

The Cafe's Guide to Customer Loyalty Programs

Are you a cafe owner or manager looking for ways to retain customers, expand your customer base, boost referrals and increase revenue?

Yes? Great! Well, we're here to talk you through how a customer loyalty program can help you do that.

But first, let's start with why customer loyalty is so important for your business...

According to the Harvard Business Review, acquiring a new customer is **5 to 25 times more expensive than retaining existing customers.**

And not only that, **returning customers tend to spend 67% more than new customers.**

These facts clearly indicate that rewarding customer loyalty is crucial for the success of a business.

So, with that in mind, let's dive in...

The topics we'll cover in this guide are:

- What a customer loyalty program means in today's world
- The benefits of digital loyalty programs for cafes
- Tips for creating a successful loyalty program offer
- Different ways to structure your loyalty program
- How to transition from paper punch cards to a digital loyalty app



So, what is a customer loyalty program in today's world?

For coffee shops, a customer loyalty program is essentially any system that rewards its patrons for continuing to purchase food and drinks from that cafe.

Originally, the standard rewards program in cafes was the paper punch-card, where every time you bought a coffee, the staff member punched a hole in your card and upon X stamps, you received a free coffee.

While this 'Buy X, Get X Free' method is still incredibly effective, the way it operates has changed rapidly with the rise of the digital era...

A quick look around will make you realise just how big of a role technology has in our everyday lives. We have become accustomed to depend on it.

Customers now expect to be able interact with a businesses loyalty program digitally (as they do with almost everything else).

How a Digital Loyalty Program Can Benefit Cafes...



A spotlight from the top left corner shines a yellow beam of light onto a small, stylized coffee shop icon. The icon has a brown base, a red door, a red window, and a striped awning with alternating black and red vertical stripes. The spotlight creates a grey oval shadow on the ground beneath the shop.

They give your cafe a point of difference.

While coffee is an extremely popular commodity, competition between local cafes is often fierce.

Your customers need a reason to consistently choose your coffee shop over your competitors.

A customer loyalty program is an ideal way to achieve this (great coffee helps too, of course!).

They help attract new customers.

Locals who are happy with their ongoing experience in your coffee shop are likely to promote your business to their friends, family and co-workers in person and on social media.

In fact, a 2018 customer loyalty survey from Yotpo found that a whopping **60% of consumers will tell their friends and family about a brand they are loyal to**, and recommend their products and services.

And if your existing customers are enjoying free coffees, upgrades or discounts, why wouldn't they tell everyone about it?





The are a great communication tool.

When a customer signs up to your loyalty program, they are voluntarily providing you with their details, and they expect to hear from you.

Communication between a business and their loyal customers isn't considered spam, so don't be afraid to regularly (within reason) communicate with your customers. In fact, doing so is vital for keeping customers continuously engaged with your rewards program.

Here are some reasons you might want to communicate with your customers:

- To inform them of special deals and offers
- Remind them of their rewards progress ("Only 2 stamps to go until a free coffee!")
- Announce a new product or menu item
- Invite them to special events your cafe is hosting or involved in
- Wish them a Happy Birthday (you can set up a Birthday Club with our loyalty app)
- Reach out to them if you haven't seen them in a while ("We miss you! Come in for a free croissant with your coffee!")
- To boost slow days/periods (more info on this below)
- Perhaps just a friendly message to stay at the forefront of their mind – why not just wish them a good day?

Some digital loyalty platforms, like Stamp Me, will provide you with the ability to communicate directly with your customers through Push Notifications and SMS.

The benefit of communicating through Push Notifications and SMS is that you can **deliver the right message to the right customer at the right time.**



Stamp Me

Downtown Cafe:

We miss you! Come in to enjoy a free croissant with your coffee! ☕

They help boost slow periods.

One of the great things about a digital loyalty program is that it can help you boost quiet days and slow periods.

Let's say one of your quietest times is on a Tuesday afternoon. Instead of running a permanent promotion, you could send out a Push Notification message to your loyalty club members on a Tuesday morning saying something like this...



