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Letter of Transmittal

FROM: Aykhan Pashayev, Carlos Caruncho, Michael Clark, Sebastian Espana

TO: Noble 33 Management

DATE: 3/27/2025

SUBJECT: Implementing a Premium Membership Program for Noble 33

Dear Noble 33 Management,

We are excited to present to you, the recommendation report titled “Implementing a Premium Membership Program for Noble 33”. The report highlights our analysis and recommendations targeted at improving your customer’s experience and giving them special rewards for being loyal Noble 33 restaurant customers.

Our team conducted an in depth analysis, which included collecting valuable feedback from clients and researching effective industry practices. Based on our results, we suggest a tiered premium membership package tailored to Noble 33’s needs and interests.

If you have any questions, please do not hesitate to contact support@vamco.com via email or (315) 315-5515 via phone.

Sincerely,

Aykhan Pashayev
Carlos Caruncho
Michael Clark
Sebastian Espana



Recommendation Report

Premium Membership Program for Noble 33

*Prepared for valued customer
of VAMCO, Noble 33*



Prepared by:
Aykhan Pashayev
Carlos Caruncho
Michael Clark
Sebastian Espana

Executive Summary

To determine the best strategy for implementing a premium membership program across all Noble 33 restaurant concepts, our team was tasked with developing a comprehensive plan that would increase customer engagement and improve overall profit margins. Noble 33 expressed interest in launching a loyalty-based initiative to enhance guest experiences and drive revenue.

Currently, not all Noble 33 restaurants are equally profitable, and some loyal customers have expressed dissatisfaction with the lack of exclusive rewards, despite regular spending. Additionally, customer feedback indicated a desire to support the company more directly, suggesting a paid membership could meet both financial and engagement goals.

To carry out this study, we researched existing loyalty programs within the hospitality industry, examined industry trends, analyzed customer feedback, and evaluated best practices. We developed implementation guidelines and a proposed schedule based on successful models and company-specific needs.

Our research suggests that a premium membership program could significantly increase customer retention, boost revenue, and strengthen brand loyalty—if executed correctly. However, general program design must be tailored to core customer expectations and operational constraints.

We identified four criteria to evaluate potential membership models:

- **Customer Retention Potential**
- **Revenue Generation**
- **Brand Alignment**
- **Feasibility**

We recommend two potential courses of action:

1. Reassessing the cost criteria and identifying a pricing model that balances value for customers and profitability.
2. Pilot testing the program in selected locations to gather data before full implementation.

We believe that with careful planning and alignment with Noble 33's brand identity, a premium membership program could offer a sustainable and profitable solution.

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Introduction

At the request of William Mesa, General Manager at Sparrow Italia, our team conducted a strategic analysis to assess the feasibility and benefits of implementing a premium membership program across Noble 33's restaurant concepts. The goal of this report is twofold: to help Noble 33 better understand how a membership model can increase customer retention and revenue, and to provide clear, research-driven recommendations for designing and launching such a program.

Noble 33 currently does not offer a structured loyalty system, despite having a dedicated customer base and strong brand recognition in the upscale dining space. Feedback from both management and patrons has revealed a clear interest in exclusive benefits, rewards, and experiences that deepen brand connection. This report seeks to bridge that gap by evaluating models that are not only profitable, but also brand-aligned and appealing to the company's core clientele.

To support our analysis, we reviewed academic and industry research on loyalty programs, customer behavior, and membership psychology. Studies show that in the context of fine dining, customers prefer luxury, hedonic rewards—such as exclusive experiences—over traditional points-based systems (Jang & Mattila, 2006). While researching the effectiveness of memberships within the luxury hospitality space, we identified social identity as a key component for the success of Noble 33's membership program. A study focused on luxury hotel memberships found that collective self-esteem, derived from association with high-status brands, significantly influences customer loyalty and emotional engagement (Shin, 2022). This finding reinforces the importance of designing a program based around the brand and its esteem.

In addition to emotional value, we also considered behavioral drivers such as the sunk cost effect. Research shows that when customers pay an upfront fee to join a membership program, they are more likely to stay engaged and continue spending in order to justify that initial investment, thereby avoiding feelings of regret (Jang & Mattila, 2023). This principle supports the idea that a paid membership model can not only drive repeat business but also increase the perceived value of the program over time.

This report outlines program structures, evaluation criteria, and implementation strategies that reflect Noble 33's premium brand values and customer expectations. Our findings offer Noble 33 a pathway to not only increase profitability but also build a sustainable loyalty ecosystem that supports long-term growth.

Research Methods

To begin our research we spoke with William Mesa, general manager of Sparrow Italia, one of the fine dining establishments from Noble 33's portfolio. During our meeting Mr. Mesa expressed the group's interest in developing a membership system that would reward loyal customers while also supporting underperforming restaurants within the portfolio. The primary goal of the membership program is to strengthen customer loyalty while also increasing traffic

across all Noble 33 locations by encouraging members to explore the full range of dining experiences the brand has to offer.

