria	New
22	First Watch	
23	Black Bear Diner	New
24	Village Inn	New
25	Yard House	▼

Loyalty Rank	CDR Chains	Change
26	Texas Roadhouse	▲
27	Tilted Kilt Pub & Eatery	New
28	Hard Rock	▼
29	Outback Steakhouse	▼
30	Mellow Mushroom	▼
31	T.G.I. Friday's	▼
32	BJ's Restaurant and Brewhouse	▼
33	Cooper's Hawk Winery and Restaurant	New
34	Hurricane Grill & Wings	New
35	Bertucci's	▼
36	Anthony's Coal Fired Pizza	New
37	Uno Pizzeria & Grill	▼
38	Sonny's BBQ	New
39	Chuy's Tex-Mex	New
40	Houlihan's	▼
41	Red Robin Gourmet Burgers	▼
42	Quaker Steak & Lube	New
43	Ruby Tuesday	▼
44	Lazy Dog Restaurant & Bar	New
45	Bar Louie	▼
46	Olive Garden	▼
47	The Original Pancake House	
48	O'Charley's Restaurant + Bar	▼
49	The Cheesecake Factory	▼
50	On The Border Mexican Grill & Cantina	

▲ Chain moved up in loyalty rank.

▼ Chain moved down in loyalty rank.

Sporting Occasions –and Locations

Sports-oriented casual dining chains remained popular – and highly relevant – in this year's rankings. National chain Buffalo Wild Wings came in at number two in the rankings, dropping only one slot from number one the previous year. Interestingly, our findings indicate that, while overall visit frequency decreased for Buffalo Wild Wings, their ratings for fanaticism and wallet share increased year-over-year. Duffy's Sports Grill, Hooters, Twin Peaks, and Old Chicago Pizza & Taproom are some of the other notable sports-oriented chains either returning or moving up in our rankings. This shouldn't come as a big surprise, as many sports fans like to watch their favorite team at what they consider to be their local sports bar.

Beef O'Brady's Boosts

Beyond offering a place to watch the game, these chains also serve as a place to enjoy a good meal with family and friends. Family sports pub chain Beef O'Brady's rose to number seven in this year's rankings, perhaps due to a variety of new offerings and re-branding. In 2018, Beef O'Brady's focused on renovating most of its locations to make the physical space more appealing, refreshed its logo and overall brand image, and added lighter options to its menu like grilled chicken and fish.

Beef O'Brady's also began running strategic value promotions such as $9.99 Fajita Thursdays and $5.99 Taco Tuesdays to increase foot traffic on days that are traditionally slower, AKA non-game days. The brand experienced its strongest quarter this year in the over 30-year history of the brand (Q2, 2018), while maintaining high visit frequency and levels of fanaticism. Beef O'Brady's was also able to move up significantly in terms of share of wallet year-over-year, boosting its overall position in the index.

How About Hooters?

Hooters also saw an uptick in customer loyalty over the past year, moving up to the number nine spot, primarily due to a significant increase in share of wallet. But rather than re-branding or adjusting its advertising strategy, Hooters' focus was on building an engaging mobile app – Hootclub – where customers can access and manage their loyalty rewards program. Hootclub personalizes communications with guests based on their preferences and location, and rewards customers with relevant in-store offers and discounts based on frequency of visit. The Hootclub app even tailors rewards and promotions to each user depending upon which menu items they've previously ordered.

Twin Peaks Peaks

Twin Peaks is another sports chain that's been successful in building and maintaining loyalty, coming in at number 18 in this year's rankings. Twin Peaks relies on a "barbell" menu strategy, meaning that customers have the option of ordering affordable items (nachos and wings, for instance) or more high-priced "foodie" options (craft beer and steaks) to capture a wider array of customers. And our data shows that it's paid off over the last year, as the chain is drawing significant foot traffic from different consumers during different dayparts. Lunch hours and late night are popular among Twin Peaks customers, for instance, insulating the chain from being solely reliant upon dinner hours. Foursquare data showed that 26% of daily visits to Twin Peaks took place between the hours of 11:00 AM and 2:00 PM, with another 10% occurring between 10:00 PM and 6:00 AM. Twin Peaks locations are stacked with numerous TVs and varied seating arrangements, encouraging customers to interact with other customers and linger around for longer periods of time. Staff members are even trained not to rush service at tables, increasing the amount of time spent per visit. Twin Peaks shows that consistent customer loyalty can be generated – and maintained – with a strategic focus on the customer experience and quality service, rather than discounts and promotions. And it's paying off when it comes to the bottom line, with same store sales on the rise year-over-year.

