



CONSUMER SURVEY INSIGHTS

COST OF LIVING CRISIS



H G E M

About HGEM

HGEM works closely with hospitality companies to measure and improve their guests' experience.

Their core services include mystery guest audits, building highly customisable feedback sites, online review management, measuring product ratings, and bringing all the data together into one, award-winning Guest Experience Management platform – **The Hub**.

TOPICS COVERED

- Impact on disposable income
- Consumer spending priorities
- Reducing visit frequency vs reducing cost - sector analysis
- Budgeting behavioural changes
- Demographic analysis

*Addendum: Perceived Covid safety in hospitality venues



Introduction

Due to a combination of factors, such as the impact from the pandemic, the energy price cap lift, debt, rising taxes, inflation, the rising cost of goods and services, and war, undoubtedly, life has gotten more expensive.

There is palpable concern about the cost-of-living crisis, especially within consumer facing industry circles. It's predicted to hit hospitality, still only recovering from the pandemic, pretty hard, once the initial 'false dawn' of summer trade passes.

Our aim for this report is not to alarm, but rather to inform hospitality operators, by trying to identify patterns and behavioural changes in consumer spending, which may help operators to plan ahead for a potentially difficult time.



**LATEST INFLATION
FIGURE**

53.4

**SERVICE SECTOR
GROWTH SCORE / MAY,
LOWEST SINCE FEB '21**



H G E M
Empowering Hospitality

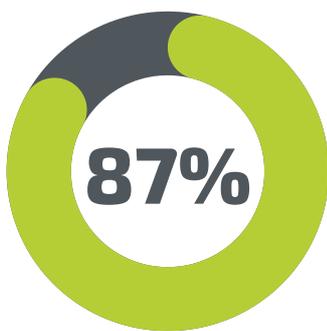
Impact on disposable income

Unfortunately, the effects of the consumer crisis are already widely felt amongst consumers, as nearly 9 out of 10 (**87%**) say that inflation has had an impact on their disposable income.

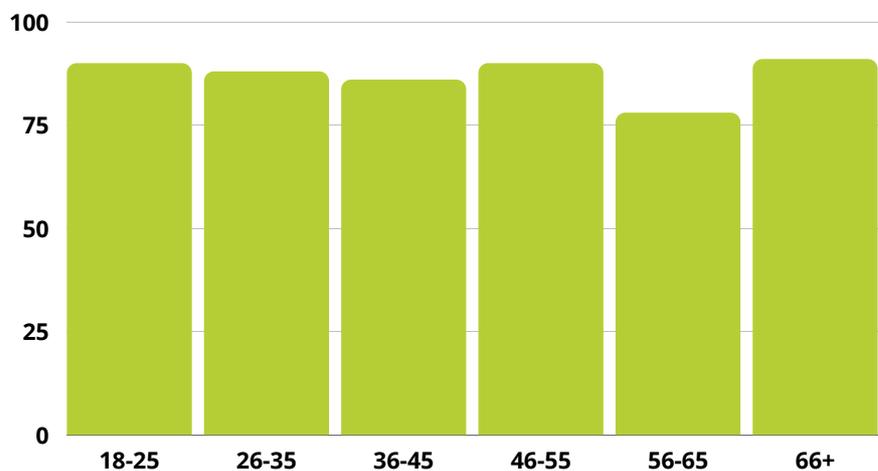
The reaction has been very similar across all age groups, apart from people aged 56-65 who appear to be slightly less affected than other age groups, as **78%** of the 56-65-year olds report being affected by the crisis, versus the average of **87%**.

Unsurprisingly, the financial impact seems to be biggest among the youngest (18-25-year-olds; **90%**) and the oldest (66+; **91%**) respondents.

There's no significant difference between genders on this matter, men and women have been affected alike.



**AFFECTED
FINANCIALLY**



IMPACT ACROSS AGE GROUPS

Consumer spending priorities

Some luxuries are harder to forgo than others. From our research, we identified top consumer spending priorities in a Maslow's-pyramid-style approach, starting with the lowest priority (the first thing people would stop spending money on), and ending with the last thing they would stop spending on - the luxury that people will most likely be spending on, or saving up for.



Our results indicate that the delivery & takeaway market may soon see a decline after a long period of success and stability.

It's surprising to see 'eating / drinking out' ranking above retail, especially because, in a survey we conducted in November 2021, **83%** of the respondents said they would rather spend money on experiences, than goods.



A possible explanation for the drastic change in consumer opinion in such a short time could be, that whilst cooped up due to numerous lockdowns and restrictions, there was ample opportunity for customers to conduct (online) shopping, whereas spending on experiences had previously not been feasible, and this created a pent-up demand for experiences.

