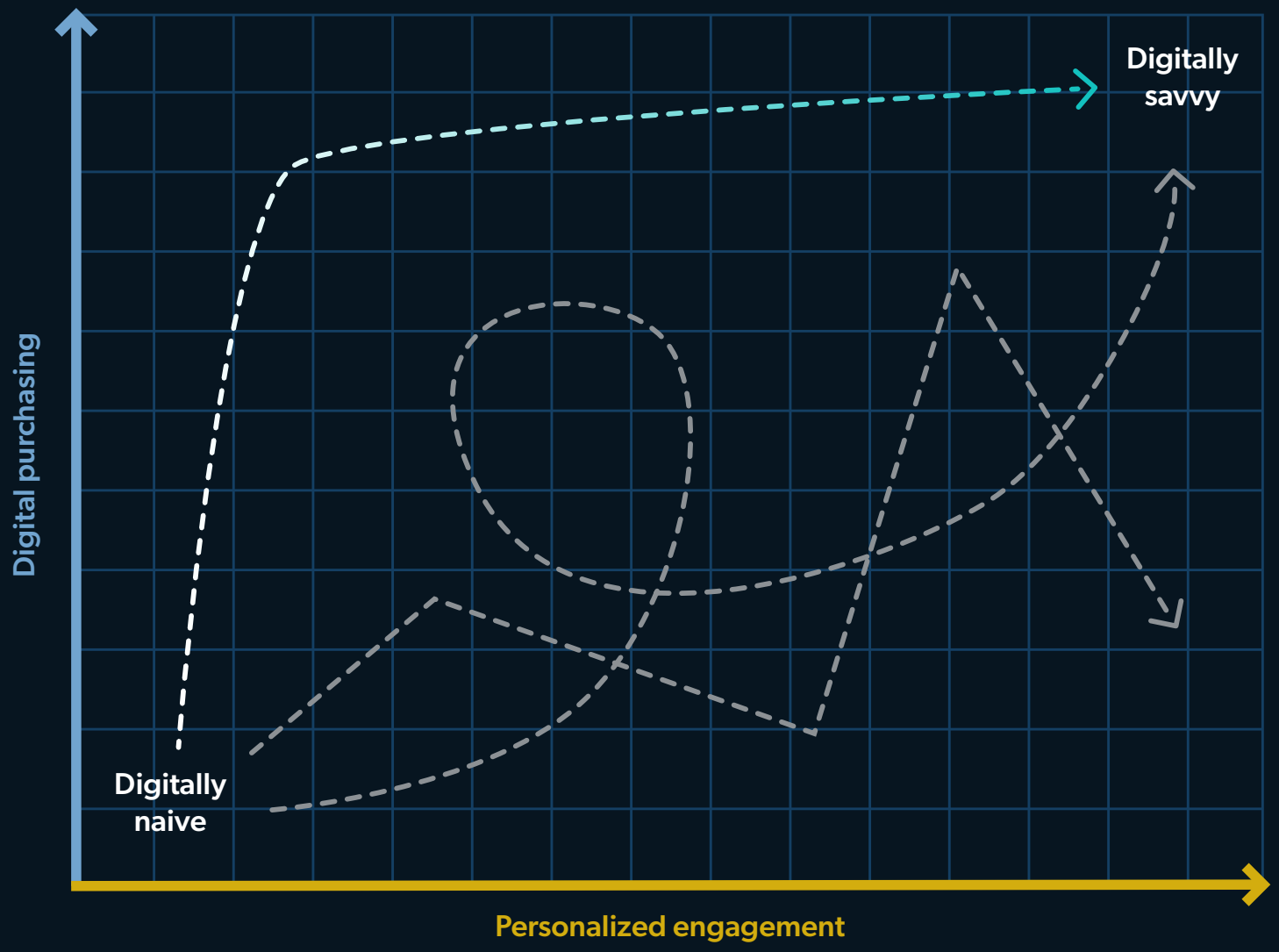
Thanx

# The Complete Guide to Digital Maturity

## Gaining a competitive edge in the digital era



### Getting the most out of this guide:

Although this guide focuses on the restaurant industry, digital maturity is equally urgent for brick-and-mortar retailers (including malls, car washes, and more). Third-party players like Amazon have shaped consumer expectations for user-friendly, digitally-native shopping experiences and data-driven, personalized engagement. As a result, Amazon alone has captured 49% of U.S. ecommerce; together, Amazon and Walmart claim 19.2% of all retail. Competing with these titans requires a digital transformation: one that enables retail brands to know and engage their customers using the power of data. Retailers should leverage this guide to accelerate their path to effectively competing in the new - and here-to-stay - digital climate. For strategic guidance tailored to your business, talk to an expert at Thanx.

# What we believe

01 Digital is both now and the future. To remain relevant and competitive, it's critical to get this right. But incremental steps won't work - you need a transformation.

02 Transformation may sound daunting, but the roadmap is not just achievable - it's accessible in a shorter time frame than you might think.

03 It starts with establishing a digital ordering channel that accelerates customer data capture. But a modern digital experience in a COVID reality will soon become table stakes.

04 Using customer data to personalize every interaction a customer has with your brand will differentiate you and create lasting relationships with high lifetime value.

05 Industry leaders have already proven this recipe for digital growth and are generating the business results that confirm its impact.

**This guide, rooted in comprehensive restaurant industry research and benchmarking as well as deep Thanx expertise, will empower you to:**

- Define digital maturity and understand its urgency;
- Recognize the strategic building blocks and differentiators used by leading digital brands;
- Score your brand's maturity and see how your peers stack up - and understand the "why"; and
- Establish a clear path forward that will position your brand as a digital disruptor and trailblazer.

# Why should I prioritize digital?

You've probably heard the term "digital transformation" a lot lately, and despite its buzz-wordiness, it's on your to-do list. You have a social media presence and an app; you likely offer your customers the ability to place online orders. You're taking steps in the digital direction, but you have competing priorities - especially now. The restaurant industry, a challenging environment under normal circumstances, has arguably never encountered greater turbulence. Even with full dining capacity and standard customer demand, restaurants face thin margins: 6 to 10%, depending on segment[1]. And these margins experience constant pressure from all sides. Amazon, Instacart, and third party delivery (3PD) giants have conditioned guests to expect immediate gratification at minimal cost: whether it be shampoo, milk, or a steaming bowl of ramen with a soft-boiled egg. Operators must pit customer expectations against climbing costs, as labor and real estate prices continue to increase. Tables may be full and tablets buzzing with orders, but restaurateurs still have to balance delighting customers with sustaining a profitable business.

The pandemic has transformed that balancing act into a tightrope walk. Restaurants operate with limited - if any - indoor capacity and little relief on payables despite plummeting revenue. Some risk averse diners have rediscovered their own kitchens, while others rely exclusively on delivery options. As the shock wears off and communities become accustomed to "pandemic protocol," (including masks and social distancing), many guests have begun revisiting their favorite neighborhood haunts. But the appetite for dining out has been slow to return: as of December, only 37% of Americans feel comfortable eating in restaurants.

Your number one priority right now is generating revenue - in-store or online. But there are other priorities as well; after all, profitability, rather than a sole focus on top-line revenue, is what keeps a business running. That means managing costs effectively: protecting margins from unsustainable delivery channels, expensive legacy technology, and advertising contracts that fail to demonstrate returns. Not to mention the health of your staff - which is physically, financially, and emotionally an enormous burden - and safety of your customers.

Which brings us back to "digital transformation," because it's not on this list of priorities. But it should be. In fact, it should be at the top; because if you don't get digital right, the other priorities become impossible to achieve. **Achieving digital maturity - and making ongoing transformation core to your business - is the key to sustaining your business:** reaching your customers, giving them a reason to purchase from **you**, and ensuring those purchases impact your bottom line in a way that is ongoing and predictable. COVID-19 is pushing the restaurant industry into the digital era, while boundless innovation is pulling. Taking incremental steps in siloed functions toward a digital future won't be enough; in order to compete in this new era, you need a complete transformation of your business with cross-functional prioritization.

