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WHAT TACO BELL'S NEW TACO SUBSCRIPTION SIGNALS FOR LOYALTY MARKETING

Industry experts weigh in on the new Taco Lover's Pass



By [Jon Springer](#). Published on January 07, 2022.



Credit: Taco Bell

Subscription-based loyalty is arriving in the fast-food world, as brands seek new ways to boost purchases and gain a direct line to diners that isn't necessarily compromised by third-party delivery apps.

Taco Bell this week launched nationally what it's calling the Taco Lover's Pass, which offers its app holders a free taco every day for 30 days after they purchase a \$10 subscription. This followed a handful of other subscriptions that have popped up in recent months, involving brands such as Mexican casual restaurant chain On the Border and Panera Bread.

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In all of these schemes, chains are banking on discounts on frequently-purchased items to drive visit frequency while gathering first-party customer data. A variety of marketing industry professionals said they see the promise of deeper loyalty through these programs—in part because

they skirt interlopers in the value chain and can inspire customers to try items they might otherwise skip—but some expressed reservations, seeing them primarily as glorified deep price promotions with limited novelty.

A no-brainer?

Taco Bell is promoting the launch of its new offering on social channels and on the app itself, where subscribers will find the deals in an area hidden to nonsubscribers.

“This program appears to be a good value for consumers if they eat at Taco Bell a lot,” Kimberly Whitler, an associate professor of business at the University of Virginia’s Darden Business School, said in an email. “Information online suggests a taco at Taco Bell can cost about \$1.70. The potential value of 30 days of tacos is roughly \$51, excluding taxes. So, if a consumer uses the subscription daily, they are paying \$10 for over \$50 of food. Taco Bell, in turn, hopes that consumers will become more regular consumers of the restaurant, but they also benefit from any additional purchases made, such as drinks, and additional food items.”

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Whitler said she sees the Taco Pass as a “no-brainer” for its frequent diners; a temptation for those who do a cost-benefit analysis; and a potential way for Taco Bell to steal trips from other chains.



The company is rolling the program out nationally following a test run at 17 restaurants in the Tucson, Arizona market in September. Results there were encouraging, officials said, with 20% of pass purchasers new

Credit: Taco Bell

to the chain's rewards program, and another 20% renewing their membership concurrent with the offer. The Doritos Locos Taco Supreme was the most-redeemed offering, the chain said.

Taco Bell's rewards program uses the app to track purchases, earning points that can be redeemed for discounts on future visits.

Given the figures in Tucson, "it is safe to presume that the incremental business generated and deeper customer engagement more than offset the incremental cost to the company," Whitler concluded.

No more sharing data

The pandemic-sparked rise of online loyalty in the restaurant industry has been accompanied by the home-delivery and curbside pickup boom. But those offerings have come almost exclusively in partnership with third-party tech firms like DoorDash and Grubhub that extract customer data from the chains with every delivery. This comes with the potential drawback that those companies in turn will use that information to launch competing businesses, like DoorDash's DashMart store, making the offer of online customer convenience something of a double-edged tradeoff for restaurants.

Programs like the Taco Lover's Pass can address this dilemma by generating digital sales that bypass those interlopers in the value chain, said Aaron Goldman, chief marketing officer at Mediaocean, an ad tech platform.

"Restaurants have been at the mercy of these middle companies for the last couple of years as consumers pivoted to finding new ways to get food," Goldman said. "This will help Taco Bell get more app downloads without having to involve them."

The offering also echoes themes running through various promotions in the restaurant space that essentially get existing menu items to work harder, and don't require the expense or complexity of new-item launches and other operational changes. Packaged celebrity meals that have swept the industry since 2020 are a prime example, including McDonald's successful "Famous Orders" marketing.

Other new subscription programs pushing existing items include On the Border's deal that gives Border Rewards members free queso for a year with a \$1 membership fee. Panera Bread in 2020 launched a monthly coffee subscription for \$8.99 allowing its customers to receive unlimited free coffee and tea; its rival Pret a Manger now offers a tiered program offering unlimited free beverages for an annual fee of \$29.99, or \$19.99 for coffee and tea only.

“When you’re a mature brand it becomes increasingly difficult to drive growth,” said Barbara Yolles, CEO of Ludwig+, a Detroit area marketing and advertising firm. “You only have certain levers, and these become apparent over time. You can build more stores, play with pricing, add new dayparts or taste profiles, introduce new products, or in Taco Bell’s case, get lovers of your products and brand to repeat visit. The frequent taco lover program is brilliant to help inspire loyalty and to create advocacy among valued customers.”

The discount will also ease customer apprehension at exploring different items, Yolles said.

“The key to success here is the cross-sell when the customer comes into the store, otherwise they may be ‘taco’ed out’ by day 30,” Yolles continued. “I would imagine they’re really banking on a taco a day for 10 days. That will drive great bottom-line margin. In the end, the app data will definitely help uncover that, but ultimately, we see this as a great tactic that Taco Bell is employing.”

A well-dressed deep discount?

Denise Lee Yohn, a brand leadership expert, author and consultant, sees the Taco Bell subscription program driving more frequent purchases for consumers and delivering data to the brand. Its relative novelty in the fast-food field—for now, at least—can also turn into an advantage for the chain, she said.

“Only a few competitors in the restaurant category have done something like this, so it’s something that can stand out as unique enough that consumers will participate in it, and will want to share it socially,” Lee Yohn said. “Eventually, everyone will be doing something like this, and the uniqueness will wear off.”

Yolles agreed, saying “I wouldn’t be surprised if once the numbers come out on this project and they are positive, that we see competitors offer a dollar-menu hamburger a day for 30 days or something similar.”

Others are less taken by the uniqueness of the offer. Robert Passikoff, president of the brand loyalty researcher Brand Keys, put it bluntly: “It’s a digital price promotion. For tacos.”

Passikoff said he expects the chain’s benefit will lie in offering more tacos than its customers will ultimately redeem. He took particular issue with press materials accompanying the launch that suggested the program as a solution for Taco Bell fans whose New Year’s resolutions involved the brand.

“Just saying,” he remarked, “in 38 years of doing New Year’s resolution surveys, nobody ever mentioned anything related to expressing their love for Taco Bell.”

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