



VIP Memberships: A New Way of Marketing

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One of the first things to go in a down economy is a non-necessity like eating out. But what's a restaurant to do when sales drop and fewer customers show up? VIP memberships. These incentive programs reward loyal diners for their patronage, resulting in higher sales and lasting relationships. They turn one-time diners into regulars.

Greg St. Claire, owner and president of Avenir Restaurant Group, which owns nine restaurants in California, started a loyalty program in 2009. "We feel one of the most important things is to recognize our customers," St. Claire says. Avenir customers earn a point for each dollar spent, with 100 points earning a \$5 credit, plus a \$25 discount on their birthdays and anniversaries.

Espartaco Borga, owner and chef at La Duni, a group of four Latin American restaurants in Dallas, started a similar program: Inner Circle, where patrons earn one point per dollar spent, and a \$25 gift certificate for every 250 points.

"It's such a better use of marketing dollars," explains Borga, who prefers to spend resources on existing customers rather than an unknown clientele. "When people are deciding where to go, they first try to choose the restaurant that's going to give them rewards. If that's not possible, they'll go somewhere else." Borga says customers who used to come twice a month, now come three or four times for the rewards.

Getting the Word Out

To create a successful membership, people must be aware it exists. "First, you've got to get the waiters on board," Borga says. "They're the first line of sales and the key to success because they can constantly remind customers."

Borga cautions that waiters need an incentive to tell customers about the program. He suggests creating competing teams and rewarding winners, while also rewarding waiters individually. At La Duni, whenever a \$25 gift certificate is reached, the waiter gets \$5 to spend at the restaurant.

Word of mouth alone isn't enough. Borga sends out event-driven email blasts and prints reminders on checks. Similarly, St. Claire sends out promotional emails bumping up rewards, offering discounts on take-out food and the ability to purchase wine at restaurant cost to fill personal wine cellars.

Success Without Discounts

Borga says La Duni's regular customer base has doubled since instituting Inner Circle, resulting in a 30 percent increase in sales. Avenir has seen similar success.

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Our sales have consistently grown year after year even during this last economic meltdown,” says St. Claire, who prefers rewarding patronage rather than offering discounts, like many restaurants have done with the recent Groupon craze.

“It can actually tarnish your reputation and does not build a loyal clientele,” St. Claire says. “They cater to people who are always looking for a deal. The week you run [a discount] you may have [more customers], but the next week they are going after the new discount. I don’t think that is a way to build a loyal clientele.”

St. Claire warns that the reward dollars given back can seem like a big expense off the bottom line. At one location alone Avenir gave back over \$35,000 in rewards. “You have to remember all the other dollars that came in to get those rewards,” he says St. La Duni issues about \$20,000 a month on awards.

Ensuring Success

Both restaurateurs feel keeping things simple is key. “At the beginning, we had six levels of awards and it was very confusing,” Borga says. “Don’t complicate the program.”

“We modeled ours after the simplicity of REI,” St. Claire says. “I encourage restaurant owners to integrate the program through POS systems, in addition to having online access to guest balances and keeping rewards program information current on a Web site.”

Lastly, remember: Successful VIP memberships require time. “It takes about two years for waiters and managers to embrace it and for customers to understand it,” Borga says. “Patience and perseverance, like anything else, is most important.”

By Kate Parham



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