COVID-19 has already forced 1 in 6 restaurants to permanently close their doors, and it's not done yet. The best defense? Digital maturity.

[1]Source: CapIQ

# What does digital maturity even mean, really?

So what is digital maturity, really? **Digital maturity is the ability to adapt, compete, and lead in an increasingly competitive digital environment - the world we live and operate in today.** At the core of digital maturity is responsiveness: responsiveness to customer preferences, industry trends, and more. What, how, and why consumers choose to buy is changing faster than ever. That's because the environment around them is evolving, characterized by economic constraints brought on by COVID-19 and the abundance of competitive options available to them made possible by technology. This swirl of financial and marketplace dynamics is heavily influencing the behavior of today's consumer. Never before has it been so apparent that the time for "business as usual" is long gone and many traditional engagement strategies no longer work.

Companies must drive innovation and transformation into their operating model to embrace change and hone their competitive edge. Those who stand by and watch as others "go digital" will see more agile and forward-thinking businesses take away their hard-won customers. Brands that adapted to the COVID environment with speed and creativity have reaped the benefits; they are thinking about innovation, rather than cost-cutting.

**CASE STUDY:**
## Wingstop

Take WingStop, for example: when the pandemic closed dining rooms, WingStop doubled down on its goal of achieving 100% digital transactions. They invested in ghost kitchens, pickup lockers, and custom ordering experiences. The result? WingStop's same-store sales have soared by 25% and average digital check sizes are $5 more than traditional in-store purchases. And they're not alone. Other brands - Chipotle, Chick-fil-A, Starbucks, and more have moved quickly to understand and meet their customers' evolving needs. These are the brands that are surviving and emerging stronger.

To achieve the outlined goals - engaging your customers to drive incremental purchases - you need more than a robust technology stack. True digital maturity requires attention to two customer-facing strategic priorities: **digital purchasing** and **personalization** in engagement. The two priorities go hand-in-hand. **Without digital purchasing, personalization takes years to achieve.**

**Without personalization, digital purchasing alone is not a long-term differentiator that will compel customers to engage with a brand.** (It is important to note that "engagement" means more than "likes" on social media or clicks via email; it means incremental visits, bigger checks, and higher lifetime value.)

## The Foundation: Digital Purchasing

Digital purchasing is the foundation of digital maturity. **That's because a well-designed digital ordering channel dramatically optimizes and accelerates customer data capture beyond any other available tactic.** The most common alternative to gathering data is enrolling guests into a traditional loyalty program - i.e., using in-store signs, promotions, and prompts at checkout to encourage customers to sign up. Ask your onsite team: this process is manual, slow, and fraught with challenges. And let's not forget staff turnover; in an industry where turnover rates reach 75%, re-training employees on loyalty programs can be burdensome and incomplete. 61% of people find it difficult to join loyalty programs, which means the majority of your in-store customers remain anonymous and unreachable for remarketing.

Digital purchasing offers a new reality of customer engagement: one where customers purchase through known accounts and a CRM database can build comprehensive profiles for each customer. Each incremental customer placing a digital order automatically enters the database, capturing data exponentially faster than manual, opt-in programs. It's what retailers who have moved into e-commerce have known for years. There is simply no substitute for the speed and breadth of data capture available with digital purchasing.

## The Digital Flywheel

There's a reason that DoorDash, Grubhub, and other 3PDs (plus Amazon in the retail world and Uber in transit) don't allow anonymous guest checkouts. They require customers to create accounts because they recognize the insight and influence that come with aggregating customer data. With a compelling direct ordering channel that automatically feeds data into your customer database (i.e., "CRM-integrated digital ordering"), you can turn those insights into personalization, which will:

01 Drive emotional, effective engagement;

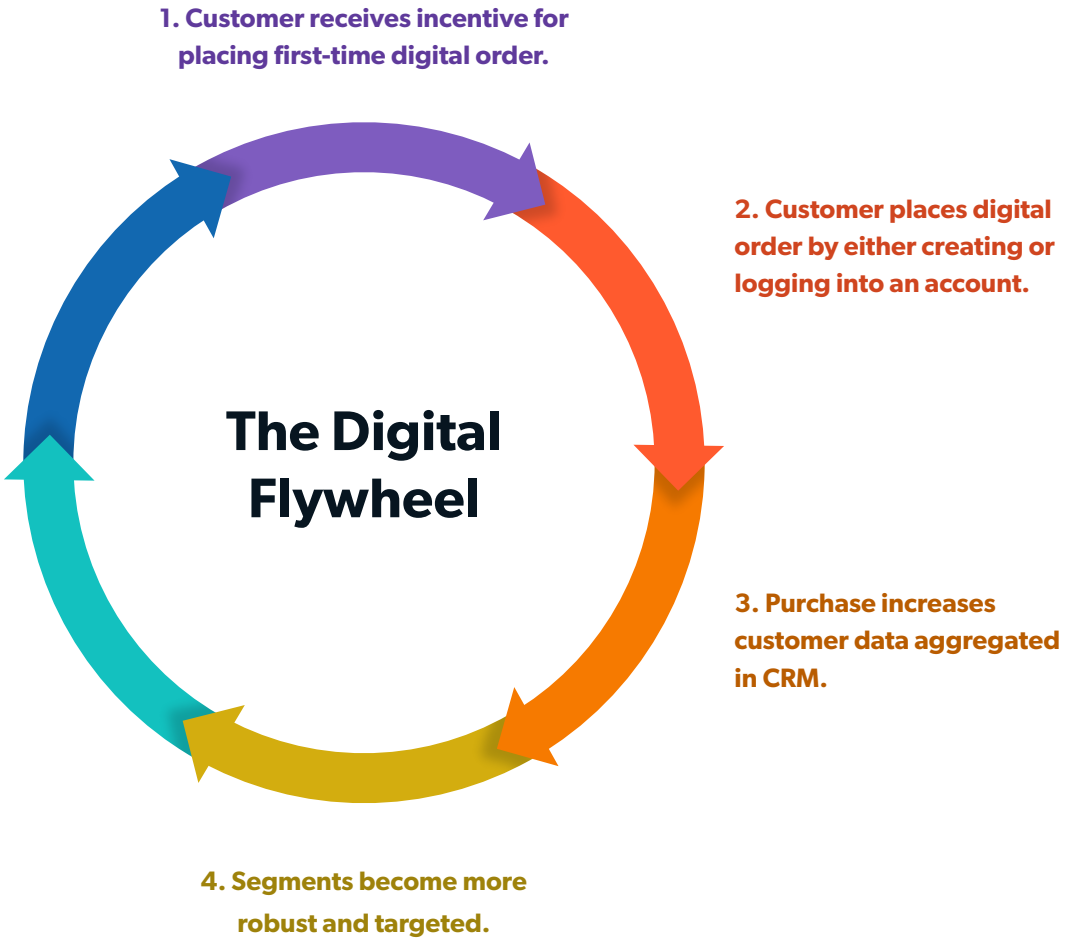
02 Capture greater share of wallet; and

03 Build brand affinity that leads to long-term, lasting relationships.

Which brings us to the concept of the "digital flywheel." Tressie Lieberman, VP of Digital and Off-Premise at Chipotle, said it best:

> "When you order digitally, it's just so easy to sign up. As our **digital business grows, it becomes the flywheel of the business.** People opt in to join the program. With the explosive growth of delivery and pickup, we're able to drive more members. So it just then **becomes a constant cycle**."

This is the digital flywheel. As more customers make digital purchases, your CRM grows, your marketing gets smarter, and your customers engage more frequently. The bottom line - a well-executed, digitally-integrated loyalty program can increase incremental revenue by 10 to 15%.

