GO-Tag™ Stickers: American Dairy Queen Corporation's Employee Incentive Solution

→ **CLIENT**
American Dairy Queen Corporation

→ **CHALLENGE**
American Dairy Queen wanted a better solution —a simpler way to reward its employees, one that would increase employee participation, eliminate coupon fraud and significantly reduce manual labor involved in managing the incentive program

→ **SOLUTION**
A reloadable spending card and GO-Tag™ Sticker

→ Burdened with an employee incentive program that was costly and time-consuming to manage—and one that was often not even used by the employees it was intended to reward—American Dairy Queen sought a better solution. It found one: a simple, convenient solution that may have broader implications for its business.

DAIRY QUEEN® AND THE EMPLOYEE INCENTIVE DILEMMA

With more than 5,700 restaurants in 24 countries, *Dairy Queen* is one of the world's best-known purveyors of great food and soft-serve ice cream treats. At its corporate headquarters in Minneapolis, employees perform many activities that support the *Dairy Queen* system's extensive franchise operations.

American Dairy Queen Corporation (ADQ) has long had an incentive program for its corporate employees that consisted of issuing them three $5 paper coupons each quarter. Employees could redeem the coupons at a corporate-owned-and-operated *DQ Grill & Chill*® restaurant located across the street from its world headquarters. If employees wanted to buy something with one of the coupons, they would simply place their order in the typical way and then pay with one or more coupons.

If the value of a purchase exceeded the value of the coupon(s), the employee would pay the difference out of pocket. On the other hand, if the value of the coupon exceeded the cost of the purchase (if he or she paid for a $2.50 item with a $5 coupon, for example), the employee would not receive change back in the transaction.

Managers at the *DQ Grill & Chill* restaurant would send the collected coupons back to corporate headquarters and receive reimbursement for the full value of the coupons. This worked to the restaurant's advantage, because with coupons at even $5 denominations, people often "overpaid" with coupons for the items they purchased, and with the restaurant keeping the difference.

The paper coupon program was adequate; however, it was also fraught with complexity. Problematic issues associated with managing the system included all of the following:

→ Coupons needed to be printed and manually delivered to employees

→ Because coupons had expiration dates (which the *DQ Grill & Chill* restaurant often did not strictly enforce), sheets needed to be printed in different colors to distinguish between different payout quarters

→ Employees did not use the coupons as much as management hoped they would

→ The restaurant had to manually remit coupons to corporate headquarters for reimbursement

→ Corporate accounting had to manually count and process the coupons, calculate the amount of reimbursement and disburse the funds to the restaurant.

Costs associated with manually handling the employee coupon incentive program were high, and in addition to that, the coupons were easy to duplicate and could potentially be used fraudulently.

ADQ wanted a better solution—a simpler way to reward its employees, one that would increase employee participation, eliminate coupon fraud and significantly reduce manual labor involved in managing the incentive program.

Where could it find such a solution?

ENTER FIRST DATA AND RELOADABLE CONTACTLESS GO-TAG™ STICKERS

Like most franchised restaurant chains, the *Dairy Queen* system accepts credit, debit and gift cards along with other types of payments. Its partner in payment processing is First Data, the world's largest provider of such services. The two organizations met routinely in brainstorming sessions to exchange information on new products and services. During one such session, Dairy Queen officials mentioned the difficulties they were experiencing with their employee rewards program.

From First Data's perspective, the solution was immediate, clear and simple: replace the paper coupons with a reloadable spending card and GO-Tag™ sticker.

GO-Tag solutions are a convenient contactless form factor that work like spending cards or reloadable gift cards. They can be adhered to a convenient personal item—like an employee badge or mobile phone—and store prepaid funds used for payments. They store track data normally found on a traditional magnetic-stripe gift card; however, they use an embedded radio frequency (RF) chip to communicate that information through radio waves to a specially equipped contactless reader at the point of sale. So, instead of swiping a card through a credit or debit card terminal at checkout, you simply tap the GO-Tag sticker to the reader.

One feature, in particular, of this reloadable solution that made this the perfect fit for ADQ: individual stickers could be associated with individual prepaid accounts. So, when an employee made a purchase with a GO-Tag sticker, his or her employee incentive account would automatically be debited by the amount of the purchase (similar to the way a personal debit card is tied to that person's checking account). This meant that at the beginning of each quarter, instead of issuing paper coupons to employees, ADQ simply transferred $15 electronically to each employee's incentive account.

Of course, other obvious benefits include the total elimination of the printing, distributing, collecting and tabulating of coupons. Furthermore, *Dairy Queen* corporate employees would no longer "overpay" the restaurant for purchases made under the old coupon system—and they now had the flexibility to redeem their rewards at any *Dairy Queen* location. And *Dairy Queen* restaurants would see the cash for employee incentive purchases deposited the same day, just like any other gift card purchase.

How GO-Tag Stickers Work

→ **Step 1:**
Employee attaches his or her GO-Tag sticker to a personal item like an employee badge or mobile phone. The GO-Tag sticker stores the data normally found on a traditional magnetic-stripe gift card.

