

Coffee Republic Brews Up RFID Loyalty Cards

The British coffee chain is issuing NFC-enabled smart cards, provided by sQuid, that customers can use to pay for food and drink, as well as earn discounts.

By Claire Swedberg

Dec. 17, 2008—British coffee house chain Coffee Republic is employing a Near Field Communications (NFC) contactless loyalty card system from sQuid to reduce lines and gain customer loyalty at three of its London locations.

Coffee Republic operates approximately 200 coffee shops, most within the United Kingdom. The restaurants sell coffee and other beverages, as well as snacks and sandwiches. Customers typically pay by cash or credit card, but the payment process is time-consuming, says Coffee Republic's general manager, Aruna Withane.

"One of the problems we've had in our shops," Withane says, "is that if you walk into the shop and take time to order and pay for the transaction, the wait can be long." Most customers don't carry small change, he notes, and have to pay for their food—such as a cup of coffee that costs £2 (\$3)—with large bills, or via credit card.

Not only is that system time-consuming, it can also be expensive, says Adam Smith, sQuid's managing director. A business pays a fee to credit card companies for each credit card transaction, he explains, as well as a fee to its bank when money received from cash transactions is deposited into its bank account, and the labor time spent counting and depositing the cash at the end of each day.

Following a four-month trial earlier this year with Barclays Bank, Coffee Republic began installing point-of-sale terminals that accept contactless payments from customers using the OneTouch Barclaycard, which contains the same 13.56 MHz passive RFID technology found in the Oyster Card used by the Transport for London for train rides. Customers can use Barclays contactless credit card at many of Coffee Republic's London restaurants as well as at other participating retailers. Withane indicates his company will continue to use the system, and promote it in the stores, though it found that the system held shortcomings for some of its customers.

Coffee Republic has a policy of generating repeat customers by offering loyalty programs. For every £20 (\$31) spent at one of its stores, a customer gains a free £2 purchase at one of the chain's locations. According to Withane, the company sought a way to provide that loyalty service—which is impossible with the Barclaycard—and also speed the POS transactions.

The result is the sQuid payment and loyalty card designed specifically for Coffee Republic. This card was introduced in three London-area coffee houses on Dec. 5. Similar to the Oyster card, as well as contactless MasterCard and Visa credit cards issued by Barclaycard and other banks, the sQuid card contains a contactless NFC 13.56 MHz Mifare chip that stores a unique ID number. When acquiring a sQuid card, a customer provides such personal data as his or her name, gender and age, as well as an e-mail address, which is loaded into the sQuid database and linked to the card's unique ID number. The customer can then load the

card with money, either at one of Coffee Republics' participating stores (by paying with cash or drawing money off a credit card), or online (using a credit card).

Once the sQuid card is loaded, the customer can use that card's prepaid balance to make a purchase by tapping it against a sQuid terminal, which reads the card's ID number and transmits that data to the sQuid database. There, the ID number is linked to information regarding the cardholder's account, including the balance and the amount spent at Coffee Republic, in the sQuid back-end system. The system is designed to automatically alert both the customer and the vendor with a visual message on the terminal display whenever that patron has spent £20, then offer a £2 discount off the customer's next purchase.

Currently, Withane says, the company is issuing 1,500 cards to customers in three London restaurants—a large shop at Bluewater Shopping Centre, an upscale shopping mall; a medium-sized store with more seating available, often used by business people working in the vicinity of Broadgate, a business area of the city; and, at the Canary Wharf business and shopping district, a small "grab and go" restaurant with limited seating. The objective, according to Withane, is to determine how well the card is received at these different restaurant formats and sizes, and then to base expansion plans accordingly.

"There's been a huge media push for contactless payment cards in London," Withane says, adding that as a result, London consumers are generally enthusiastic about the cards. "They walk in, top up the card and get started right away." After a week of the sQuid service, he says, customer interest has been high in all three stores—though in smaller towns, he expects customers would be slower to adopt the technology. After Coffee Republic evaluates the sQuid program's success at the three current locations, the company will determine if and how the system should be deployed throughout the rest of its stores.

The system can be utilized on existing NFC POS terminals used for MasterCard and Visa contactless cards, Withane says. For the pilot, however, the sQuid cards are employing separate terminals to better track the number of times they are used.

The third benefit for Coffee Republic, in addition to shorter wait times at the sales counter and increased consumer loyalty, is the ability the service provides the company to access its customers by demographic, or in general. For example, although all personal customer data resides on sQuid's database, the company can access anonymous demographic data, such as the ages or genders of customers at any particular location or time. It can also instruct sQuid to send, for instance, a thank-you message to all of its patrons via e-mail, offering them a free coffee or other promotion.

According to Smith, the sQuid system costs a merchant, at maximum, a 1.5 percent fee for each purchase. That's about the same price a merchant pays for a credit card transaction, Withane says.

RELATED_ARTICLES "The food-and-beverage industry can't negotiate cheaper rates [for credit card transactions], as we do small volumes of low-ticket transactions," Withane says. The sQuid system, he indicates, still saves Coffee Republic money. "We must remember that they administer the payment system along with the loyalty system," he notes, "so it's a heavier workload for a similar remuneration."

What's more, Withane adds, sQuid has become more attractive as consumers are steering away from their credit cards due to economic problems. As an alternative to the card, shoppers feel they have greater control over expenditures since they come out of a prepaid account. The smart card also makes it possible for those who have gone beyond their credit card limit to pay for purchases.