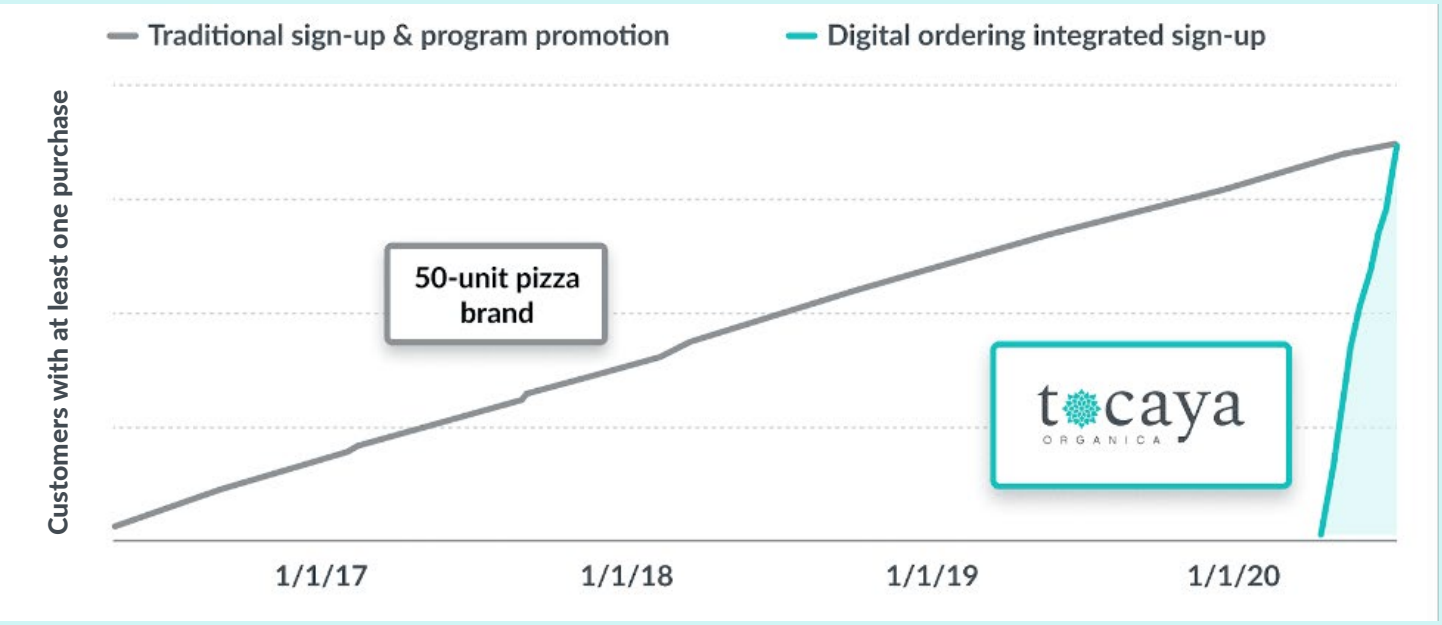



Restaurants can now identify the majority of their customers, understand their item and location preferences, monitor frequency, and recognize spenders with high lifetime values. (Depending on the digital platform, some operators may even be able to privately gather and respond to NPS ["Net Promoter Score"] data, thereby understanding customer satisfaction levels while minimizing the reputational risk of review platforms like Yelp.) This is where personalization comes in.

**CASE STUDY:**

## Tocaya Organica

When exploring partners offering digital ordering - and evaluating their capabilities - remember the primary goal of accelerating data capture. Purchase data is the foundation for knowing, engaging, and activating customers. The ability to comprehensively capture and aggregate data from a digital ordering platform should be non-negotiable in your partner selection. Take, for example, this comparison of two brands: one, a 50-unit pizza chain using traditional loyalty program promotions and signups; the other, Tocaya, a 15-unit organic Mexican-inspired brand with digital ordering-integrated program enrollment. In four weeks, Tocaya achieved the same number of tracked purchases per location per week into their loyalty program that the pizza brand enrolled in the four year period after their launch. In other words, digital ordering enabled Tocaya to capture data over 50 times faster than traditional loyalty program enrollment - empowering them to act on massive amounts of customer data within weeks of launch, rather than years.



## The Differentiation: Personalization

Digital purchasing gives you accelerated CRM enrollment and data capture and your customers a seamless way to order from you; personalization gives them the why. Personalization - personalized experiences, communications, promotions, and more - create moments to remember and make customers feel known. But targeted engagement generates more than goodwill. Personalized campaigns are **6 times more effective at generating revenue** than broad, untargeted campaigns[2]. Delivering hyper-relevant, timely messages not only increases the likelihood of customers opening, reading, and acting but also increases brand loyalty and measurable, incremental revenue. Due to the necessity of off-premise ordering during the pandemic, many restaurants are currently focused on digital purchasing. Soon, though, digital ordering will be table stakes.

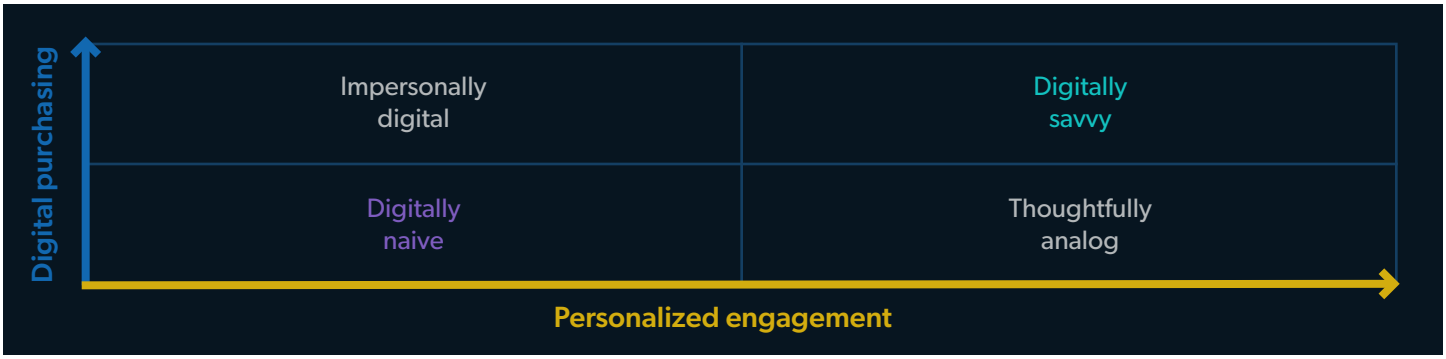
Personalization - the ability to anticipate, meet, and surpass unique customer needs - will set the leading brands apart from the pack.

This probably isn't earth-shaking news; you have thousands of generic marketing emails sitting unread in your own inbox. So if the power of personalization isn't a secret, why aren't more brands doing it? The answer is simple: data. Robust data is necessary for personalization to be truly relevant, but few brands are gathering and taking action on  data in meaningful ways. Which is why starting with digital purchasing is crucial: it rapidly builds the rich customer database you need to foster ongoing personalized engagement and relationships.

