

Segmenting US QSR Merchants

Visa Consulting & Analytics compared the performance of merchants with enhanced programs to those with less advanced or no loyalty program.



Evaluation Criteria*



HARD BENEFITS of core earn/burn are in place to reward sustained, repeat behavior over time



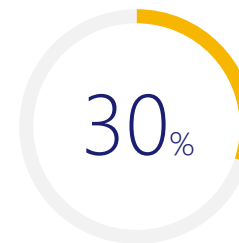
SOFT BENEFITS are used to strengthen the value prop beyond hard benefits, including special access, events, or discounts for the most loyal members. May include tier levels



MEMBER EXPERIENCE facilitates ease of interaction, enhances brand experience, and is differentiated. UX is "digital-first" and consistent across channels. May use personalization and incorporate techniques to drive engagement (e.g., gamification).

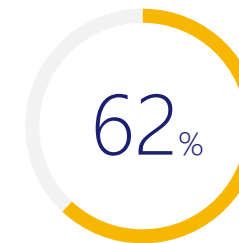
Three Segments

NO LOYALTY



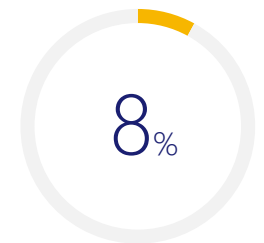
of merchants do not have a program founded on core earn/burn hard benefits

LOYALTY



of merchants have a program founded on hard benefits. However, they make no or minimal use of soft benefits AND/OR the customer experience does not facilitate ease of interaction

ENHANCED LOYALTY



of merchants have programs that fully leverage hard and soft benefits AND offer a differentiated experience that enables ease of interaction

Source: QSR merchant websites and mobile apps
*Not intended as a comprehensive and fully exhaustive "punch list" of criteria

Key Findings

#1

Loyalty Matters

Merchants with loyalty programs outperformed those with no loyalty programs

#2

Getting Loyalty Right Really Matters

Merchants with enhanced programs substantially outperformed those with less advanced programs



When compared to merchants with less advanced loyalty programs, merchants with enhanced loyalty programs:

Capture **1.5X** more share of wallet



SHARE OF WALLET

Total spend w/ merchant divided by Total spend in QSR category made by that merchant's customers only

Retain **41%** more customers



RETENTION

Percent of customers with 1+ transactions in a given quarter, who also have 1+ transactions in the next quarter with same merchant

Grew card dollar volume **2X** faster



PAYMENT VOLUME GROWTH RATE

Increase (or decrease) in payment volume quarter to quarter

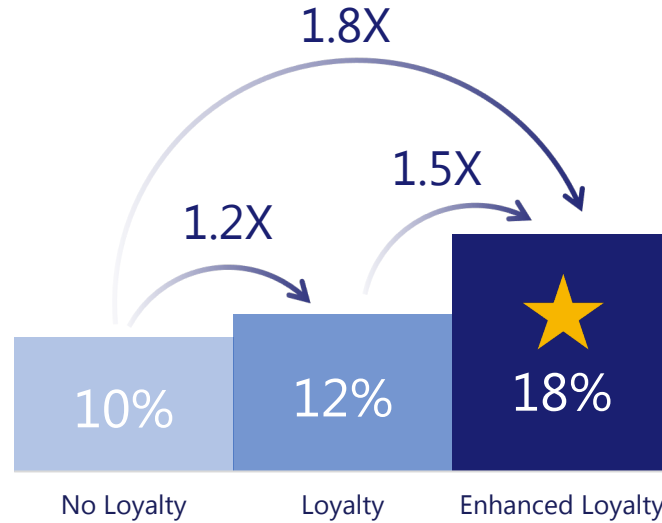
Source: VisaNet data Q4'19-Q3'20; QSR merchants with national or super-regional US presence and with average ticket size <\$13; Includes both debit and credit transactions; Share of wallet = Spend at Merchant/Total spend in QSR by merchant customers only; Retention = Percent of customers with 1+ transactions in a given quarter, who also have 1+ transactions in the following quarter



