



Insight by Zonal, Powered by CGA by NIQ

The New Loyalty Landscape: How the cost-of-living crisis impacts hospitality

Why loyalty matters, how it's created and what consumers need to keep coming back: Insights from an exclusive consumer survey

Zonal



GO Technology Report, October 2023



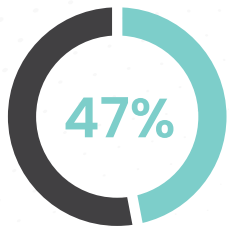
Loyalty in hospitality:

Key numbers

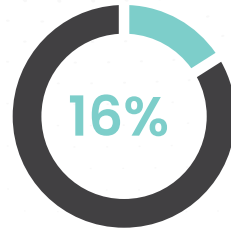
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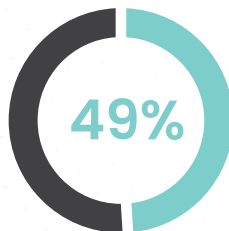
Average number of eating and drinking brands to which consumers **feel loyal**



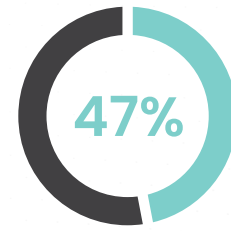
Of consumers say **value for money** is a factor in their loyalty



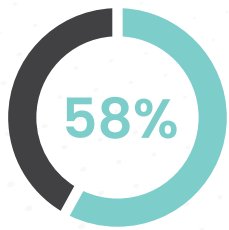
Are **less loyal** since the start of the cost-of-living crisis



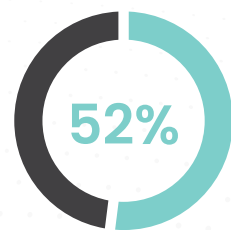
Would **reduce loyalty to a venue or brand** if they had a few bad experiences



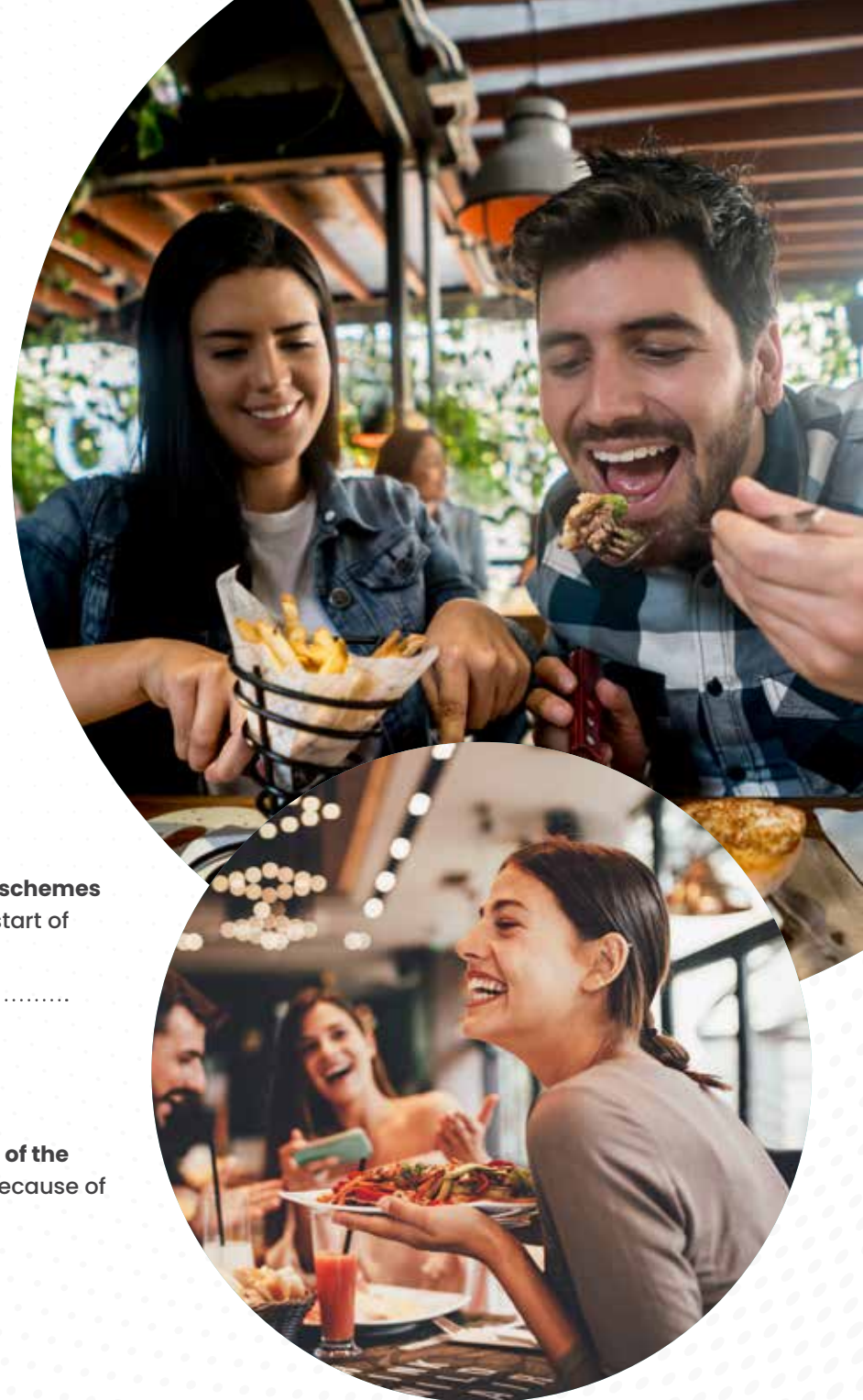
Have **joined more loyalty schemes to save money** since the start of the cost-of-living crisis