Based on this conversation we began to research academic journals in order to deduce what kind of membership system would be of greatest benefit to noble 33 immediately Our research quickly highlighted a critical decision point: whether to adopt a monetary rewards system (e.g., points-based discounts) or a non-monetary rewards system centered around exclusive experiences. According to Jang and Mattila (2006), customers in casual dining contexts often value immediate, financial incentives over experiential benefits. However, research by Shin (2022) suggests that in the luxury hospitality context, hedonic rewards—such as personalized perks, exclusive access, and elevated brand identity—play a much more significant role in customer retention and advocacy.

To evaluate which reward structure Noble 33 should adopt, we developed a set of criteria based on our findings, the company's brand identity, and operational needs.

Criteria for evaluation

- **Customer Retention Potential**
- **Revenue Generation**
- **Brand Alignment**
- **Feasibility**

These criteria guided our analysis of potential membership structures and allowed us to assess which model would be most effective in enhancing both customer loyalty and overall business performance.

How Criteria Were Applied:

- **Customer Retention:** We examined loyalty programs in the luxury hospitality field and assessed their success in boosting repeat visits. Programs offering personalized rewards and experiences scored higher in retention potential.
- **Revenue Generation:** The program's ability to drive increased traffic and sales across Noble 33 locations, primarily through word-of-mouth referrals influenced by the exclusivity and perceived value of membership.
- **Brand Alignment:** Options were evaluated for how well they fit within Noble 33's brand image, which emphasizes high-quality customer experiences.
- **Feasibility:** The practicality of implementing the program across all restaurant locations without disrupting existing operations or service quality.

Results

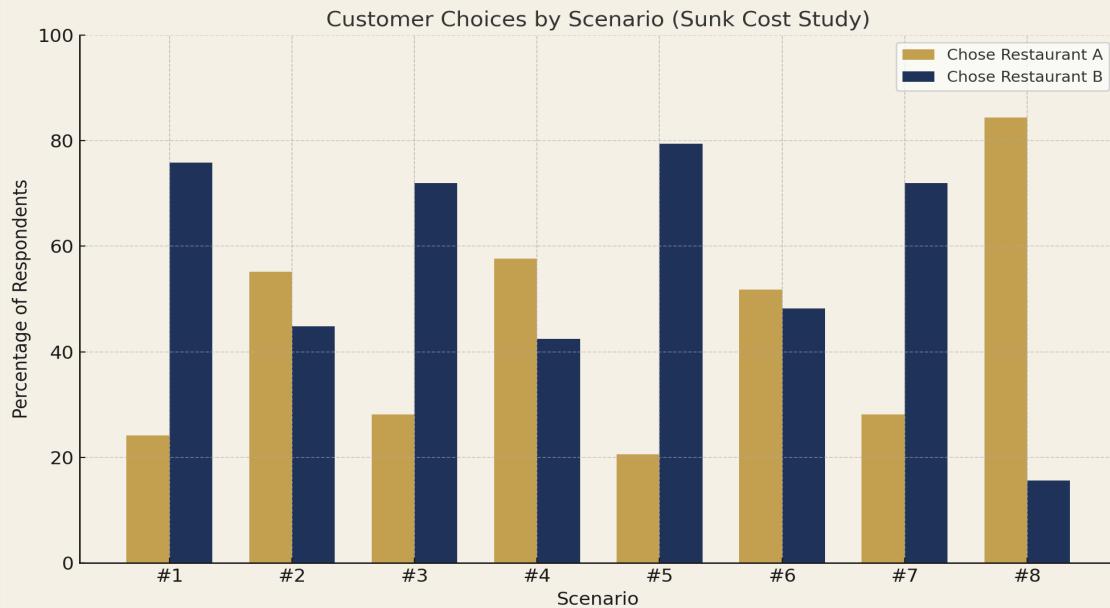
Findings:

Our research revealed several key insights that inform the design and expected impact of a premium membership program for Noble 33.

First, in the context of luxury hospitality, brand exclusivity and perceived prestige play a significant role in customer behavior. Studies show that when customers associate a brand with high social or collective self-esteem, they are more likely to remain loyal and recommend the brand to others (Shin, 2022). This emotional identification with the brand serves as a powerful driver of word-of-mouth referrals, which in turn can increase traffic across multiple restaurant locations.

Second, analysis of sunk cost behavior indicates that membership fees can deepen customer commitment. Even when presented with a clearly superior and free alternative, 20–28% of customers continued to choose a restaurant they had already paid to join (Jang & Mattila, 2023). This suggests that a modest upfront fee not only adds to the exclusivity of the membership but also encourages customer retention through psychological investment. Figure 1 illustrates this trend across eight experimental conditions, where a notable portion of respondents favored the paid membership option despite better alternatives being available.

Finally, customer reward preferences vary depending on the dining context. In fast food or casual dining settings, customers tend to favor immediate, monetary rewards such as discounts or cashback (Jang & Mattila, 2006). However, in upscale environments, experiential and status-based rewards—such as exclusive access, premium service, or personalized perks are more highly valued. These findings reinforce the importance of designing a membership program that aligns with Noble 33's luxury brand and delivers benefits that go beyond transactional value.