Q4 2019

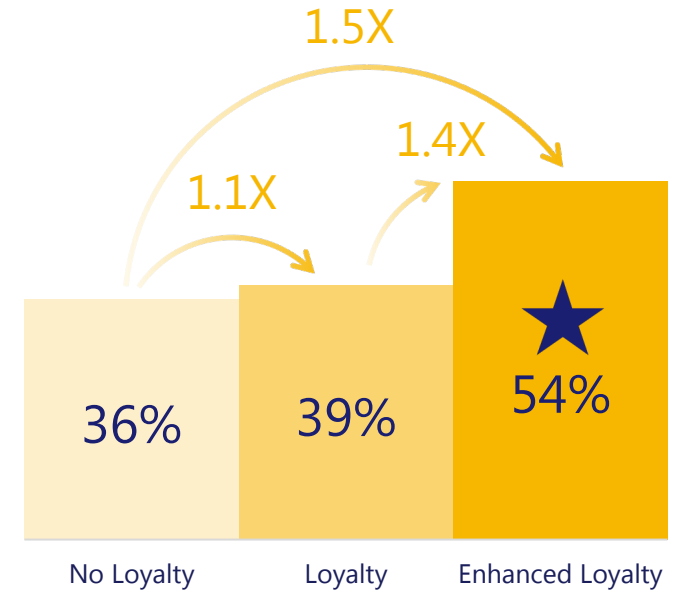
Pre COVID-19 Outperformance

In the period prior to COVID-19, merchants with enhanced loyalty programs outperformed all other merchants, and those with loyalty programs outperformed merchants with none...



Average Share of Wallet

Merchants with enhanced loyalty programs had an average share of wallet 1.8 times that of merchants with no loyalty and 1.5 times that of merchants with loyalty programs



Average Customer Retention Rate

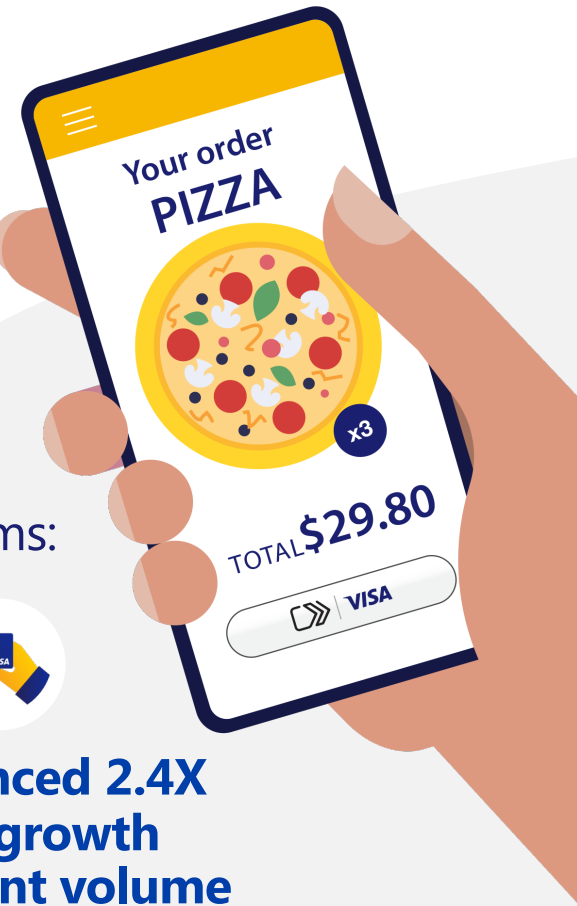
Merchants with enhanced loyalty programs retained customers at a higher rate relative to merchants with and without loyalty programs

Source: VisaNet data Q419; QSR merchants with national or super-regional US presence and with average ticket size <\$13; Share of wallet = Spend at Merchant/Total spend in QSR only by merchant's customers in Q419; Retention = Percent of customers with 1+ transactions in Q319 who also have 1+ transactions in Q4'19



Post Lockdown Outperformance

...and QSR merchants with enhanced loyalty programs have extended their advantage in the period following COVID-19 lockdown (Q2-Q3'20).



From Q2'20 to Q3'20 QSR merchants with enhanced loyalty programs:



Maintained wallet share

Merchants with enhanced loyalty programs maintained steady share of wallet from Q2'20 to Q3'20, compared to a **5.4%** decline for QSR merchants with less advanced loyalty programs



Saw sharper increases in customer retention rates

30% Quarter-over-Quarter (QoQ) growth in customer retention for QSR merchants with enhanced loyalty programs vs. **17%** QoQ growth for QSR merchants with less advanced loyalty program



Experienced 2.4X more growth in payment volume

On average, QSR merchants experienced **24%** growth in payment volume compared to **10%** growth for QSR merchants with less advanced loyalty programs