Agree that loyalty schemes generally represent **good value for money**



Have **higher expectations of the brands** they are loyal to because of the cost-of-living crisis



What makes or breaks loyalty?

Loyalty is the foundation of growth and success in hospitality. It generates the repeat visits that venues need to survive and thrive, and the brand advocacy needed to engage new guests. But it is also a complex concept to grasp, with a wide range of contributing factors.

Our latest GO Technology research pins down the factors that hospitality operators need to master in order to generate loyalty (see page 4). The list of priorities makes it clear that loyalty can only be achieved by delivering the fundamentals of hospitality over time.

Top of the list by some distance is value for money, which is a factor in loyalty for nearly half (47%) of all consumers. But it's important to remember that value doesn't necessarily mean cheap, which ranks only eighth in the list of factors (see page 4).

Other leading drivers of loyalty depend on individual preferences, like favourite food or drink (30%). Nearly as many consumers (28%) are loyal to a venue or brand because their friends and family like to use it, which points to the value of shared experiences and the importance of influencers that was highlighted in the last **GO Technology report**.

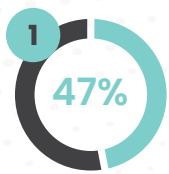
But others relate to some of the most basic elements of hospitality, like top quality service (28%) and consistency of experience (27%). Consistency is particularly important at a time when spending is tight, as people want to be confident they will get what they want. Conversely, consumers who have unsatisfactory visits will soon look elsewhere—as they will if they don't feel they are getting value for money (see page 4).

Reliability and familiarity are much more impactful in loyalty than one-off experiences or promotions. Few consumers say discounts on return visits (13%) and loyalty schemes (11%) help to keep them loyal to a venue or brand. While these tools have a place (see page 5), consumers know their loyalty can't be bought. Instead, it can only be achieved through the delivery of great experiences, service and value—day in and day out.



What makes you loyal to a brand or venue?

Consumers' top ten factors



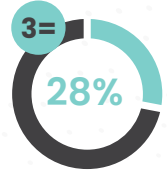
It's good value for money



It serves my favourite food or drink



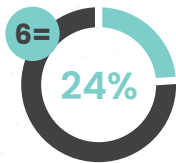
The customer service is top quality



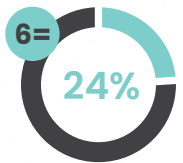
My family and friends like to go there



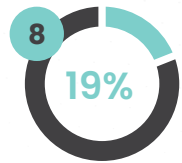
I know I will always have a great experience there



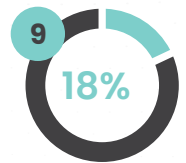
I visit the brand frequently



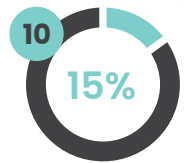
I have been a customer for a long time



It's cheap



It's my go-to venue



I'm a regular / recognised by staff / made to feel at home



Loyalty turn-offs: Consumers' top five reasons for reducing loyalty

1 If I had a few bad experiences (49%)

2 If they raise the prices (37%)

3= If I had one bad experience (24%)

3= If I don't get value for money in the cost-of-living crisis (24%)

5 If they were involved in controversy (23%)



Loyalty by age: The big generational differences

The main pillars of loyalty, like value, quality and service, are the same for all consumers, but there are significant variations in priorities according to age. Here's what the GO Technology research tells us about the needs of different generations:

18 to 34

Millennials and other young adults are sometimes thought to be fickle in their approach to brands. But that's not always the case in hospitality. While consumers consider themselves loyal to 2.1 eating and drinking brands on average, the number rises to **2.3** among 25- to 34-year-olds, and even further to **2.6** for those in the 18- to 24-year-old bracket. This may reflect the squeeze on spending for students and those starting their careers, and their desire for reliable and good-value visits. But with preferences of their family and friends the second biggest factor in their loyalty, it also shows how young adults are receptive to influence, and highlights the value to operators of positive word of mouth.