## The Maturity Model

So now you know the requirements: digital purchasing and personalization. What progress have you made to date and where do you go from here? That's where the Thanx Digital Maturity Model comes in. This is the tool that will help you benchmark your current state and craft the journey to digital savviness that makes sense for your brand. You can think about digital purchasing and personalization as two axes on a matrix: digital purchasing along the Y-axis and personalization along the X-axis. Brands fall into 1 of 4 quadrants:

- **Digitally naive:** unsophisticated in both digital ordering and personalization
- **Impersonally digital:** advanced digital ordering without personalization
- **Thoughtfully analog:** tailored engagement without compelling ordering
- **Digitally savvy:** leading digital ordering capabilities and personalized engagement




[2]Source: Thanx customer data

# Where's the proof?

## CASE STUDY: Chipotle

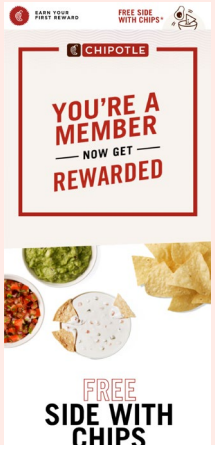
To see the impact of digital maturity in action, look to industry trailblazers - like Chipotle. Early in the pandemic, Chipotle focused on expanding its loyalty program. In March of 2020, their loyalty database had 8.5M members; by July, that membership had increased by 76% to 15M. Chipotle was adding more than **300k people to their loyalty program *a week* - during a global pandemic**. And Chipotle did more than add these members to their database - they began building relationships by paying attention to what certain segments wanted. Some would make an extra trek to Chipotle to experience an exclusive new burrito created by TikTok influencer David Dobrik. Others craved complimentary items, and have been delighted by unexpected Venmo notifications that Chipotle has sent them "cash" for free guacamole. According to CMO Chris Brandt, personalization has become core to Chipotle's strategy: "Once we know these consumers, we can give them incentives to try different things. That's why we're so excited about this personalization. People don't hate advertising. They just hate advertising that isn't relevant to them."

On the digital purchasing front, developing an app wasn't their finish line. Recognizing customer demand for the simplicity and speed of digital ordering, Chipotle established a second "make" line at their high volume locations that fills digital orders only. And during pandemic madness, rather than closing restaurants, Chipotle committed to opening 100 new "Chipotlanes": drive-through lanes fulfilling exclusively digital orders. The strategy paid off; digital sales grew 177% in Q4 alone. 2020 digital sales represented 46% of total sales and marked an increase of 174% year-over-year.

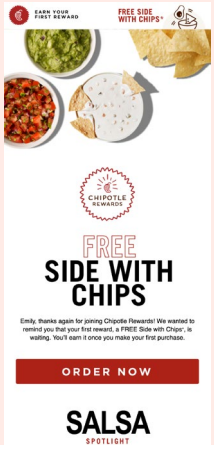
Many of these innovations have been shared broadly in the press. The lesser known but equally impactful part of the story is how Chipotle approaches personalized engagement with their guests. For that, let's look at a simple, two-purchase customer journey:

Signed up

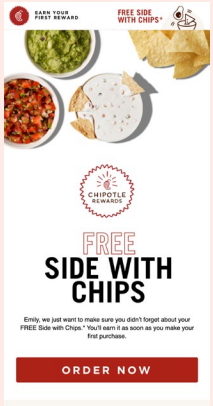
**EMAIL #1:** Reward sign-up




**EMAIL #2:** Reward reminder




**EMAIL #3:** 2nd reward reminder




**EMAIL #4:** Double points day

**EMAIL #5:** Third reminder (this time with an incentive - BOGO):

1st purchase! 2nd purchase!

**EMAIL #6:**
**Reminder about unused incentive**

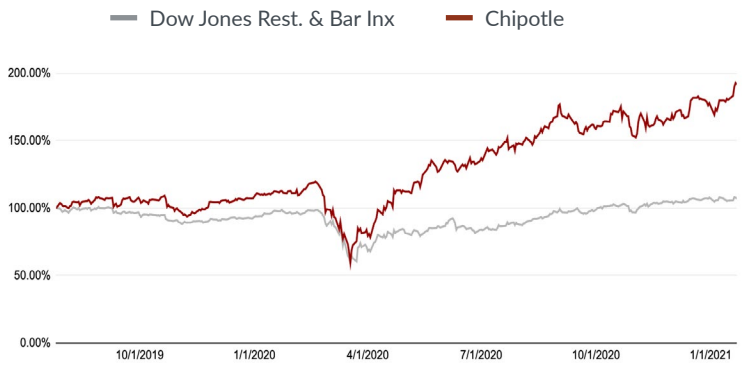
**EMAIL #7:**
**Second reminder about unused incentive:**

**EMAIL #8:**
**After that first purchase, another email**

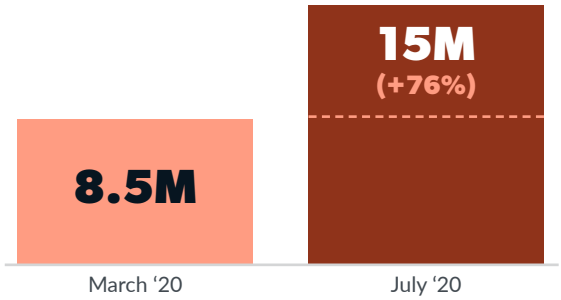
**EMAIL #9:**
**And after another purchase, an earned reward notification:**

And these messages cover just the customer's first two purchases. Now that's lifecycle marketing!

These bets on digital have paid off. Chipotle's stock price has climbed more than 50% since January.




Chipotle's stock price has soared to 92% while other Dow Jones restaurants hover at 7% on average.




Chipotle grew their loyalty membership database by 76%, adding 7.5 million members in April thru July.

> "What really excites us is that we are in the early stages of using this valuable tool (CRM-integrated digital ordering) to understand consumer behavior that will allow us to enhance their journeys and ultimately drive higher sales. We can also utilize these learnings to reengage members if their visits decline, which should efficiently sustain the stickiness of our digital platform."
>
> Brian Niccol, CEO

Chipotle has set a compelling example of the benefits - financial, operational, and reputational - that can be achieved through the combination of digital purchasing and personalized engagement. But you don't have to have 2,000+ locations to achieve these results. Any brand can apply lifecycle marketing tactics. The key is first obtaining purchase data through digital ordering - regardless of how many locations might be filling these orders. From there, operators can build profiles and segments to effectively engage customers at each step of their journey. (Stay tuned for more details on how to execute lifecycle marketing - and to learn what comes after.)

# Why 3PD alone won't cut it.

## When 3PDs Show Their True Colors

To achieve these eye-popping metrics, Chipotle recognized the importance of serving and engaging with their customers on their own digital platform. They gave their customers a compelling alternative to 3PDs marketplaces (e.g., DoorDash, Grubhub, and UberEats): a web ordering interface and branded app where they could order with ease and accumulate rewards. But why is a "direct ordering" channel necessary? After all, going live on a 3PD marketplace takes just a few weeks, the logistics are managed, and customers are already comfortable with the platforms. Partnering with 3PDs seems quick and easy - until invoices begin arriving and their business model becomes clear.

During the pandemic, operators have shared countless stories of the surprising and burdensome fees that 3PDs have levied - fees that often eliminate any profitability the order might have garnered. One image from Chicago Pizza Boss shows DoorDash **taking 64% of the brand's digital ordering revenue** - leaving only 36% to cover cost of food, labor, restaurant overhead, and more. Chicago Pizza Boss is not unique. Steep delivery fees reaching north of 30% and incremental "advertising" fees (all but necessary to secure a favorable spot within the apps) have eroded the already-narrow margins of restaurants around the country.

Attempting to increase profitability is not damning, in itself; most businesses seek the same. But for years, 3PDs have expanded their reach and revenue at the expense of the restaurants that sustain them:

- Listing non-partner restaurants, creating unwelcome surprises and hospitality nightmares;
- Creating shadow domains mimicking restaurant names to steer customers toward 3PD platforms and away from legitimate restaurant websites;
- And (our focus right now), withholding customer data from restaurants.

What makes the customer data piece so critical? Why do 3PDs keep purchase data from the very restaurants fulfilling the customer orders, and - more importantly - why do restaurants need it? The answer is the same to all three questions: **without the purchase data, you cannot remarket to your 3PD customers.** You never have the opportunity to bring customers to your higher-margin owned channels because you don't know who they are. 3PDs know this; that's exactly why they lock customer data in a figurative black box. By disaggregating restaurants from their guests, 3PDs maintain control of the customer relationship. They can continue building customer loyalty for their platform, rather than your restaurant.

