

# Silver Diner Implements 360° View of Customer Activity with mymicros.net iCare Solution

## The Project

In 2003, Silver Diner set out to establish a multi-channel communications program with its customers to improve frequency and spend habits. Silver Diner anticipated that this program would include:

- ◆ A rewards based loyalty program that would encourage guest participation;
- ◆ An e-mail based communication that would welcome and thank guests as well as make them aware of additional offers and events;
- ◆ “Surprise and Delight” gifts for the guests with the greatest participation;
- ◆ An innovative payment and awards programs to cultivate Business-to-Business and the To Go sales channels;
- ◆ And, the IT infrastructure to support high profile, high participation regional promotions.

Silver Diner also set out to establish substantial customer intelligence by building a customer focused data warehouse. Silver Diner intended that this warehouse be mined to:

- ◆ Establish “Best Guest Profile” to understand who is coming through our door
- ◆ Improve real estate selection
- ◆ Aid in prospecting decisions and promotional decisions over and above the obvious menu design and engineering benefits.



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Project  
Excellence  
Award!!**

## The Process

Silver Diner realized that these ambitious goals could not be achieved overnight. So, Silver Diner put together a plan to build this into a 360 degree process over a period of one year. Silver Diner is lean and did not want to add any additional overhead. It was therefore essential that any program require almost zero administration and that the technology solution be remotely deployable, reliable, flexible, web-based and real-time. In addition, the resulting intelligence had to be accessible to all company departments and several out-sourced partners, many of whom have limited computer experience.

Without a program in place to report on customer frequency and their spending habits, Silver Diner set out to develop a system that would allow them to track customer visits. It was determined early on that in addition to reporting on customer fre-

quency, the new system must be designed to reward those loyal patrons as well.

Work began on the program, code named “Blue Plate Club”, in March of 2003. With input from various departments within their organization, Silver Diner determined to create a system that would allow them to build a one to one relationship with their guests. To accomplish this task, it was decided to implement a customer loyalty program. It was also determined during the conceptual process that Silver Diner wanted more than just a recap of the number of times a customer visited their restaurants. They wanted to know which stores were being frequented and what their guests were purchasing. Guest check level detail was now a requirement of their new system. By having check level data, detailed

analysis could be performed on the purchasing habits.

Now that the Silver Diner had a rough design of the program, the next step was to select a vendor. Silver Diner teamed up with their store solutions vendor, MICROS Systems, to help them design their customer loyalty program.

During the next few months of working together, program specifications were developed. One of the hardest aspects of the program was developing the numerous rules the system would adhere to.

Many questions were raised during this time such as: how would points be awarded; do points ever expire, if so after how long; can I limit the times of day, or the number of times within a day, a card is used. The rules were finalized and implementation testing began.

Initial testing began in Silver Diner's corporate office, located in Rockville, Maryland. Mike Snow, Director of Information Technology, and his team began testing the new application in a lab environment. Within a short period of time (one month) the program was ready for unit level testing.

In June of 2003 two locations were selected for a live environment test. For the next month and a half Cherry Hill, NJ and Virginia Beach, VA tested the application. During this time the rules of the loyalty program were also fine tuned.

During the test period, dial-up networking was utilized to process loyalty transactions. It was

quickly determined that a high-speed solution was necessary to the success of the program.

Therefore, the next step was to build up the network infrastructure replacing dial-up with high speed broadband connections in all restaurants.

Another requirement of the system was that the data be available to both executive and unit-level management. The customer also needed a method for viewing the status of their Blue Plate Club Card account.

A pre-existing customer database of 250,000 was utilized to kick-off the project. These customers were invited to join the newly established Blue Plate Club through a combination of mailers and electronic mail.

In addition, a high profile promotion was kicked off that encouraged walk-in customer sign up and participation. Each participant, on each visit to a participating restaurant, was given a Blue Plate Club card which allowed them to electronically register to win a Ford T-bird. This allowed Silver Diner to build substantial frequency and spend intelligence even down to the favorite menu item.

Silver Diner was surprised at how many ate at its restaurants 5-days per week. They also quickly learned that appropriate electronic controls were needed to support loss prevention.

At the same time the marketing department continued developing material to support this new initiative. Table tents greeted each guest as they sat down promoting the benefits of becoming a Blue

Plate Club member. Special offers were made available to celebrate their special days (such as a birthday). The customer would receive a special newsletter that was only made available to members, and the customer would even have the opportunity to get their hands on some of the special Silver Diner recipes.

Silver Diner was extremely satisfied with the results in all markets. They harvested 37,000 new customer records and a 10% check participation. Silver Diner was able to benchmark its Blue Plate Club customers against anonymous Credit Card customers to compare frequency and spend. They were also able to compare customer involvement 90 days prior to sign-up to 90-days after sign-up.

While the core program was being driven in the DC market, two important tests were simultaneously held in two other geographically isolated markets. Silver Diner established a limited loyalty program that was easy to communicate to its guests and effortlessly rewarded them on every 5<sup>th</sup> visit.

These two tests proved highly successful and convinced Silver Diner that they needed to roll this out enterprise-wide as quickly as possible.

During the summer, comp sales were up 10%!