35 to 54

Middle-aged consumers are loyal to fewer brands and more focused on the core components of hospitality. They over-index for valuing top quality customer service, which can be especially important for family groups in restaurants and pubs. Those aged 45 to 54 are also four percentage points more likely than average to consider value as a factor in their loyalty.

55+

Value becomes even more influential in loyalty among older consumers – especially those living on pensions. This age group also puts heavy emphasis on dependability, thus long-term experiences and trust factors are much more likely to impact loyalty than they are for younger people. Many of these older consumers have an emotional attachment to venues, and nearly half (**46%**) of those aged 55+ say they want to support their favourite venues more than ever – eight percentage points more than average.



The meaning of value

Loyalty is very closely tied to value for money, and consumers won't go back to a venue if they feel short-changed. But it doesn't always follow that prices have to be low. Consumers simply want to leave a venue satisfied that they received an experience that they feel was good value for money.

Two in five (**41%**) consumers think value is 'something that is worth its cost'—the top definition ahead of 'a good deal' (**38%**) and 'something that is good quality' (**37%**). Qualities related purely to price are much less prominent, and only small numbers think value for money means 'a cheap option' (**14%**) or 'something on offer' (**15%**). Consumers remain happy to pay for high quality experiences — but the price still has to be justifiable.

Loyalty in the cost-of-living crisis

Loyalty comes under scrutiny during difficult economic times. Consumers who may ordinarily forgive venues or brands for a poor experience tend to be less inclined to do so when their spending is tight.

While three quarters (**74%**) of consumers told the GO Technology survey that their loyalty was unchanged since the cost-of-living crisis began in 2021, **16%** say they have become less loyal — more than the **10%** who are now more loyal. Younger adults are more likely than average to have reduced their loyalty, probably as they are much more commonly impacted by soaring costs than older people on higher incomes. Regular visitors to restaurants, pubs and bars are also more likely to have reduced their loyalty — perhaps because they are more aware of alternatives should they receive a bad experience in one venue.

By contrast, older people and infrequent visitors are more likely to have maintained their habits, sticking closely to the places they know they will like. People with high household incomes and average spends are also more likely to have retained their loyalty to venues and brands because they are more able and willing to tolerate the occasional unsatisfactory experience.

Across all age groups, the cost-of-living crisis has left consumers more demanding. More than half (**52%**) agree they now have higher expectations of the brands they are loyal to and the figure rises to **64%** among those in the 18- to 24-year-old age bracket. While it's lower among older consumers, there's no doubt that venues and brands need to be consistently at the top of their game to protect loyalty.





The role of loyalty schemes

Our research shows that loyalty schemes are not a primary reason for consumers to keep returning to a venue. But that doesn't mean they can't contribute to the overall sense of satisfaction that is so important in building loyalty and driving revenue.

Well over half (**58%**) of consumers agree that schemes generally represent good value for money, while only **8%** disagree. Young adults are particularly well disposed to them, with 25- to 34-year-olds 17 percentage points more likely to agree than those in the 65+ age group.

Rewards are particularly welcome when money is short. Nearly half (**47%**) of consumers—and two thirds (**65%**) of those aged 25 to 34—say they have joined more loyalty schemes to save money since the cost-of-living crisis. Previous GO Technology research has shown that many consumers use these schemes selectively, and value money-off rewards in particular. While they don't always generate the long-term loyalty that brands would like, they remain an important consideration in people's day-to-day venue choices.



The view from CGA

“In a competitive and cash-conscious market, brand loyalty is more important than ever. But it’s also precarious, and something that is hard to win but also easy to lose. Consumers are ready and willing to stay loyal to their favourite brands or venues, but they also know that if they don’t get what they want, then there are plenty of other options to choose from. This research makes clear that operators have no short-cuts to loyalty: it can’t be achieved overnight or bought. True loyalty is organic and is only achieved through relentless focus on the fundamentals of hospitality over weeks, months and years. Consistency of delivery is operators’ biggest challenge—but it’s their biggest opportunity too.”

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



The view from Zonal

“Brand loyalty is vital to the success of any hospitality businesses – a loyal customer base typically means higher visit-frequency and spend, which drives profit. However, this research shows that, in order to retain customer loyalty, it’s not enough to offer cheap prices or deliver good experiences some of the time. Consistently great experiences are the key to success.

“With over half of consumers saying that loyalty schemes represent value for money, operators would benefit from thinking carefully about how to design loyalty schemes that highlight great experiences at great prices. Having a digital loyalty tool in place makes it easy for operators to control accruals, rewards and redemptions, even for completely bespoke schemes. All this feeds into providing those exceptional experiences that customers expect, encouraging them to return time and time again.”

Olivia FitzGerald, Chief Sales and Marketing 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 August 2023.

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