This changes the customer journey dramatically. Rather than coming directly to you, a customer will open a 3PD app and search for your brand. From there, they may see and select your brand; or, they may see another brand promoted - one paying higher fees and offering steeper discounts - and select that one instead. **In essence: you may rely on DoorDash, Grubhub, and other 3PDs for your digital customers, but they will sell those customers to the highest bidder.** If 3PDs are your primary strategy, you

lose either way: you give up your margins to gain digital customers, or you retain what little margin you do have with 3PDs and watch your digital customers evaporate.

This is why you **must establish direct, personal relationships with customers - relationships that cannot be hijacked by 3PDs to increase their own revenue at the expense of yours.** In other words: an owned ordering channel is fundamental. So what does it take to optimize that channel?

## CASE STUDY: Oath Pizza

It's not just the Goliaths - the Dow Jones-listed brands with hundreds of locations - who have cracked the digital code. Take Oath Pizza: a health-minded, Nantucket-born pizza company with 60 locations. In 2019, Oath integrated CRM and loyalty into their digital ordering platform. They automatically enrolled all digital customers into their marketing program and enabled customers to earn and redeem rewards through their direct digital purchases. They followed a tried-and-true playbook:

1. The created a first-party app and web-based ordering with prominent integration of loyalty / rewards;
2. They used these digital channels to extol the benefits of ordering direct, explained the economics to consumers, and guaranteed lower prices AND rewards when customers ordered direct;
3. With every 3PD order, they bag drop an appeal to "order direct next time;" and
4. Then they set up automated campaigns to "drip market" to customers after their first digital order to create repetition.

In the following year, Oath increased the size of their CRM database by 170% and their order volume by 59%.

When the pandemic struck, Oath was prepared for a new, digital-forward reality. Their customers knew that ordering through Oath's digital channels - both web and app - would give them lower prices, opportunities to earn rewards, and a personalized, reliable experience. So while the restaurant industry experienced an average YoY increase in direct digital ordering of 70%, **Oath's digital revenue spiked by 250%.**

> "Our focus on digital has provided the critical foundation to survive this crisis... we are maximizing existing channels and pivoting to meet consumers where they are."
>
> Stacie Colburn Hayes, CMO

# What does the digital purchasing journey look like?

Although Chipotle has blazed an admirable trail, remember that achieving mature digital ordering is a journey. You don't need a digital make line in your restaurant tomorrow (but once you nail the online ordering experience for your guests, you may want to revisit the concept!). **The two main goals are: giving your customers a delightful way to order directly from you and maximizing your purchase data capture and conversion.**

Regardless of where you are in this journey, there are three main factors to consider in these endeavors: **user experience, service,** and **incentives**. Brands generally fall into one of four stages within these factors: None, Basic, Proficient, and Advanced. It's possible - and common - to be further along in some dimensions than others. Resources are often constrained and teams stretched thin; it can be difficult to tackle everything at once. But excelling in digital purchasing will ultimately depend on your attention to these distinct, equally important factors.

## User Experience

**User experience** may seem self-explanatory, but you need more than functionality. In a world of user-focused development and "design thinking," ease of use and delightfulness are critical to keeping your customers active on the channel. Below are the four stages of **user experience**:

1. **None:** this one is obvious - you lack a channel enabling customers to place direct, digital orders. Customers might place orders on 3PD platforms, over the phone, or not at all.

2. **Basic:** your ordering is functional - customers can make a digital purchase.

3. **Proficient:** the ordering experience is responsive and easy. Customers can order on any device, and some built-in tools like one-click reorder streamline the purchase process.

4. **Advanced:** this is a best-in-class experience for your customers. The process is quick, easy, available on all devices, and showcases your brand.

Odds are, you're already focusing on the user experience of your digital ordering channel. For most brands, this is the primary - and often only - priority. But be careful not to lose the forest for the trees; while user-friendly features (gift cards, group ordering, etc.) are appealing, they will not necessarily differentiate your ordering experience. Service and incentives are the critical components to creating a digital purchasing platform that will meet your customers' needs while maximizing your customer data capture.

**In 2016, Domino's debuted "Zero Click Ordering."** While it's still perfectly reasonable to ask your customers to press at least one button to make a purchase, Domino's elevated customer expectations dramatically. They were also better prepared for COVID-19 than any of their analog peers. The impact of offering a seamless digital user experience during the pandemic? A same-store sales increase of 16%.

## Service

Even when guests engage with your brand through a screen, **service** matters. At its core, service is the reason customers choose your restaurant: the food selection you offer, the quality when the food reaches them, how they feel when interacting with the brand. So when it comes to digital purchasing, how can you achieve excellent service? The answer is simple - meeting the customer where they are by making your food accessible:

1. **None:** Customers can only experience your food off-premise through third party delivery (3PD). 3PDs control the ordering experience, the quality of food when it arrives, and the customer service. (More to come on the dangers of relying wholly on 3PDs.)

2. **Basic:** Customers are limited to picking up digital orders from your restaurant. Digital menus might be static, not reflecting up-to-date changes (e.g., 86'd items).

3. **Proficient:** You own the delivery experience for customers (using either white-label services or in-house fulfillment); through your ordering channels, customers can choose either delivery or pickup knowing that you will manage the end-to-end process.

4. **Advanced:** Customers have advanced dining options beyond pickup and delivery, including curbside and tableside. Features here may include QR codes, geofencing, and more. Orders integrate seamless with the KDS, ensuring operational efficiency.

**Service** also covers what the guests don't see - specifically, kitchen and back of house operations. Seamless integration between the digital experience, the digital ordering platform, and other systems like your point of sale (POS) and kitchen display systems (KDS) ensures the kitchen team operates efficiently and customers can get refunds, see the most accurate menu information, receive notifications about delays in delivery, and much more.

## Incentives

**Incentives** - when done right - go hand-in-hand with personalization. A functional, user-friendly digital experience is foundational, but alone will not drive customers to order direct. That's where incentives enter the picture:

1. **None:** You offer promotions on 3PD marketplaces only. Your customers have no incentive to order from you directly. (If this resonates, consider how you might better use those resources to retain your existing guests on lower-cost, direct channels.)

2. **Basic:** Customers can enter basic, generic coupon codes during the checkout process. You may offer some incentives to order directly, but by and large, customers are unaware of the value to you, or them.

3. **Proficient:** You have raised prices on third party platforms to offset some of the commission fees. Customers can view, earn, and redeem rewards during the online ordering process and it's clear and transparent to the consumer that these benefits are exclusive to direct ordering. You've eliminated guest checkout and require digital customers to create or sign in with an account - ensuring you capture data on everyone making digital purchases.

4. **Advanced:** Your prices on third party delivery negate fees. Your direct ordering channel offers creative and exclusive benefits such as exclusive experiences, promotions and/or menu items. In-store and digital purchase behaviors are captured and synced, enabling targeted promotions and rewards accessible through all ordering channels.

Achieving sophistication across user experience, service, and incentivizes ultimately boils down to two wins: **rapidly accelerating data capture** and **giving customers a digital purchasing experience that beats the third party experience.** With an ordering channel in place and the data to engage customers, operators can then move to lock in repeatable business through personalization.

# What does the personalization journey look like?

## Stages of Personalization

Once you have established a digital purchasing foundation, using data to build personal connections with guests becomes the focus and the competitive edge that will sustain your business. Due largely to COVID-19, brands across the board are already investing in owned ordering platforms; digital purchasing is - or shortly will be - table stakes. Marketing teams and strategies typically fall into one of five categories of personalization:

1. **Unfocused:** Outreach is broad-based and ad hoc, focusing only on as-needed communications (e.g., new store hours, COVID-related updates, one-off coupons, etc.). Single- and small multi-unit businesses with limited marketing resources often fall into this category.