Now, at a time of recession, people are spending more on tangible, materialistic things, which may have practical uses, or even resale value – guided by a nesting / hoarding instinct. This, of course, is pure conjecture.

UK domestic holiday sector, which saw a boom last year due to travel restrictions and the bureaucratic nightmare of testing and vaccine passports, looks to be in a good position again this year, as consumers see UK holidays as their top priority for spending their disposable income on amidst a budget crunch. This is likely boosted by the current well-publicised chaos surrounding air-travel abroad, putting many potential travellers off.



Reducing frequency vs reducing cost

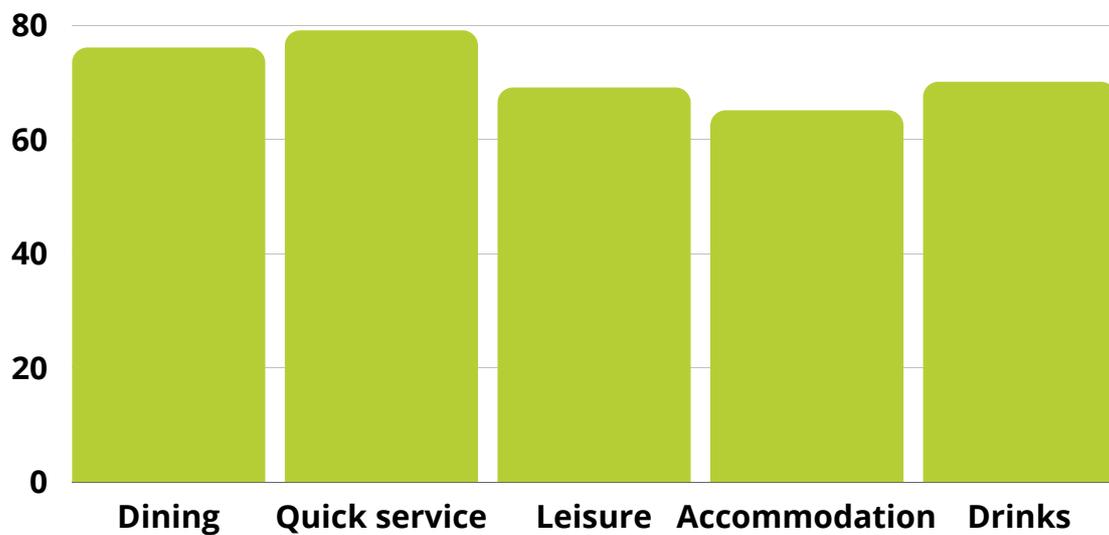
We asked our consumer panel whether they would prefer to go to cheaper places than they were used to, or if they'd rather reduce the frequency of visits and keep going to their usual places, if there wasn't enough disposable income to carry on as per their usual habits.

Responses were analysed both across the hospitality sector as a whole, and also to see how individual sectors compared.

For the hospitality sector as a whole, almost 3 out of 4 (**72%**) would rather reduce visit frequency than to trade down to a cheaper alternative.

It's very interesting, however, to see how opinions vary across the different sectors of hospitality: dining, quick service, leisure, accommodation and drinking out. Please see the results overleaf.

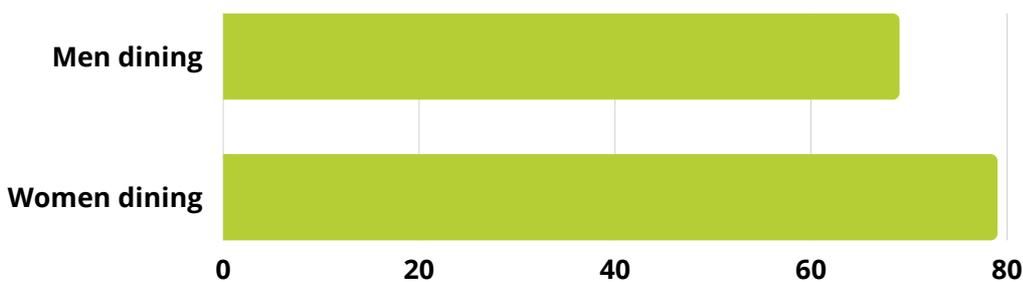
The highest percentage of consumers opting for the reduction of frequency, rather than cost, were identified in the quick service sector (**79%**), meaning that people are least likely to choose a cheaper alternative to the place they usually get their lunch / coffee from - they would rather just go less often. One can assume that this statistic would be a good indicator for brand loyalty - suggesting that brand loyalty is highest for the quick service sector, over other sectors. Quick service was followed by dining out (**76%**), drinking out (**70%**), leisure (**69%**) and then finally accommodation (**65%**).