Stamp Me

Downtown Cafe:

Happy Tuesday! Come in between 1pm-5pm today to enjoy a free muffin with any purchase!



By offering special deals and discounts during these low-revenue periods, you will encourage customers to come in and take advantage of the rewards.

Of course, you will need to communicate this temporary offer to your staff.

They help you understand your customers.

As a cafe owner, you probably already recognise the importance of building a rapport with your customers.

No doubt you're on a first-name basis with some of your regulars, perhaps you pat their dogs when they come in, or ask how their grandmother's birthday was last weekend.



While this excellent customer service is incredibly important for running a successful cafe, it doesn't help you capture information on that customer, such as...



Contact details
(email & phone)



Times & dates of
transactions

Capturing this information, knowing what to do with it, and using it properly, will vastly improve your marketing efforts and **have a dramatically positive impact on your business.**



Feel free to ask us about how to can use your loyalty program data to your advantage.

What makes a successful loyalty program?

Here are 5 tips to consider when designing
your cafe's rewards program...



1

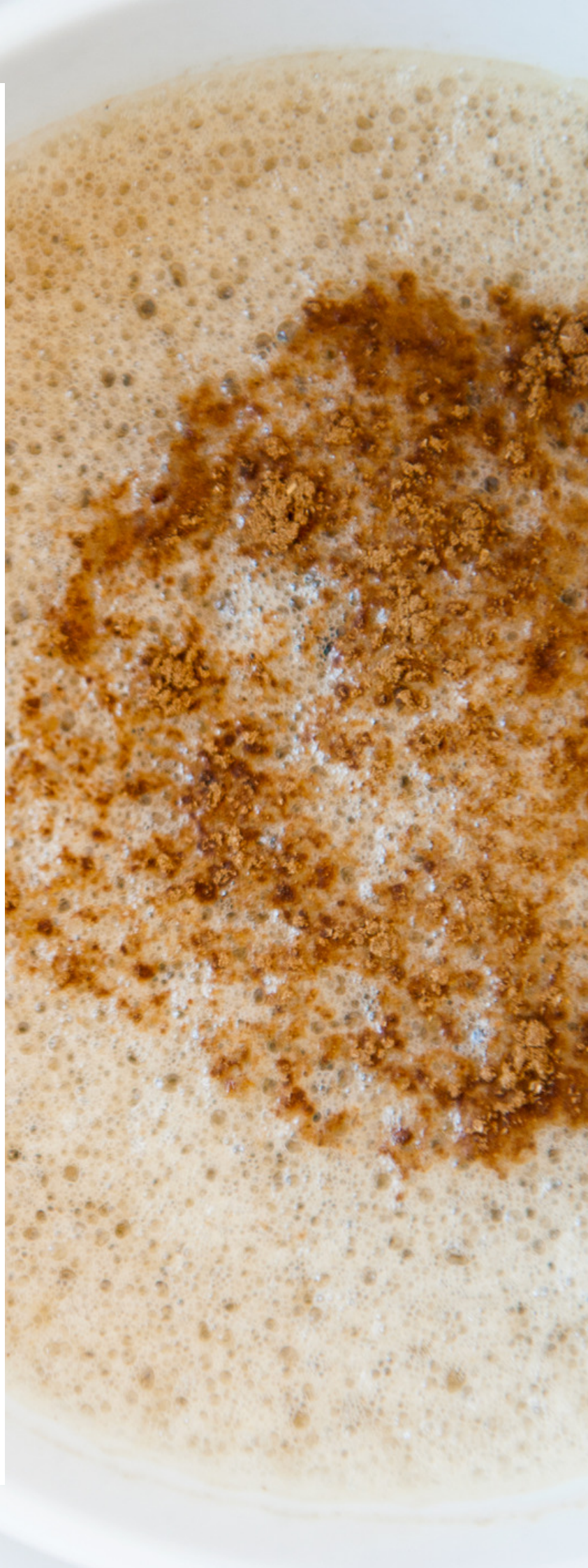
Simplicity is key

The best rewards programs are simple and transparent for the customer to understand. “Do X, Get Y”.