2. **Top of mind:** Outreach has a more regular cadence and drives broad awareness (e.g., upcoming events, new menu items, free delivery days, etc.). Many restaurants - including highly innovative ones - are in this stage. They may have strong brands, creative design, and loyal customers, but beyond basic location-based marketing are not experimenting with segmentation to deliver uniquely relevant messaging on a regular cadence.

3. **Targeted:** At this stage, the marketing team understands that behavior varies across segments and has begun experimenting with messaging segments in a targeted way. Segments may be based on demographics, menu item preferences, purchase timeframes (i.e., meals), frequency, total spend tiers, and more. Businesses using **targeted** marketing have started to see the benefit of higher returns but in large part have not realized the full potential of their personalized engagement strategy.

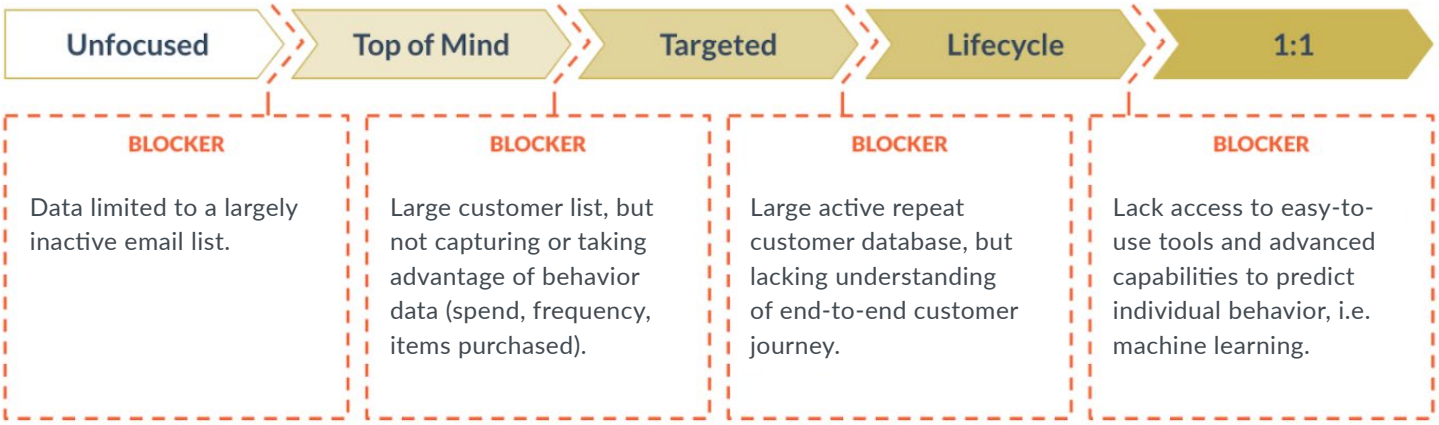
4. **Lifecycle:** Outreach expands on **targeted** marketing to include customer lifecycle stage as the primary driver of incremental results. Marketing strategy focuses on understanding where customers are in their journey, then optimizing and automating messaging based on that information. At this stage, brands begin to see real changes in customer behavior at scale. Marketing teams in the **lifecycle** stage track revenue per customer by lifecycle stage; they optimize for activations that effectively nudge a subset of customers to change just one behavior, resulting in a major bottom line impact. Success here is measured in lifetime value.

    a. **Lifetime value:** Lifetime value, or a customer's total spend with a brand over time, is the primary focus when activating customers based on lifecycle stage. Acquiring a new customer can cost 6 to 7 times more than retaining an existing one, so increasing the spend of existing customers uses marketing dollars more effectively while driving incremental revenue.

5. **1:1:** Outreach goes beyond marketing, treating customers as unique individuals across every interaction - including campaign messaging and digital purchasing, but also with feedback, reservations, and more. Engagement automatically optimizes based on advanced algorithms and machine learning (e.g., suggestive sell, personalized winback, etc.). At this stage, marketing teams achieve the "holy grail" of marketing through a combination of technology and strategy, and focus on providing high-value customers with deeply personalized moments that create emotional and lasting relationships with the brand.

## Hurdles to Achieving Personalization

The fact that personalized outreach generates better customer engagement (measured by both frequency and dollars) is not a revelation. Fulfilling interpersonal interactions form the backbone of the hospitality industry. But personalized engagement at scale - in an increasingly digital environment - can be unfamiliar and challenging. There are stumbling blocks on the path to personalized engagement at scale, and the most common - but fixable! - one is data. As you move up the digital maturity curve, the breadth and depth of purchase data becomes increasingly critical.



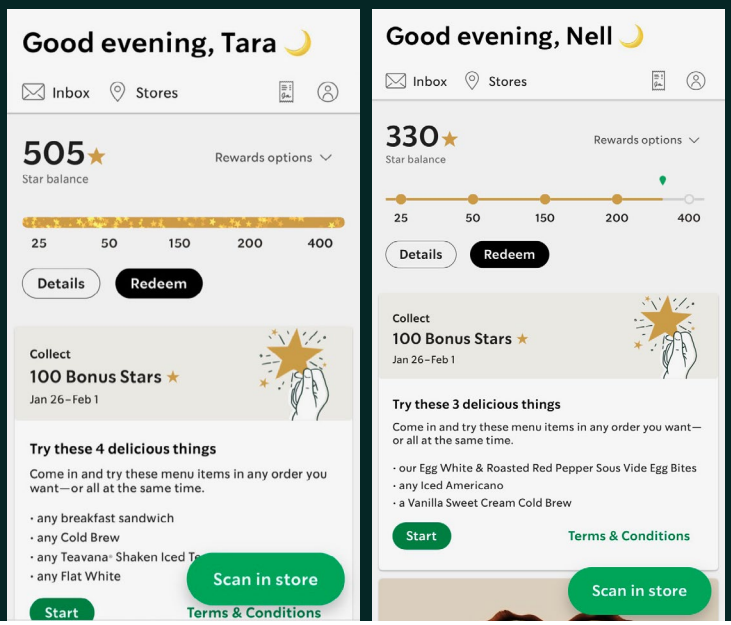

Which brings us back to the importance of mature digital purchasing. By building a direct ordering channel that optimizes user **experience, service,** and **incentives**, you establish a data aggregation process that encourages customers to engage again and again - continually improving your data capture and ultimately enabling personalization.

**CASE STUDY:**

### Starbucks

Part of what makes personalization such a compelling opportunity for differentiation is the fact that few brands have achieved peak 1:1 sophistication. Many brands, even those with sophisticated design and clever advertising, remain in the top of mind or targeted stages. However, one brand that has blazed trails in the 1:1 stage is Starbucks. Starbucks has been incentivizing customers to purchase digitally for 10 years - accumulating vast amounts of detailed purchase data at individual and macro levels for their 19.3 million active loyalty members. This expansive dataset, combined with advanced analytics (including AI and machine learning), empowers Starbucks to tailor their rewards to individual app users - and to learn from the user responses to each incentive. As a result,

each Rewards member receives promotions most likely to incentivize the desired behavior. For example, in order to incentivize incremental purchases, Starbucks might offer one customer a “star bonus” for purchasing three lattes, while offering another the same bonus for three cold brews (based on their historical preferences). They might also offer a reward after four purchases for a frequent customer, knowing the spend is less likely to be incremental, versus a reward after 3 purchases for an average spender.




# How do we assess current state?

So now for the reality check. Where are you today? To help you understand where your brand falls in the Digital Maturity Model, Thanx has developed a comprehensive current state assessment. Answer the questions below to learn how you’re doing and see how you stack up against some other well-known brands.