Beyond Breakfast

WAFFLE WINS

The number one spot on Foursquare's 2018 Casual Dining Loyalty Index goes to cultural icon Waffle House. Concentrated in the Southeast, **Waffle House** has built a fanatical following over the past 63 years with a unique approach to the customer experience. All Waffle House locations are designed to center around an open kitchen concept to create a more welcoming environment for their customers. The goal is to make Waffle House guests feel as though they're eating at someone's house, rather than sitting inside of a chain restaurant. The result is a down-home, welcoming vibe that encourages return visits, loyalty, and brand evangelism.

In fact, Waffle House has such a die-hard following that the Federal Emergency Management Agency uses the open status of local Waffle Houses as an informal indicator of hurricane severity. Location data also shows a famously loyal group of consumers – football fans – are one of Waffle House's key audiences. In 2018, Waffle House visitors were 23 percent more likely to attend football games than the average consumer — and 33 percent more likely to go to a college football game. Despite its breakfast-themed name, our data found that Waffle House isn't solely reliant on the morning day-part. The chain is also particularly popular among late night diners, with more than 17 percent of daily foot traffic in 2018 occurring between the hours of 10 p.m. and 5 a.m. For Waffle House, a welcoming atmosphere and 24-hour breakfast availability combine to create a unique recipe for loyalty success.

PANCAKES PLUS

Another top casual dining chain traditionally focused on breakfast is the **International House of Pancakes (IHOP)**, which ranks number 17 in our loyalty rankings this year. IHOP created massive media buzz this year after temporarily changing its name to "IHOb," in a campaign designed to de-emphasize the "Pancake" in their name and drive more customers to the burger portion of their menu. Overall, IHOb was successful in generating word-of-mouth consumer buzz and boosting burger sales. Foursquare was able to assess the impact of the marketing ploy. After launching IHOb, visitors' taste affinity scores increased or burgers (from an index of 140 to 150), cheeseburgers (from an index of 270 to 280), bacon burgers (from an index of 340 to 380), and bacon cheeseburgers (from an index of 370 to 420).

Editor's Note: Indexes indicate consumers' affinity for a given item over an average U.S. consumer, in which 100 means an average affinity.

The IHOb initiative drove more visits to IHOP locations around lunch and dinner times, occasions more suited for burger consumption. Another benefit was a lift in foot traffic on Thursdays and Fridays, making IHOP less reliant on Sundays — traditionally its biggest day for visitors. After the success of IHOb, the company launched a similar campaign in the fall, calling itself "IHOPS" and developing a limited-run craft beer infused with buttermilk pancake batter to promote the restaurant's Pumpkin Spice Pancakes.

The Takeaway:

Breakfast-oriented chains show that thinking outside the breakfast box can help attract new types of customers who might not otherwise have visited in the first place. In the case of IHOP, the brand saw a significant increase in penetration year over year, perhaps due in part to the IHOb campaign.

However, Foursquare data also showed that promotions highlighting less traditional menu items won't necessarily boost share of wallet— a key metric for tracking existing customers' behavior. In fact, IHOP's share of wallet decreased slightly year-over-year. So while these promotions can help attract new customers to a restaurant, they are not guaranteed to positively impact every aspect of customer loyalty.

Utilize Attribution by Foursquare to understand the role of marketing strategies on real-world foot traffic to restaurants. To learn how your brand can utilize location technology to quantify the impact of your media on consumers' behavior, email us at **hi@foursquare.com**.