A good program clearly states what behaviour X is and what the reward is in return.

For example, **Buy 5 Coffees & Get the 6th Free** is incredibly simple and easy to understand, and in turn, it’s incredibly effective.

Starbucks, with over 15 million members, uses this system as part of their loyalty program – you earn a star for every transaction, and those stars eventually accumulate into enough for free products to be redeemed in-store.



2

Ensure the rewards are attractive and obtainable

If the customer is going to enroll in a loyalty program, it is only fair that your business provides a reward of value in return. It is an unwritten agreement.

It's also important that you don't make the reward too hard to obtain.

Consider the following example....

Purchase 20 Coffees & Get 1 Free!

Do you think this is a good offer? Is it fair to loyal customers?

The answer is no. Why? Because the reward of a free coffee is not valuable or tempting enough to justify the customer spending that much time and money acquiring it!

A better offer would be, *"Buy 7 Coffees & Get the 8th Free"*.

Alternatively, *"Buy 20 Coffees & Receive a \$25 Voucher"*.

See how these offers are more balanced between the commitment the customer needs to make vs. the value of the reward?

The most effective programs are those that are designed to **mutually benefit the business and the customer.**



Start customers off with a win



The best way to entice customers to sign up to your loyalty program is to offer them a reward right away.

At Stamp Me, we've found that **businesses which offer a sign-up reward enjoy 3 times more enrolments than programs which don't.**

Give your customers an immediate incentive to join your rewards program.

For example...

"Join our loyalty program and receive a free coffee!"



This will highly increase the likelihood of customers signing up.

If you're worried you will be taking a loss by giving away a free coffee, don't be!

Think about the long-term value of the customer.

By enticing them to join your rewards program at the cost of one free coffee, you open a huge opportunity to turn the customer from a one-time visitor into a loyal customer, in which case the cost of a free coffee is minuscule.

Keep customers engaged

Unfortunately, it's not quite as simple as implementing a digital customer loyalty app into your cafe and watching your profits rise.

As with anything, you only get out of this what you put in.

In order for a customer loyalty program to work for your cafe and achieve your desired results, it's extremely important to keep customers engaged.

Once customers have joined, don't assume the work is over.

How to keep customers engaged with your loyalty program:

- Offer Birthday Rewards
- Random rewards such as raffle tickets, competitions, lucky draws and Scratch & Win cards
- Communicating through Push Notifications, email and SMS
- Social media



Stamp Me

Happy Birthday! 🎁 Here's a special treat for you ...

5

Educate and motivate staff

Your employees are your cafe's biggest advocates, and **they are critical to the success of your loyalty program.**

If staff aren't actively promoting and encouraging the rewards program, your customers probably won't use it, or even know about it.

Bond Brand Loyalty's 2018 Loyalty Report found that customers who felt a loyalty program's representatives (i.e. your staff) made them feel special and recognised were nearly 3 times more satisfied with the loyalty program than customers who weren't made to feel that way.

Teach your staff the ins and outs of the loyalty program and make sure they understand the benefits so that when they speak to your customers about it, they aren't reading from a script but genuinely advocating it.



What are the different types of Loyalty Programs?



Okay, so you're aware of the benefits to be gained from implementing a customer loyalty program in your cafe – now it's a matter of deciding which kind of system will best suit your business model.

Here are the different types to consider...

Visit-based system

This method is extremely common among coffee shops and is generally utilised as the “Buy X and Get Xth Free”-type model.

This system rewards the customer based on how often they visit or make a purchase, rather than how much money they spend.

It's spectacularly simple for both the customer and the business owner, and the reward is obvious and easily achievable.

This is the most common system used by cafes due to it's proven effectiveness. We highly recommend our cafe clients to adopt this “Buy X and Get X” free system.

Most cafes already use this system with paper punch cards, so switching to a digital version is easy! But more info on this later.

Example offer: Buy 9 Coffees & Get the 10th Free!



Spend-based system



A spend-based system usually works off the premise that once a customer signs up to your loyalty program, they accumulate points based on how much they spend on each purchase.