## Digital Purchasing

1. **Select all that apply. Can users make purchases on…**
   a. Your website?
   b. Your mobile app?
   c. Other? _____
2. **What options do you offer for making a purchase online? Select all that apply. I offer:**
   a. The ability for customers to make a purchase online for pickup at the store
   b. The ability for customers to make a purchase online for delivery (not through third-party services)
   c. The ability for customers to make a purchase online for curbside or drive-thru pickup
   d. The ability for customers to make a purchase online at the tableside from a personal device (allowing for menu viewing, ordering and payment)
   e. Other? _____

3. **Select all that apply. Do customers have an incentive to make online purchases from you directly (vs. third-party platforms)?**
    a. The ability to redeem rewards at checkout.
    b. The ability to earn rewards for making a purchase online.
    c. The ability to view available rewards within the ordering experience prior to checkout.
    d. Do you offer and promote lower prices on your own website and app to encourage users to order from you directly?
    e. Do you offer and promote exclusive items on your own website and app to encourage users to order from you directly?
    f. Do you offer and promote exclusive rewards on your own website and app to encourage users to order from you directly?
    g. Do you offer and promote any other benefits on your own website and app to encourage ordering directly? _____
4. **Do you actively promote your own channels to customers who use third-party apps (promos on receipts, in to-go packaging, on your website, etc.)**
    a. Yes
    b. No
5. **Select A, B, or C. Select D if applicable. Do you take advantage of digital purchases to capture data and enroll users into marketing?**
    a. I do not capture any customer data or enroll customers into marketing/loyalty who place orders online.
    b. I capture some customer data and have an option to enroll customers into marketing/loyalty who place orders online.
    c. I capture all of my customer data.  Guest checkout has been eliminated.
    d. I offer an incentive for guests to opt-in to marketing when they make their first purchase online.

## Personalization

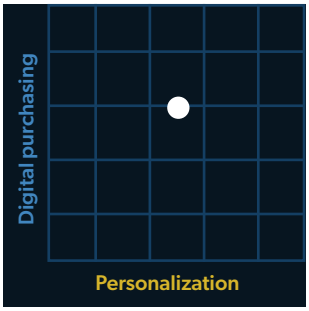
1. **Do you regularly (at least once a week) engage known customers on digital channels? Select all that apply.**
    a. Email
    b. SMS
    c. Push notifications
    d. Social media (ie Facebook campaigns targeting your existing known customers)
    e. Other?
2. **Select all that apply. In the last 6 months, have you sent out a targeted campaign (unique message or incentive) based on:**
    a. Location info (i.e. favorite location or most recent purchase location)?
    b. Demographic info (like age, gender)?
    c. Behavioral info (like daypart, frequency, or spend)
    d. Preference info (like dietary preferences, or favorite items)
    e. Channel info (like “has placed order online”)
    f. Customer lifecycle stage info (like churned, repeat, or first timer). If yes:
3. **Select all that apply. In the last 6 months, have you sent out a targeted campaigns based on lifecycle stage to:**
    a. To first-time buyers in order to convert them to repeat customers?
    b. To increase the frequency of existing customers (customers who have made at least two purchases)?
    c. To re-engage lapsed customers (i.e. hasn’t made a purchase in 30 days) to reactivate them?
    d. To win back lost customers (i.e. hasn’t made a purchase in 90 days) to reactivate them?

4. **Select all that apply. In the last 6 months, has your team engaged in any of the following advanced techniques?**
    a. Actively measured customer lifecycle stage conversion metrics in an effort to continuously improve?
    b. Automated multiple high-performing lifecycle marketing campaigns?
    c. Responded to private channel feedback with personalized responses based on past-purchase behavior (ie granting rewards to complaints from high-spenders)
    d. Ran advanced A/B testing to optimize marketing messages and incentives (i.e., testing the effectiveness of $2 off vs. 25% off for driving frequency of VIPs)
    e. Personalized outreach or experiences based on customer data (i.e., dynamic fields, one-click re-ordering, "based on your past purchase, you might like X").
    f. Other _____

5. **Select all that apply. Do you personalize engagement based on advanced algorithms (i.e., machine learning) to:**
    a. Identify and send the offer (i.e., BOGO, 25% off) most likely to change the behavior of an individual customer ("personalized offers")
    b. Identify and trigger messages based on the time most likely to engage an individual customer
    c. Identify and trigger messages based on the likelihood of customer churn and offer an incentive to return ("personalized winback")
    d. Identify and recommend the item most likely to be added on to a purchase by an individual customer ("suggestive sell")
    e. Other _____

# How major brands have performed

So how do the restaurants you know stack up? We evaluated 7 well-known brands to understand just how well they've embraced digital savviness:



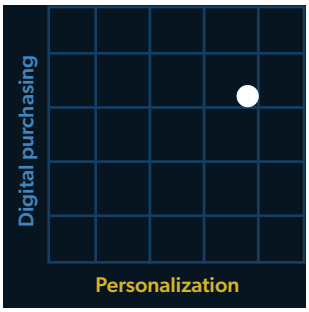

BLAZE PIZZA

**SCORE:**

Digital Purchasing: **3**

Personalization: **2.5**

Blaze, a self-described "modern day pizza joint," has made strides in its digital experience: customers have flexibility in how they order and receive their food. Although rewards are integrated into the digital purchasing channels, Blaze has further opportunity to drive customers to direct ordering: by offering exclusive items, raising 3PD prices, and more. Expanding personalization to include lifecycle stages past the first purchase will enhance marketing effectiveness and increase customer LTV.



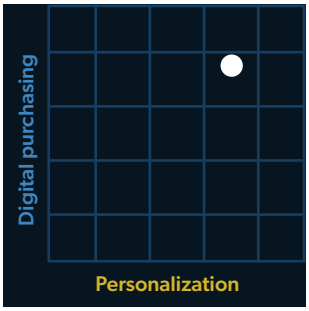

Chick-fil-A

**SCORE:**

Digital Purchasing: **3.25**

Personalization: **3.75**

Despite being one of the oldest American fast food brands (74 years old!), Chick-fil-A has recently charged into the digital era. With an app that seamlessly integrates rewards and offers customers three different ways to obtain their food, Chick-fil-A's digital purchasing experience is compelling. Moreover, recent investments in personalization have enabled them to segment and target customers based on spend, past purchases, family demographics, and more. Building on current efforts to measure ROI and conversion will accelerate their journey through lifecycle and toward 1:1 marketing.



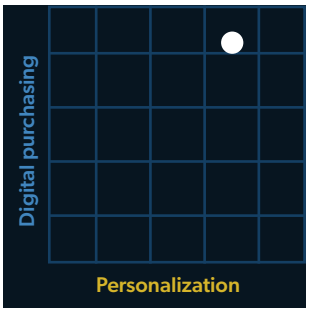

CHIPOTLE

**SCORE:**

Digital Purchasing: **3.75**

Personalization: **3.5**

By now, you have a sense of Chipotle's robust and effective digital strategy - how they built an appealing online ordering platform, drove rapid and widespread signups, and have begun using that enrollment data to personalize their customer engagement in delightful new ways. Read the case study.



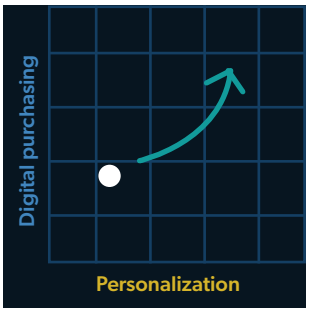

Domino's

**SCORE:**

Digital Purchasing: **4.25**

Personalization: **3.5**

A "tech company that sells pizza," Domino's has pushed boundaries on creating a user-friendly digital ordering experience with the fewest barriers to completion possible; this, combined with their rejection of 3PD platforms, has created deep, lasting customer relationships.