→ **Step 2:**
To make a purchase, the employee holds his or her GO-Tag sticker in close proximity to a contactless reader. Once close enough, data is passed from the sticker to the reader using radio frequency technology.

→ **Step 3:**
The reader then transmits the data to the point-of-sale (POS) device where it is handled like any gift card payment and sent to the gift card processor to authorize the transaction.

→ **Step 4:**
The gift card processor returns the transaction approval and response message to the POS device, and the transaction is completed all without the user having to swipe a card or sign a receipt.

DEPLOYING A CONVENIENT RELOADABLE INCENTIVE PROGRAM SOLUTION

Because First Data GO-Tag stickers would be tied to prepaid accounts, First Data implemented a GO-Tag solution for the *Dairy Queen* system that worked in two different ways. Employees would receive a reloadable magnetic-stripe spending card, as well as a GO-Tag sticker—a convenient contactless form factor. Both the reloadable GO-Tag sticker and companion card would access and debit funds from the same employee incentive account.

This dual approach allows employees to use the rewards program at any *Dairy Queen* location, regardless of the individual restaurant's use of contactless readers. If a restaurant has a contactless reader, the sticker can be used there. If it doesn't, the traditional magnetic-stripe card is the backup solution.

First Data also provided the ADQ information systems team with a batch activation process that automated the upload of funds into employee prepaid accounts on a quarterly basis. Plus, both management and employees can reload accounts with additional funds whenever they like, using an online account registration and reload process—making the incentive program more flexible than could ever have been possible when it was based on paper coupons.

The program has been hugely successful, says Chris Schwanz, *Dairy Queen* National Accounts Program Manager. "A great thing about having the GO-Tag solution is that we are able to use First Data's batch activation process. This eliminated the cumbersome paper trail and manual processes that we had before."

From the perspective of changing from a manual process to electronic one, Schwanz and ADQ are very pleased with the new employee rewards program. No technical issues have resulted from the use of the GO-Tag stickers, despite concerns that the new technology might create challenges.

Franchise owners, too, are happy with the new solution. "It's just like any other transaction as far as franchisees are concerned," says Schwanz. "I think we've knocked it out of the park with the GO-Tag solution. In fact, GO-Tag stickers have become part of our corporate culture. Employees are highly satisfied with the program, and the whole process is incredibly easy."

Besides convenience, Schwanz notes that there is also a "cool" factor with the the GO-Tag form factor. Employees like having the sticker on their employee badge or mobile phone, and they like showing others how to use it when they visit *Dairy Queen* restaurants. The contactless readers allow employees to just walk up and tap the card while the cashier is still taking the order. When the cashier gets to the payment screen, the personal account number is already loaded and approved.

The only challenge with the new employee rewards program has come in training employees at the franchised restaurants how to accept the GO-Tag sticker payments. New employees are often unfamiliar with the technology and need to be trained. It's a simple process, however, and as contactless payments become more common, cashiers will become more familiar with this kind of transaction.

There is virtually no learning curve from the customer perspective. One tap of the GO-Tag sticker and they get the hang of it.

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> Program Manager

LOOKING BEYOND THE INCENTIVE PROGRAM

Making the incentive program so convenient to use and administer was an excellent way to boost employee participation and improve operational efficiency, but could this new technology somehow be extended to other aspects of *Dairy Queen's* business?

At the time ADQ moved from paper coupons to GO-Tag stickers for its employee incentive program, about half of its U.S. restaurants were equipped with contactless readers at the checkouts. Its strategy has been to roll out new contactless payment technology in major metropolitan areas first, because urban and suburban populations typically adopt new payment methods more rapidly. However, ADQ plans to eventually have all of its restaurants able to accept contactless payments. Its corporate sales, marketing and information technology teams see it as a critical move for franchisees who want to improve speed of service and provide more payment options to customers.

CONCLUSION

Contactless payments are ideal for merchants for whom transaction speed is critical to customer satisfaction and reducing cost of sales. The *Dairy Queen* system's use of First Data's reloadable solution in the form of contactless GO-Tag stickers to replace paper coupons and streamline its employee incentive program has revealed many other advantages of contactless prepaid payment solutions. These include:

1. **Real-time transaction processing using an existing prepaid infrastructure.** This feature dramatically reduces the manual labor involved in tracking and managing the employee rewards program and provides immediate payment to the restaurant.

2. **Easy online program management.** This streamlines the program for the corporate human resources employees administrating the program, reducing associated costs.

3. **Seamless integration with existing contactless readers.** This increased use of the employee rewards program substantially.

4. **Easy online reload and account registration.** This feature allows ADQ employees to reload their account with additional funds at any time.

5. **Fraud protection using real-time transaction processing and reporting.** The security of contactless transactions and the fact that GO-Tag stickers stay with the person who owns the account has eliminated the coupon fraud experienced in the paper-based program.

First Data's reloadable GO-Tag products offer a simple and exciting brand-building opportunity that can help many types of merchants expand their businesses. If you would like to know more about the *Dairy Queen*/First Data partnership or have questions about how a First Data GO-Tag solution could be applied in your business environment, please visit firstdata.com.

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