GO TECHNOLOGY

Insight by Zonal, Powered by CGA by NIQ

Brand loyalty in hospitality

Consumers' likelihood to switch brands and the type of communications and loyalty schemes that will keep them coming back: results from an exclusive GO Technology survey



Zonal

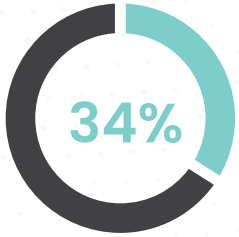
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GO Technology Report, September 2024

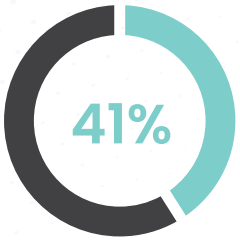
Brand loyalty in hospitality: Key numbers



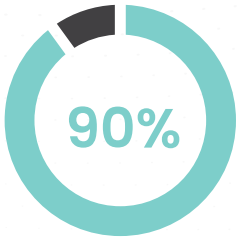
of hospitality consumers are **very or somewhat likely** to switch to a competitor



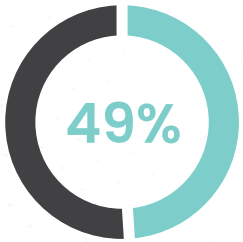
of restaurant users are likely to switch—more than visitors to **pubs (29%)** and **bars (30%)**



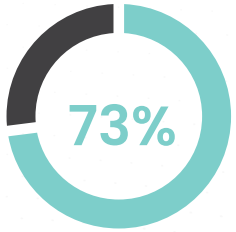
of 25 to 44 year-olds **are likely to move to a rival venue**



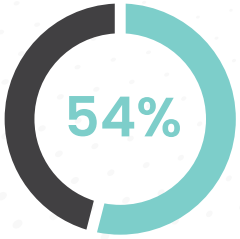
are **open** to joining a loyalty scheme



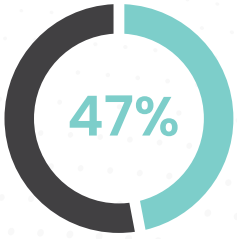
find member-only prices appealing—the most popular form of loyalty scheme



are **happy to be contacted** by their favourite restaurants, pubs or bars



want to hear about **deals and rewards** from their favourite venues—the most popular type of offer



want to get communications by email—by far the most popular method





GO Technology Report, September 2024

Switching venues: who's moving and who's staying loyal

As in most consumer sectors, loyalty in hospitality is fragile. Nearly a third **(31%)** of restaurant, pub and bar users say they are very or somewhat likely to switch to a competitor. This reflects the very high expectations of consumers—especially at a time when spending is tight—and the level of competition in the sector. With so many alternatives, it doesn't take much to lose these guests to a rival, sometimes for good, so their loyalty must be earned and nurtured.

Among other areas of consumer spending, restaurants, pubs and bars command a little more loyalty than energy supplier (**35%** of consumers are likely to switch to a competitor energy supplier) or utility providers **(35%)**. But the likelihood of switching is on a par with users of supermarkets **(31%)**, gyms **(32%)** and phone networks **(32%)**. Hospitality venues may provide special experiences, but that doesn't mean guests are any more likely to stay loyal to them.

Loyalty varies significantly between consumer groups too. Here are five top takeaways from the demographics of switching:

1. Pubs and bars hold greater loyalty than restaurants

Consumers are notably less likely to remain loyal to restaurants than to other hospitality venues. Just over a third **(34%)** say they are likely to switch to another restaurant, compared to **29%** and **30%** for pubs and bars. This may partly be down to the higher spend and expectations that restaurants attract, partly a result of consumers' desire to try different types of cuisine, and partly because some consumers feel greater attachment to their local pub or bar than a restaurant.





2. Younger adults are most likely to switch

Across all business sectors, younger consumers are much readier to move to competitors than older ones. Those aged 18 to 24 are 7 percentage points more likely than average to switch to another restaurant, pub and bar, while those in the 25 to 34 and 35 to 44 age brackets are respectively 10 and 11 percentage points more likely. These younger adults have had less time to grow affinity towards hospitality venues and tend to be more experimental and adventurous in their eating and drinking out.

3. Older consumers stay loyal

By contrast, older adults tend to stick to the restaurants, pubs and bars they know and trust. Only **16%** of those aged 65+ are very or somewhat likely to switch to a competitor—barely half the all-consumer average of **31%**. These hospitality guests have spent several decades getting toknow their favourite places and are reassured by the knowledge that they'll get what they expect there.

4. Parents are more likely to stick to what they know

Parents are significantly more loyal to restaurants, pubs and bars than average—perhaps because they like visiting venues they are confident will keep their children happy. Only **26%** of parents say they are likely to switch to a competitor, compared to **37%** of non-parents, who are more adventurous in their choices and often have more disposable income.

5. Regular visitors are more fickle

The more often consumers visit restaurants, pubs and bars, the less loyal they are. Two in five **(41%)** of those who eat or drink out weekly say they are very or somewhat likely to switch their hospitality venue—17 percentage points more than the **24%** of less frequent visitors. Weekly visitors are hospitality's most lucrative guests, but it can be tough to secure their loyalty.

Getting communications right

GO Technology research consistently shows that the best way to generate loyalty is by consistently delivering on the fundamentals of hospitality—great food, drink, service and atmosphere. But out-of-venue communications can be a powerful way to keep guests coming back and prevent them slipping away to rival venues.