Once they reach a certain amount of points, they earn a reward.

Example offer: Spend \$100 and get 10% off your next purchase.

This system is more often used by businesses where the transaction value varies widely, like retail stores.



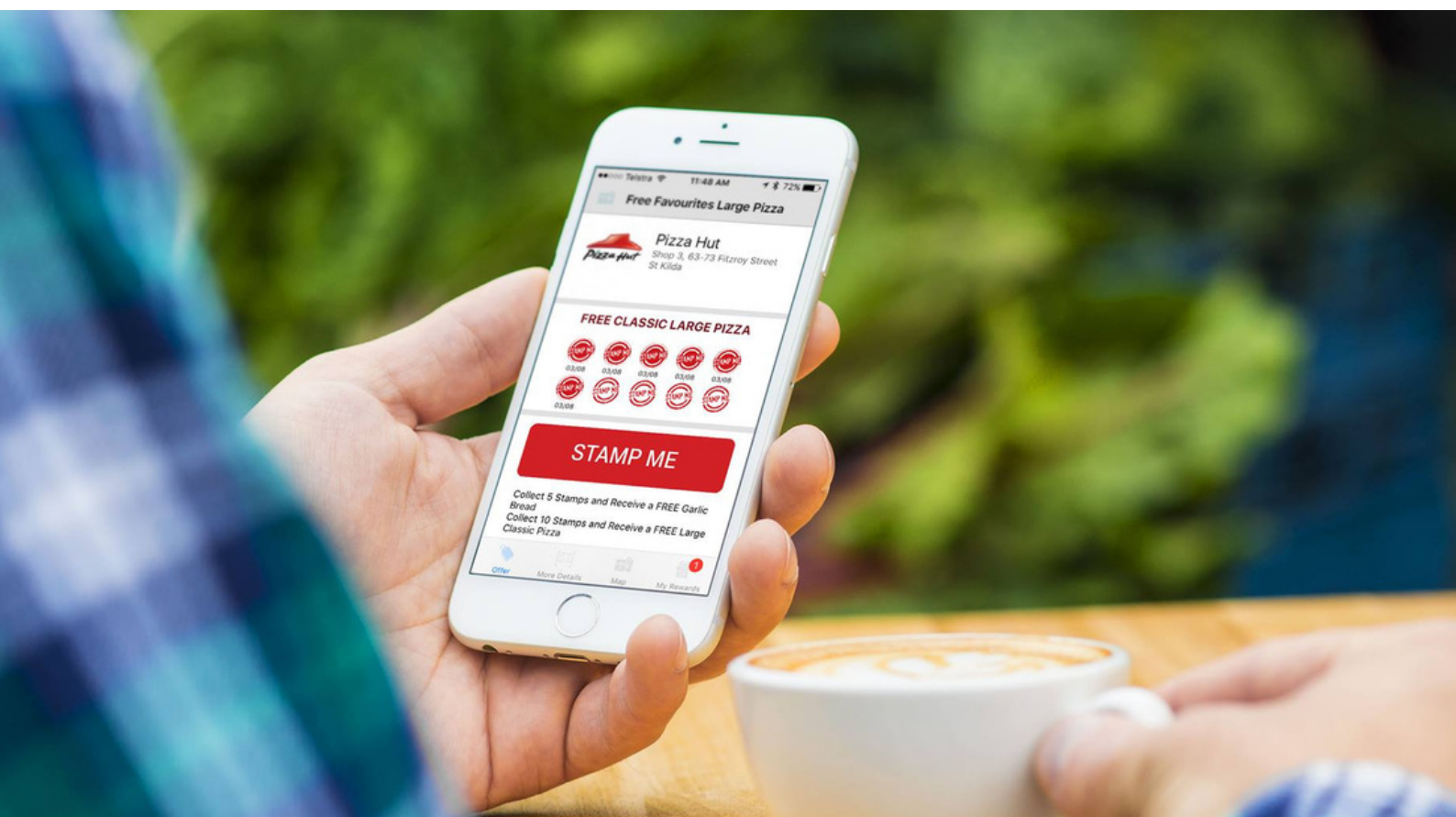
**So, how to make the
switch from paper
punch cards to a digital
loyalty program?**



If your cafe is operating a loyalty program with a paper punch card, you might think the transition from paper to digital will be difficult.