From demographic perspective, Gen-Z (18-25) respondents consistently showed far lower percentages for choosing to reduce frequency over cost than any other age group. In leisure and accommodation sectors, more Gen-Z respondents actually preferred to find a cheaper alternative, rather than decrease visit frequency. For both leisure and accommodation, the percentage of Gen-Z consumers who would choose to reduce frequency was only **38%**. Across different sectors and age groups, those are the only two instances where the majority is for finding a cheaper alternative, therefore, for businesses that target Gen-Z customers across leisure and accommodation sectors, the pricing strategy will be an especially important consideration. The highest percentages for visiting less frequently over choosing a cheaper alternative were in the 66+ age category.

From a gender perspective, a couple of interesting patterns emerged. Men had consistently lower scores than women, across all sectors but one. Going out for drinks, **71%** of male respondents would choose to reduce frequency over cost, whereas that figure is **70%** with female consumers.

Whilst male and female responses were pretty similar for quick service, leisure and drinks, there were stark differences in opinion for dining out and accommodation. For the dining sector, **79%** of women would choose to reduce frequency over a cheaper alternative, whereas that figure is only **69%** with men, and for the accommodation sector, the percentages are, respectively, **69%** and **58%**.





Changes in spending behaviour

We asked our consumer panel whether they would implement any of the following to save money, in a quick-poll format:

- Swap out some dining experiences for takeouts: **22%** said YES
- Look out for vouchers, set menus & discounts more than before: **78%** said YES
- Reduce monthly budget for eating / drinking / going out: **61%** said YES
- Start making own lunches, rather than buying **73%** said YES
- Go out for breakfast or lunch, rather than dinner: **25%** said YES



**WOULD SWAP DINING
FOR TAKEAWAYS**



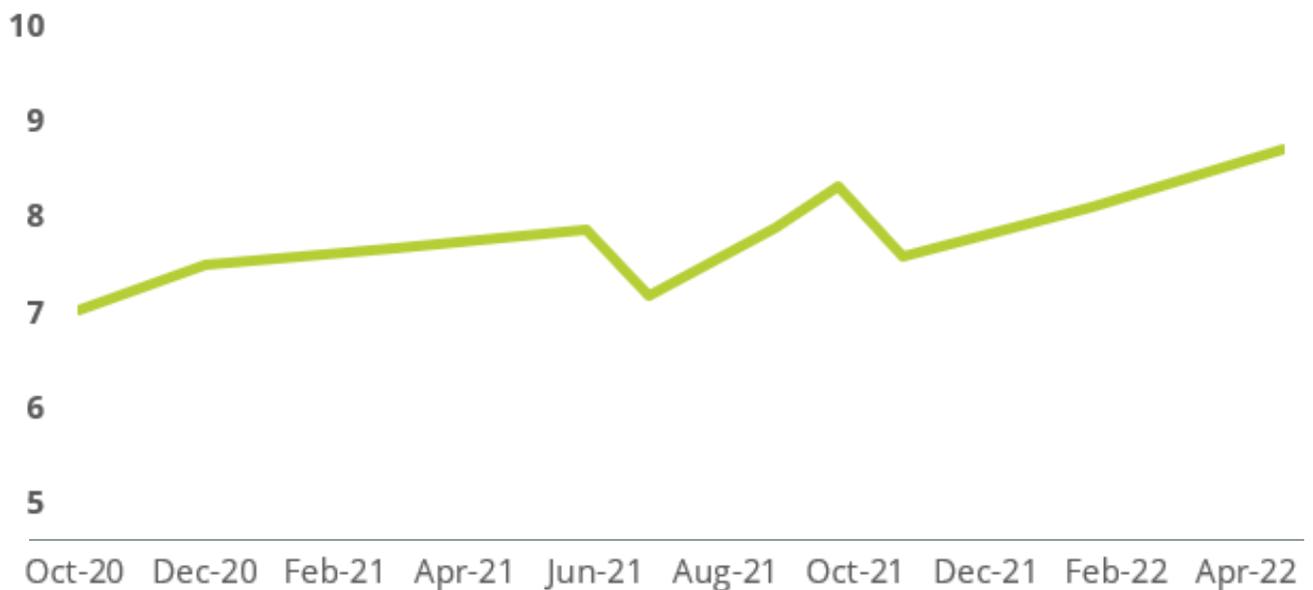
**WOULD START MAKING
OWN LUNCHES**

Perceived Covid-19 safety

Whilst Covid-safety doesn't feel extremely relevant now, we thought it would be good to finish this report on a positive note.

Consumer confidence has reached a record high, and the average safety score is now **8.7**; the highest it's been since the start of the pandemic.

The graph identifies 2 dips in consumer confidence recovery - one is Delta, and the second one the Omicron strain, and it's great to see a rapid recovery from the latter. We believe we are at a place now where we can confidently close this chapter and stop tracking Covid-safety sentiment.