Burger Battle

Burger joints have been a staple of American dining culture for generations, so it's no shock that burger chains show up in our casual dining restaurant rankings, slugging it out with other cuisines for customers' loyalty. However, some brands are doing better than others. One interesting case is Red Robin Gourmet Burgers, moving down to number 41 in this year's rankings due to declines in penetration, wallet share, and (most substantially) fanaticism. Red Robin focuses on value burger offerings, with options starting around $6.99. But with the rise of both new QSR competitors in the burger space and higher end casual dining brands, Red Robin has faced significant challenges in generating a loyal fanbase.

Foursquare data shows that consumers who frequented Red Robin in 2018 were also more likely than the average consumer to visit QSRs like competitors Culver's, In-N-Out Burger, Jack in the Box, Chick-fil-A, and Taco Bell. Not to mention national competition from the number 18 ranked brand on our index, tropical burger-themed Island's Restaurants. The result for Red Robin has been a decline in sales and the chain halting any new openings indefinitely. Red Robin is now taking steps to boost foot traffic, like introducing limited time menu items and specials during slowing foot traffic dayparts, such as a new weekday lunchtime bundle for $10. Whether or not Red Robin's shift in strategy will result in reversing their loyalty trend in the hyper-competitive burger space remains to be seen.

Deliver messaging that's tailored to different dayparts using Pinpoint, maximizing the impact of your ads throughout the day. Use Attribution to measure and optimize promotions and limited time offerings and promotions. Email us at **hi@foursquare**. com today to learn more about what Pinpoint and Attribution by Foursquare can do for your brand.

Regional Chains Can Still Reign

While there's no shortage of national chains on our loyalty index, our data shows that bigger isn't necessarily always better. Regional brands can rank highly as well, even though their overall footprint may be smaller. These chains enjoy unique advantages such as agility and deeper understanding of the local markets in which they operate. For instance, southern regional brands like Waffle House, Beef O'Brady's, and Huddle House are all in the top 20 of our index. Eat 'N Park, Islands Restaurants, and Bill Miller Bar-B-Q are other regional chains that have managed to develop and cultivate a loyal customer base in their specific regions, despite competition from national brands.

Generally, our data shows that these regional brands adjust for lower category penetration by generating higher visit frequency. They can also attain greater wallet share and levels of fanaticism than national competitors, showing that when it comes to loyalty, there's no single way to the top. What regional chains may lack in size, they make up for with their fanatical followings.

Ready to Increase Your Loyalty?

Do your limited time offers truly boost customer loyalty, or simply draw a slew of one-off visitors? Are sales up due to increased visits from existing customers, or net new visitors? Foursquare enables leading casual dining restaurants to answer questions like these, shedding light on consumers' patterns, preferences and path to purchase. By tapping into robust first party data, dining brands can monitor the competitive landscape and act accordingly.

Based on the findings in our latest Casual Dining Loyalty Index, here are some best practices that every restaurant chain should embrace:

To improve Frequency...

- Deliver proactive, location-contextual messaging to consumers during times of consideration along their path to purchase.

- Don't rely exclusively on discounts and promotions, as they don't always drive loyalty. Segment your customers into fanatics (high loyalty), sporadic visitors (moderate loyalty), and defectors (disloyal). Refine your approach for each and focus resources on building loyal customers.

To improve Share of Wallet...

- Use location data to identify your true competition – you may be surprised. Target media to lure visitors from those competitors, tailoring conquesting by audience, region, and loyalty potential.

- Add store locator functionality on websites, ads and mobile apps, making it easy for customers to find you on-the-go, along the path to purchase.

To improve Penetration...

- Learn which demographic and psychographic cohorts your brand is winning, and augment marketing to those individuals.

- Identify and reach new audiences adjacent to your current visitors, acquiring new, potentially loyal customers.

- Measure whether your current media strategies are driving more visits from existing loyal customers or net new customers.

To improve Fanaticism...

- Tailor rewards programs to your most loyal customers' affinities.

- Design promotions to align with your loyalists' preferences, whether they skew healthy, indulgent, or somewhere in between.

Location technology helps marketers measure key statistics for customer loyalty such as category penetration, visit frequency, and defection rate. Foursquare also enables leading brands to assess the impact of specific media by message, audience, and partner, empowering marketers to accurately determine how advertising impacts real-world behavior.

Visit *foursquare.com* today or email *hi@foursquare.com*.