Well, the good news is, it's incredibly easy!

Here are the answers to some commonly asked questions about how to transition from paper to digital...



"What if customers don't want to switch from paper to digital?"

We are living in a digital world and rely on technology for most aspects of our lives.

So don't worry, if it makes their lives easier (which it will) your customers are likely to be all for it.

In fact, **most will wonder why you hadn't introduced a digital loyalty program sooner!**

However, there may be a small portion of your customers (particularly slightly older retirees) that may be a bit apprehensive about making the switch.

That's one of the many reasons why offering a sign-up reward is a great idea – to **make on-boarding easier and more exciting for the customer.**

There may be a few customers who are really not tech-savvy, or don't own smartphones, therefore you may want to keep a few paper punch cards around so you can continue to cater to these select few customers.

***"How do I implement a digital rewards program?
Do I need to download any software or integrate the
system with my POS?"***

Some loyalty platform providers may require you to have a tablet or integrate with your POS system, but not ours!

Our goal is to make it as easy as possible for our merchants to implement a digital rewards program, so that's why we designed our Stamp Mate device to run independently of any other system.



There is no complicated installations or software required, the device is linked to your Stamp Me account, and is ready to go as soon as it arrives!

Merchants usually just keep this next to the register.



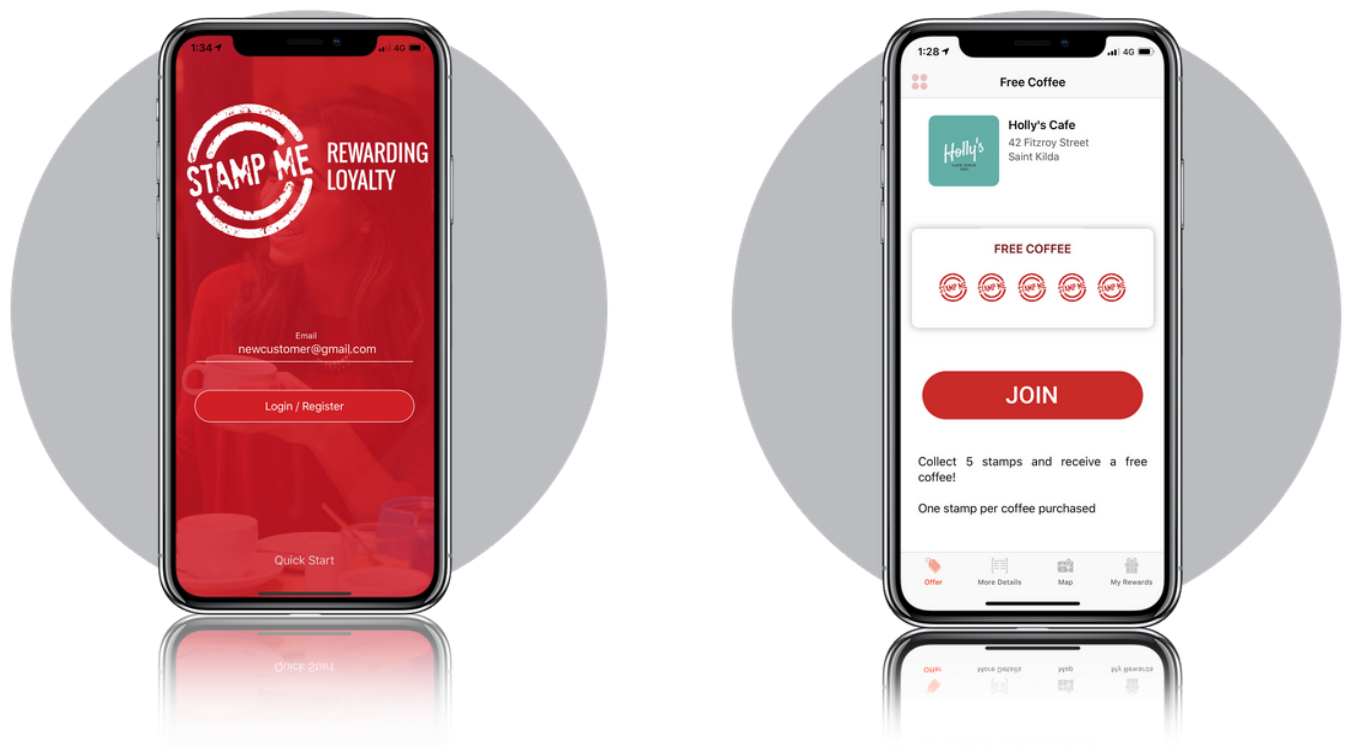
"How do I transfer a customer's existing stamps from the paper punch card to the app?"