Starting in late July 2003 the remaining restaurants were brought live on the new loyalty program. As the rollout was progressing the next phase was about to begin.

Automated email distribution was launched in September 2003. In addition to receiving a simple welcome message when signing up for the program, more emphasis was placed on building that one-to-one relationship. Now a guest would receive a "personalized" email possibly thanking them for visiting X number of times within a given period, maybe acknowledging their reaching a certain spending level, or possibly sending them a coupon to enjoy on their birthday.

By the end of September all Silver Diner locations were live on the loyalty program and it was time to start Phase II. With the holiday season fast approaching, Silver Diner was looking for a simpler solution for their paper based gift certificates.

Continuing to work with their store solutions vendor, MICRO Systems, it was time to change from paper to plastic. Using the same technology and reporting features found in their loyalty program, a gift card program was implemented. Since the system was fully integrated into their point-of-sale system, it was extremely easy for the gift cards to be sold and redeemed.

Flexibility was added to the system as well. Because paper was usually limited to a few pre-printed amounts (\$25 & \$50), some sales opportunities were lost because a guest could not purchase the value they wanted, for example \$40.

Also during the holiday rush the process of selling a paper certificate was time consuming and disruptive to the sales and management staff.



The customer also gained benefits over the old paper based system. The gift card functions as a debit card. Now the customer no longer has to "cash out" the certificate if their purchase does not equal or exceed the value of the certificate.

At the same time the customer can use their new gift card as a debit card, "recharging" the card at any time. Via the web, the customer now has access to their accounts. They can see the balance on their card and their spending history as well.

During the fall of 2003, after the Gift Card program had been implemented, enhancements were made to the Blue Plate Club. This would be Phase III.

The first phase of the loyalty program was strictly used for customer tracking. Silver Diner could monitor the number of visits a guest was making, their spending history, and even the ability to see what individual items each of their loyalty customers was purchasing.

Phase III provided the capability of adding "value" to the loyalty program card. Now programs can be set up to "award" customers based on their purchasing habits. Awards, or values, do not have to be cash values. While one rule may be to award \$5.00 for every tenth visit, another rule may be to award one point for every dessert purchased. Points can either be stored up and used for a gift type redemption, or possibly "cashed out" once they reach a certain level producing a coupon which prints automatically at the point-of-sale terminal.

Like the Gift Card program, each member has the ability, via the web, to view their point balance in any of Silver Diner's loyalty programs.

In addition to the Blue Plate Club and Gift Card, Silver Diner has added a Blue Plate To Go Club and a Platinum Business Charge Card to their loyalty programs.

In December 2003, Silver Diner mailed 100,000 pre-activated Blue

Plate Club cards, each with an immediate \$5 value, obviously a substantial initiative for a company its size. Each recipient was recorded in its customer warehouse and their subsequent activity tracked real time.

Silver Diner restaurants are open from 7am to 2am and it is not un-common for them to serve 2000 guests requiring the IT infrastructure to be robust, scalable, and reliable.

Silver Diner's holiday volumes validated the business hypothesis and proved the solution.

Once customer level detail was obtained, Silver Diner needed a way to communicate with its customers. They did not want to spend a lot of time and effort maintaining this new system.

It had to be easy to use, easy to maintain, and operate in a real-time environment, to efficiently communicate with the customer. You couldn't send an email to a customer acknowledging an action that occurred over two months ago. An integrated e-mail marketing initiative was established.

Working with its solutions provider, MICROS System, Silver Diner implemented a targeted e-mail generator. This allowed it to automatically e-mail offers,

thanks, and other communiqués to its guests on certain store transactional events. For example, Silver Diner e-mail a "thanks" personalized by each manager when a customer received their first reward.

Once the initial foundation of the Blue Plate Club and Gift Card program was in place, Silver Diner was able to quickly build an effective TO GO program to support its corporate initiative to drive its TO GO sales. Participation in this program has been strong and they are now able to track the business potential from nearby companies. This will allow them later this year to target these companies for additional promotions.

All the 360 degree CRM related programs are centrally controlled via the web. Silver Diner is now able to see the immediate impact of its program because the data is being updated real time, and Silver Diner can also implement or refine the program literally in minutes simply by accessing its mymicros.net portal and changing or adding a promotion.

Again, this initiative has had a measurable effect on Silver Diner's comp sales which are up by 7% year to date.

## The Outcome

The program has been a huge success. The Silver Diner Blue Plate Club program is active in all of the 13 Silver Diner locations. This low cost program has a 20% usage rate and a 60% frequency rate.

To date over 80,000 customers in the Maryland, New Jersey, and Virginia area belong to the program.

Blue Plate Club transactions average 100 per day, per restaurant. Of all of the customers coming through the front door, 20% are Blue Plate Club members. In certain restaurants this number doubles the average rate of card carrying members, and represents 40% of the business. In addition 60% of these members visit multiple times during the month and 33% of the members dine at the restaurant more than once a week. And the program keeps growing, each month an average of 10,000 new customers sign up for the Blue Plate Club.

**Results have found that club members have a higher check average than non-club members and stress with a higher loyalty card usage rate, have a higher growth rate. Silver Diner's revenue is 5% above their long-term historical trend. They attribute half of this to the loyalty program, making the ROI approximately 350%.**



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