Consumers are generally open to communications, and only a quarter **(27%)** don't want to be contacted at all by a restaurant, pub or bar. As with most aspects of loyalty, sentiment varies widely from demographic to demographic. Only **20%** of 25 to 34 year-olds don't want to be contacted at all, compared to **40%** of those aged 65+. Parents and regular visitors to hospitality are much more open to communications than non-parents and infrequent guests.

Consumers get such a high volume of communications that it's vital to understand exactly what people want and how they want to receive it (see next page). It's also important to get the frequency right. Less may be more here, because only **30%** want to hear from their favourite venues at least weekly—fewer than those who want messages monthly **(36%)**.

Again, younger adults are much more likely to expect frequent communications than older people. Men, parents and regular guests are all much more likely to welcome weekly news. These significant variations highlight the need for targeted and segmented communications that balance regular engagement with overload.





What consumers want...

It's perhaps no surprise that consumers are most likely to want to hear from venues about ways to save them money, but they're open to hearing other news too. Older consumers and occasional guests are more likely to be interested in most of these communications—especially deals and rewards—than younger adults and weekly visitors.

What do you want to hear about from your favourite pubs, bars

- **54%** 1. Deals and rewards
- **44%** 2. New menu items
- **39%** 3. Price changes
- **34%** 4. Events in the venue
- **25%** 5. Changes to opening and closing times

... And how they want it

Consumers and hospitality venues have many methods and platforms for engagement now, and it can be hard to know which are most effective. However, email remains by far the most popular channel, with nearly three times as much interest as anything else—including newer channels like social media and WhatsApp. Apps, which were once thought likely to transform consumer engagement, rank behind all these methods.

How do you want a restaurant, pub or bar to communicate with you?

1. **Email (47%)**
2.= **Social media (17%)**
2.= **Text (17%)**
4. **WhatsApp (15%)**
5. **Apps (14%)**

27% Don't want to be contacted



"Firstly, many brands are still not understanding the purpose of why they are collecting data from their customers in the first place. The activation of a loyalty or rewards programme is actually quite straightforward and should never be complicated. Simply, brands are not considering how to frame their CRM to drive loyalty and in many cases are not currently leveraging their CRM in the first place.

Secondly, is it loyalty that you are looking to drive or frequency? The first step must be to understand what your business goals are. The data from this research proves that customers will accept communications from you and have a willingness to engage. But does it need 'a scheme' or do you just need to activate better automations to deliver revenue occasions that are already available"

Dan Brookman, CEO, Airship & Toggle



The role of loyalty schemes

By their nature, loyalty schemes should help stop consumers leaving for competitor venues. But they'll only do that if they give people what they want.

People are receptive to loyalty schemes—only **10%** don't find them appealing—and as with communications in general, they are most attracted by savings. The most popular type—appealing to half **(49%)** of consumers—is a member-price scheme, which have become very common in supermarkets in recent years. So far they have been less successful in hospitality, with Pret citing dual pricing as one of the main reasons for its recent change to its popular loyalty subscription scheme.

The three next most popular programmes—points schemes, cashback and deals on regularly-bought products—all relate to money-off as well (see box). There's a long tail of other rewards like prize and subscriptions, and they appeal to younger adults in particular. However, none of them have nearly as much appeal as straightforward financial savings, especially to older consumers, parents and regular guests.

It's also important to understand the barriers to adoption of loyalty programmes. Sizeable numbers of those who don't want to join are put off by upfront membership costs **(38%)**, getting locked into a subscription **(29%)** or a feeling that they wouldn't get enough value **(22%)**. It's another reminder that loyalty is hard-earned and must deliver what people want.



Which of these loyalty schemes do you find most appealing?

% of consumers who selected scheme as a top-three choice

1. **Member-only prices (49%)**
2. **Collecting points for purchases (39%)**
3. **Cashback (37%)**
4. **Deals on regularly-bought products (29%)**
5. **Stamp cards (14%)**
6. **Chance to win prizes (13%)**
7. **Personalised offers (12%)**
8. **Deals on products in a different sector (9%)**
9. **= Digital receipts (8%)**
9. **= Subscription schemes (8%)**

10%

Don't find loyalty schemes appealing





The view from CGA

"With many consumers' spending still under significant pressure, it's more important than ever to keep guests coming back to venues. But loyalty is more fragile than ever too, and securing the allegiance of younger adults—who are not just the guests of today but spenders for many years to come—is particularly difficult. Finding ways to keep people engaged between visits, and reward them for their spend when they come through the doors, requires an expert understanding of what different demographics want, and how, when and where they want to get it. Ultimately, however, loyalty comes down to venues' delivery. Poor experiences will soon see guests look elsewhere—but consistently great ones will keep coming back again and again."

Karl Chessell, business unit director - hospitality operators and food, EMEA, CGA by NIQ



The view from Zonal

"It's great to see that support for the hospitality industry is strong, with our research revealing that restaurants, pubs and bars command more loyalty than other areas of consumer spending. That said, operators can't afford to rest on their laurels - in a cash-strapped market, customer loyalty is precarious. Investing in ways to nurture loyalty both in and out-of-venue, is key.

"Customer data is a valuable tool, enabling operators to analyse consumer trends, optimise offers and send bespoke marketing communications. However, ensuring guests experience a warm welcome, great service and value for money is equally important. Combined, these are powerful ways to increase repeat business, drive revenue and build loyalty."

Tim Chapman, Chief Commercial Officer, Zonal





About the report

This report is based on figures from Zonal and CGA's exclusive GO Technology survey of 5,000 nationally representative British consumers in June 2024.

For more information about the research, please contact info@zonal.co.uk