*Figure 1: Loyalty based on sunk cost analysis
 See appendix A for scenarios*



Figure 2

Estimated relationship between perceived brand and membership prestige and likelihood of word-of-mouth (WOM) referrals. This graph is a visual model based on findings from Shin (2022), which reported a correlation of $r = 0.66$ between these variables. Values shown are illustrative estimates only. Detailed data and correlation analysis are provided in Appendix C.

Possible Solutions:

- **Option 1:** Basic discounts, fixed amount of discount on menu items, easy to understand and cheap to run.
- **Option 2:** A points-based system where customers earn rewards for every dollar spent, which can be redeemed for exclusive offers.
- **Option 3:** A tiered membership with different levels of benefits (e.g., gold, silver, and platinum levels offering progressively more exclusive perks).
- All options compared to each other in table below: (*See figure 3*)

Solution Type	Cost	Revenue Impact	Brand Fit
Basic Discounts	Low	Medium	Low
Points-based Rewards	Medium	Medium	Low
Tiered Membership	Medium	High	High

Figure 3: Table of possible solutions

Conclusion

What does all the information mean?

Based on our research, it's clear that a membership program can strengthen customer loyalty and traffic by making guests feel like they're part of something exclusive. People want more than just discounts—they want to feel like insiders. Not every program has the same effect though. Simple point-based or discount-driven models don't align with the expectations of a fine dining clientele. Instead, offering things like access to members-only spaces, priority reservations, and personalized perks adds real value and makes the program stand out in a competitive market.

What is most relevant?

The most relevant insight is that tiered membership programs with exclusive benefits build stronger customer loyalty. When guests receive personalized perks and access that feel truly special, it creates a deeper connection with the brand. This approach fits well with Noble 33's focus on high-quality service and an elevated, exclusive dining experience.

What wasn't as important as we thought?

The focus on simply offering discounts alone was found to be less appealing compared to programs that include special perks and exclusive access.

Final Recommendation

Based on the findings and analysis, the following recommendations are made for Noble 33:

1. **Implement a Tiered Membership Program:** Create a membership program with different levels that offer escalating benefits. This could include:
 - *Gold Level:* Access to member-only spaces and a 10% discount on all purchases (*See figure 4*).



Figure 4: Noble 33 Gold premium membership card

- *Platinum Level:* All the benefits of Gold, plus exclusive invitations, members-only events and a 20% discount (*See figure 5*).



Figure 5: Noble 33 Platinum premium membership card



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- 2. **Marketing Strategy:** Develop a targeted marketing campaign to promote the membership program, highlighting its exclusivity and the personalized experiences customers will receive.
 - 3. **Customer Engagement:** Use customer data to tailor rewards and offers, enhancing the experience for each member.

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Glossary and list of terms

Key Terms Used in the Report:

- **Premium Membership Program:** A subscription-based model offering exclusive benefits to loyal customers.
- **Customer Loyalty:** The likelihood of customers to continue buying from a business due to their satisfaction and engagement.
- **Tiered Membership:** A membership structure that offers varying levels of benefits based on customer engagement or spending.
- **GM:** General Manager.
- **DOO:** Director of operations.

References

- *Jang, D., Mattila, A. S., & Bai, B. (2007). Restaurant membership fee and customer choice: The effects of sunk cost and feelings of regret. International Journal of Hospitality Management, 26(3), 687–697. <https://doi.org/10.1016/j.ijhm.2006.06.001>*
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- *Shin, M., Back, K.-J., Lee, C.-K., & Lee, Y.-S. (2021). The Loyalty Program for Our Self-Esteem: The Role of Collective Self-Esteem in Luxury Hotel Membership Programs. Cornell Hospitality Quarterly, 63(1), 19-32. <https://doi.org/10.1177/19389655211017449> (Original work published 2022)*

Appendices

Appendix A:

Customer Choice Behavior by Scenario – Sunk Cost Experiment (Adapted from Jang & Mattila, 2023)

Scenario	Restaurant A Membership Fee	Restaurant B Quality	Restaurant B Membership Fee	% Chose Restaurant A	% Chose Restaurant B
1	\$100	Far better	\$0	24.2%	75.8%
2	\$100	Almost same	\$0	55.2%	44.8%
3	\$100	Far better	\$10	28.1%	71.9%
4	\$100	Almost same	\$10	57.6%	42.4%
5	\$10	Far better	\$0	20.6%	79.4%
6	\$10	Almost same	\$0	51.8%	48.2%
7	\$10	Far better	\$10	28.1%	71.9%
8	\$10	Almost same	\$10	84.4%	15.6%

Appendix B:

Correlation with WOM Referrals (Shin, 2022)

Variable	Correlation with WOM (r)	Interpretation
CSE: Membership Esteem	0.54	Moderate positive
CSE: Private Esteem	0.73	Strong positive
CSE: Public Esteem (<i>Brand Prestige</i>)	0.66	Moderate to strong positive
CSE: Importance to Identity	0.41	Moderate positive
Commitment	0.75	Strong positive
Switching Resistance	0.63	Moderate to strong positive