If you are using Stamp Me, you can easily manually apply stamps to your customer accounts through the Stamp Me Dashboard.

Here is what we suggest:

Step 1

Instruct the customer to download the app, register their details and join your offer. Be sure to promote your sign-up reward to give them an incentive to do so.



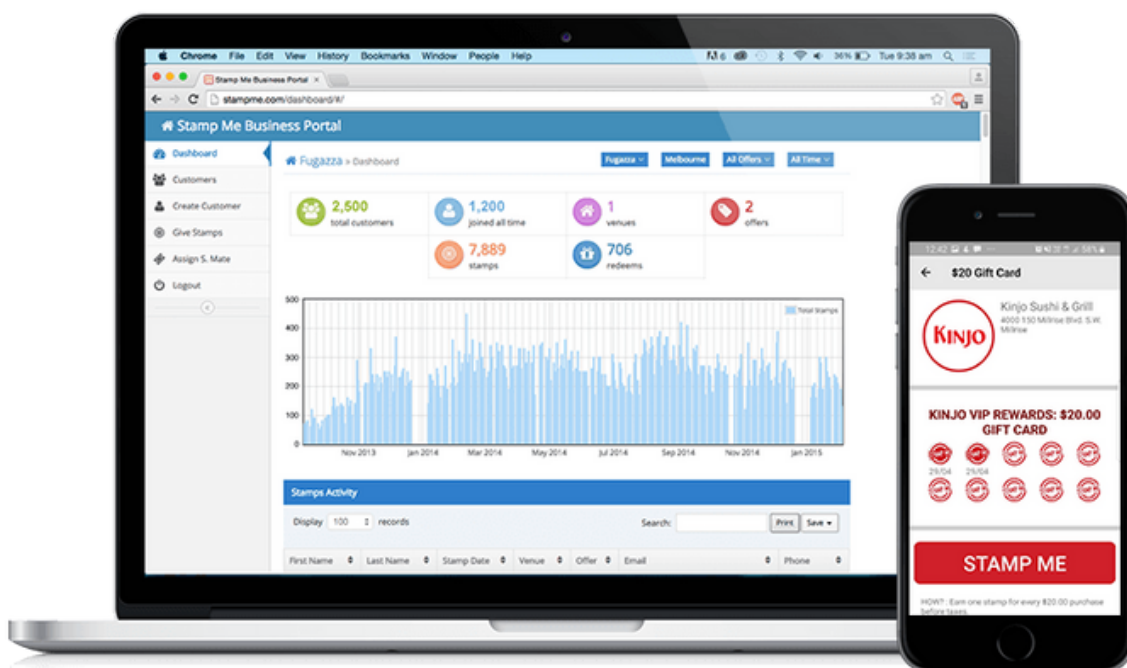
Step 2

Ask the customer to write their email address on their paper punch card and collect it from them.