HGEM Products

Mystery Guest Audits
Guest Feedback Sites
Review Management
Product Ratings

SUMMARY

Unfortunately, it appears that the cost-of-living crisis is already affecting most people financially. The somewhat good news is that the big squeeze is affecting everyone equally, across different age groups and genders, businesses and consumers alike. We can be hopeful that this translates to a better understanding, when customers see price increases at their local restaurants, cinemas, hotels, etc.

The results of this survey, fascinatingly, indicated which hospitality sectors may do better during this crisis, such as UK holiday sector, and which may do worse - i.e. the delivery and takeaway sector. Just a few months ago, dark kitchens were a major trend and point of interest - so there could be some hardship along the way for the newly established companies within that niche.

It's also interesting to see that consumers plan on remaining loyal to their favourite brands across the different hospitality sectors, and would rather reduce visit frequency than find a cheaper alternative - the one exception being Gen-Z who is more easily swayed by cost. This presents both as a risk and an opportunity.



Statistics corner

For those of you who care more about facts and less about opinions; here's pure statistics for you.

GEN Z (18-25)

- 90% are impacted financially by cost of living crisis
 - Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 57%; quick service - 62%; leisure - 38%; accommodation - 38%; drinks - 67%
 - 38% would swap out some dining experiences for takeouts
 - 71% look out for deals more than before
 - 81% will reduce monthly going out budget
 - 86% will look to make own lunches
 - 19% would go out for breakfast and lunch over dinner
 - Average sentiment rating for Covid safety in hospitality on a 10-point scale: 9.1
-

MILLENNIALS (26-35)

- 88% are impacted financially by cost of living crisis
 - Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 77%; quick service - 76%; leisure - 68%; accommodation - 66%; drinks - 67%
 - 21% would swap out some dining experiences for takeouts
 - 77% look out for deals more than before
 - 63% will reduce monthly going out budget
 - 80% will look to make own lunches
 - 21% would go out for breakfast and lunch over dinner
 - Average sentiment rating for Covid safety in hospitality on a 10-point scale: 9.1
-

GEN X (36-45)

- 86% are impacted financially by cost of living crisis
- Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 68%; quick service - 78%; leisure - 70%; accommodation - 56%; drinks - 71%
- 29% would swap out some dining experiences for takeouts
- 81% look out for deals more than before
- 69% will reduce monthly going out budget
- 79% will look to make own lunches
- 26% would go out for breakfast and lunch over dinner
- Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.6

Statistics corner cont.

GEN X (46-55)

- 90% are impacted financially by cost of living crisis
 - Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 83%; quick service - 85%; leisure - 68%; accommodation - 66%; drinks - 64%
 - 22% would swap out some dining experiences for takeouts
 - 84% look out for deals more than before
 - 58% will reduce monthly going out budget
 - 73% will look to make own lunches
 - 22% would go out for breakfast and lunch over dinner
 - Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.8
-

BOOMERS (56-65)

- 78% are impacted financially by cost of living crisis
 - Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 75%; quick service - 82%; leisure - 75%; accommodation - 75%; drinks - 77%
 - 16% would swap out some dining experiences for takeouts
 - 71% look out for deals more than before
 - 52% will reduce monthly going out budget
 - 61% will look to make own lunches
 - 30% would go out for breakfast and lunch over dinner
 - Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.4
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BOOMERS (66+)

- 91% are impacted financially by cost of living crisis
- Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 91%; quick service - 88%; leisure - 74%; accommodation - 85%; drinks - 76%
- 12% would swap out some dining experiences for takeouts
- 76% look out for deals more than before
- 53% will reduce monthly going out budget
- 50% will look to make own lunches
- 35% would go out for breakfast and lunch over dinner
- Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.3

Statistics corner cont.

WOMEN

- 87% are impacted financially by cost of living crisis
 - Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 79%; quick service - 80%; leisure - 70%; accommodation - 69%; drinks - 70%
 - 21% would swap out some dining experiences for takeouts
 - 77% look out for deals more than before
 - 58% will reduce monthly going out budget
 - 72% will look to make own lunches
 - 25% would go out for breakfast and lunch over dinner
 - Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.7
-

MEN

- 86% are impacted financially by cost of living crisis
- Reducing visit frequency over a cheaper alternative, sector analysis: dining out - 69%; quick service - 78%; leisure - 66%; accommodation - 58%; drinks - 71%
- 26% would swap out some dining experiences for takeouts
- 80% look out for deals more than before
- 71% will reduce monthly going out budget
- 75% will look to make own lunches
- 25% would go out for breakfast and lunch over dinner
- Average sentiment rating for Covid safety in hospitality on a 10-point scale: 8.8