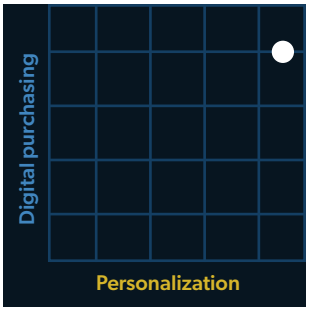

SHAKE SHACK

**SCORE:**

Digital Purchasing: **1.75**

Personalization: **1.25**

Shake Shack has attracted attention by disregarding "traditional" marketing in favor of a Millennial-focused social media strategy. With over 730k Instagram followers, that approach seems to be gaining traction. But follows are not purchases, and despite offering an app, Shake Shack has focused primarily on order pickup functionality, which restricts reach. Moreover, Shake Shack relies on broad-based emails, forgoing targeting or reward program incentives that might drive the desired customer behavior more effectively. A recent announcement by Shake Shack suggests this strategy may be changing, though, with upcoming investments in AI and machine learning to bring "enlightened hospitality to a digital scale."



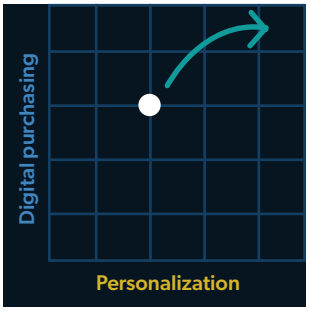

STARBUCKS

**SCORE:**

Digital Purchasing: **4**

Personalization: **4.5**

The original restaurant innovator in digital engagement, Starbucks is the furthest along in its journey to **1:1 marketing**. Starbucks began laying its online purchasing foundation 10 years ago with the Starbucks app; now, over 61% of customers use the app. Having acquired enormous amounts of purchase data on its 19.3 million Starbucks Rewards members, Starbucks is now investing in an AI project nicknamed "Deep Brew." With this technology, Starbucks can send highly personalized rewards to individual customers - based on preferences (as detailed as hot or iced lattes!), location, spend, and more. More than any other restaurant brand, Starbucks excels at incentivizing specific customer behavior based on extreme personalization. Read the case study.




sweetgreen

**SCORE:**

Digital Purchasing: **3**

Personalization: **2**

Despite having one of the most enviable aesthetics in the hospitality world, sweetgreen should continue creating a compelling direct ordering channel and building out their lifecycle marketing. Their online-only exclusives and chef-curated bowls give customers a reason to choose digital ordering, but marketing communications are broad-based and impersonal (e.g., sending an announcement about a new CT store opening to a CA customer).

# There are plenty of wrong ways to do this.

Why have so few brands achieved true digital savviness? It's not for lack of effort. Due largely to COVID, more restaurants than ever have implemented digital ordering in some form and many are attempting to thoughtfully engage their customers. But in addition to lack of data, competing priorities, organizational misalignment, and resource constraints can inhibit progress. Common missteps include:

- **Not using digital purchasing to prioritize and accelerate data capture.** These are the brands who have yet to take advantage of the "digital flywheel" and have historically relied on traditional loyalty programs or worse, e-clubs, to gather data. At this point, you know the hazards of this strategy: failing to capture customer data will make it impossible to compete in the digital era.

- **Gathering customer data - and leaving it untouched.** Most restaurants are gathering - or have the ability to gather - data in some form: optimally through digital ordering, but also through websites, loyalty platforms, and reservation systems. But how many marketing emails do you still receive and ignore on a daily basis because they aren't relevant? That's because many brands, hampered by data silos, lagging data updates, and other complications, aren't effectively using their data to segment and target customers.

- **Overlooking the importance of data and relying on 3PD to serve digital needs.** For many restaurants who lacked a robust online presence prior to the pandemic, turning to 3PDs was the first instinct. Since May, Grubhub has added over 25,000 restaurants to its platform. But in reaching for this temporary Band-Aid, these brands are also handing over their customer relationships, purchase data, and any competitive edge they might have had.

- **Focusing on the shiny object - building apps, loyalty programs, and more - for the sake of checking a box rather than the big picture of digital maturity.** Some, more "sophisticated" brands have implemented web ordering and begun exploring other tech projects. But siloing digital acceleration within an IT department can miss the point: to be impactful, digital maturity must be cross-functional - encompassing technology, marketing, strategy, and operations.

- **Struggling to overcome either a lack of resources or the burden of legacy systems.** Over time, tech stacks increase in size and complexity; one study found that while operators estimated their customer data passed through 4 to 6 disparate systems, in reality it passed through 12 to 14. The consequence is a set of technologies and relationships that require valuable time to manage while not necessarily meeting your brand's needs. Without a reevaluation of partner quantity and quality, you'll struggle to implement a cohesive, cost-effective digital strategy.

# What does the "right" path look like?

It probably goes without saying, but there are many ways to achieve digital maturity. However, some routes are slow, others expensive, and still more overly complicated. But there's a better way. The optimal path to digital maturity can be broken down into 4 phases.

1. **Build your database.** Integrate digital ordering into your CRM database and eliminate guest checkout, which ensures 100% enrollment into marketing and data capture. To maximize effectiveness at this stage, offer incentives for customers to make their first digital purchase. Sit back and watch as your database explodes.

2. **Engage repeat customers.** This stage is twofold: it's about continuing to enroll new customers, but also driving additional purchases from known customers (in particular, turning first-time customers into repeat guests) through segmentation and relevant messaging and promotions. This stage requires experimentation - and it's important to recognize that not every

experiment will work. For that reason, investing in marketing tools that enable robust segmentation, A/B testing, and campaign ROI tracking will help you make the most of this stage and prepare for **lifecycle marketing**.

3. **Customize the journey.** Once you have a robust database with proven segmentation and campaigns, you can begin customizing each stage in the customer journey. Experimentation in the previous stage will have uncovered what works well in moving customers through their journey - for example, turning a first-time user into a repeat customer. However, in this stage, you move from testing to implementing what you learned by fine-tuning the outreach across each customer stage and segment. This means carefully tracking conversion rates and automating high-impact campaigns. This stage is a crucial accelerant in the journey towards digital maturity, where you shift from an ad hoc, experimental mindset to one of continuous improvement.

4. **Personalize every touchpoint.** Reaching this stage means personalizing every single touchpoint - including ordering, promotions, feedback, and more. For almost all brands - except perhaps Starbucks and Domino's - this stage remains aspirational, and even these brands are just arriving. This should be encouraging, rather than intimidating. With strategy, prioritization, and the right partners, there is enormous opportunity for your brand to beat its competitors to this point.

## Let's get down to business - what are your next steps?

So where do you go from here? The first step is understanding where you are. Take the time to score your brand using the Thanx digital maturity evaluation and ask yourself a couple big questions.

1. **How advanced are your digital purchasing capabilities?**
    a. Can your customers order directly from you?
    b. How does your interface compare with 3PD platforms?
    c. Do you give your customers a reason to come directly to you?
    d. Does your digital purchasing data funnel into a CRM?
2. **How personalized is your customer engagement?**
    a. Are you able to segment your customers?
    b. Are your segments robust and constantly evolving?
    c. How often do you engage with your customers in a targeted way?
    d. What channels allow you to personalize your customer relationships?

Odds are, there is some work to be done; and the need for digital maturity won't fade with COVID. To learn more about tactical steps you can take around vendor selection, campaign creation, and more, check out the Thanx Emerge Stronger Playbook.

## Talk to Thanx

If you're ready to speak with an expert about how you can redefine your digital strategy and achieve true savviness, it's time to talk to Thanx. Thanx offers the most comprehensive guest engagement solution available to restaurants and brick-and-mortar retailers. Our team helps businesses achieve digital maturity by embracing digital purchasing, capturing greater customer data, and activating that information to personalize interactions with their guests and grow customer lifetime value.

The right partner can help you do more than tackle the digital transformation of today; they can prepare you to stay ahead of the curve for years to come as consumer trends and the technology landscape continue to evolve. To learn more about what we do at Thanx and how we can help your brand blaze a digital trail, reach out here.