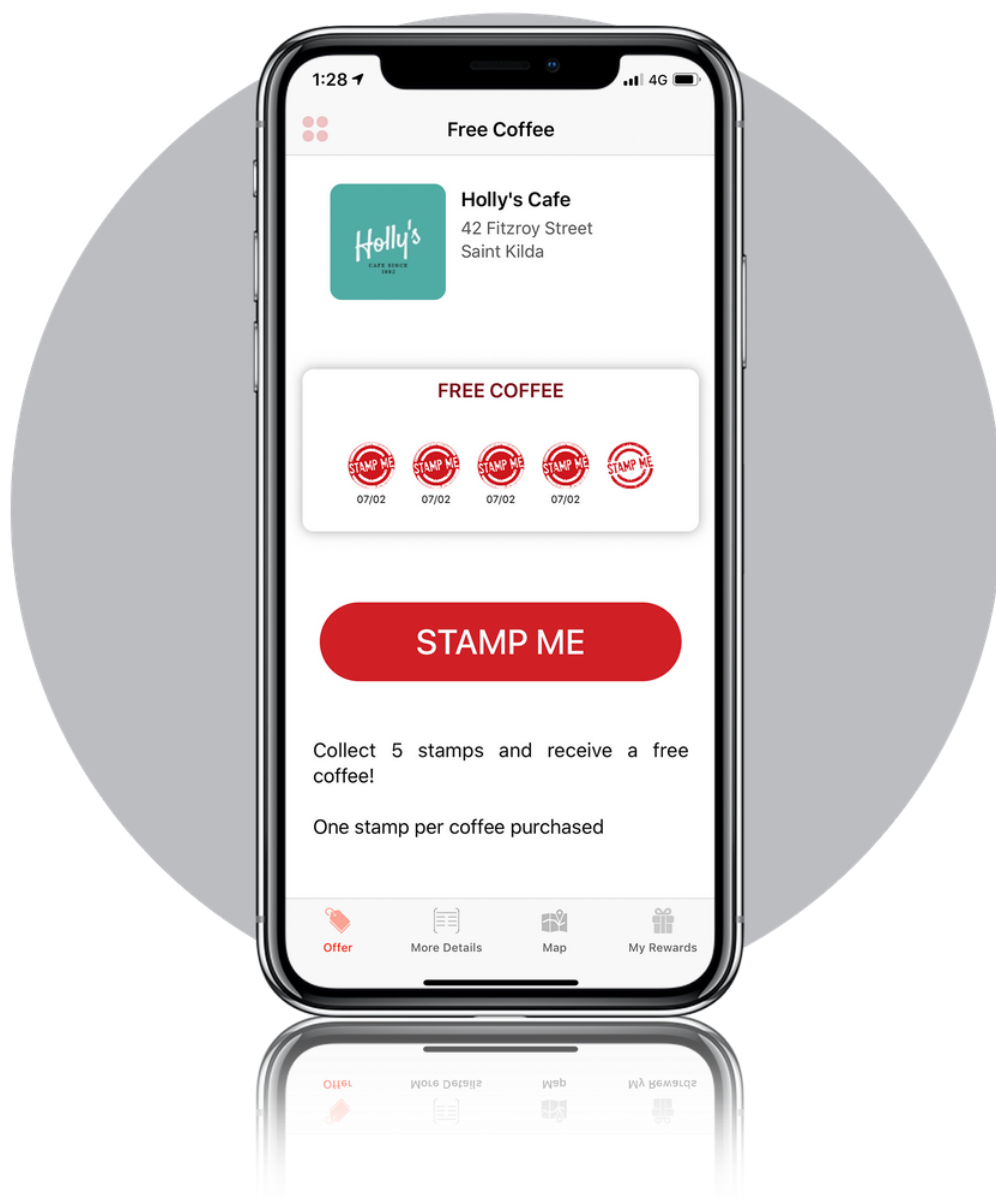
Assure them that their stamps will be transferred and applied to their Stamp Me account.

Step 3

Log in to the **Stamp Me Dashboard**, search for the customer's email address, and apply their existing stamps. (perhaps this can be done at the end of each day).



The next time the customer visits, they will see their existing stamps applied to their account....



They can then continue as they were working their way towards the reward!

So, ready to take your loyalty program digital?

Trial our Customer Loyalty app free for 30 days!

[View Pricing & Plans](#)

