

Pulse of Australian Hospitality Industry Customer Experience

2019
EDITION

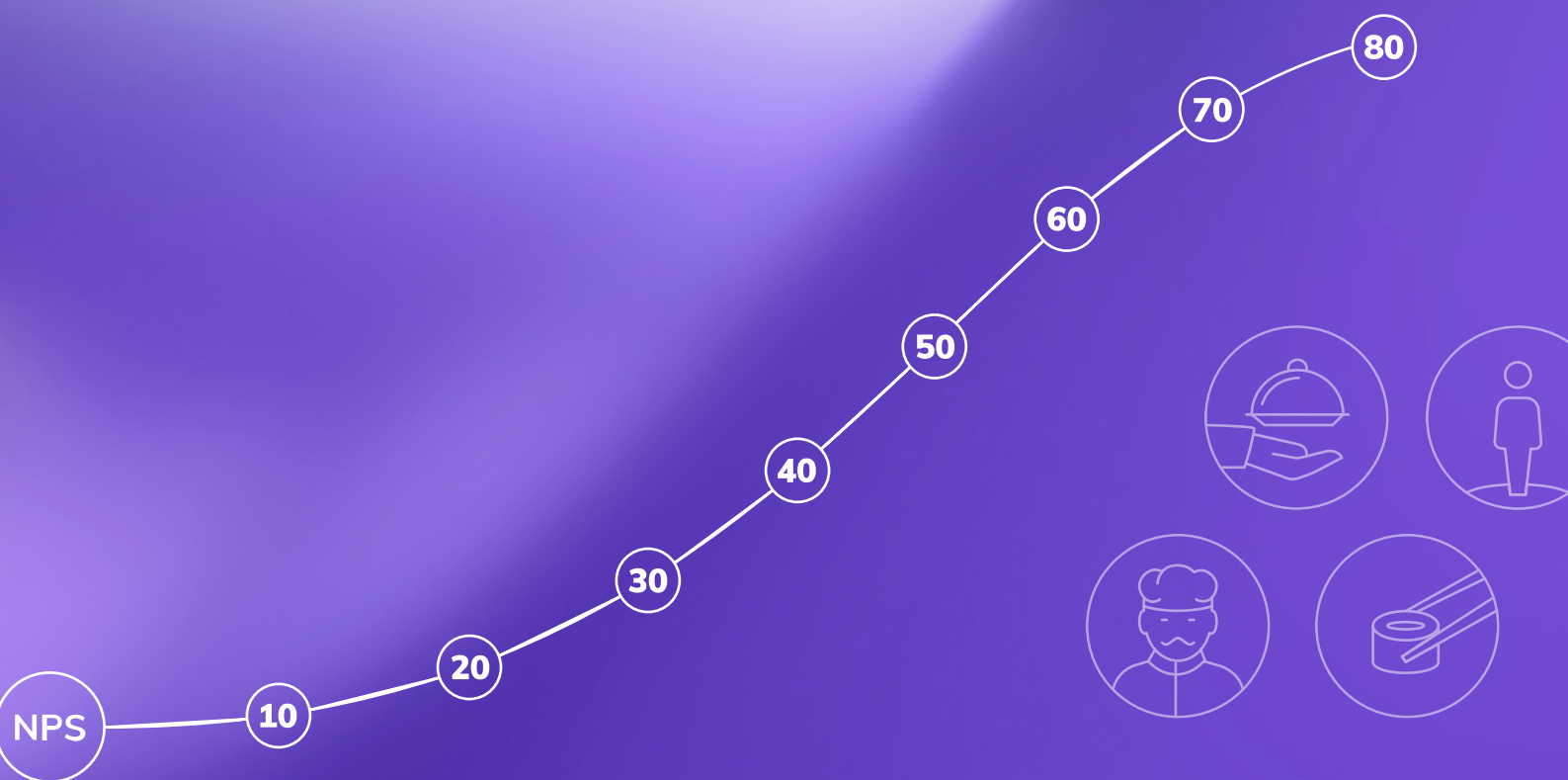


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Introduction from Momento Hospitality

Customer experience (CX) has become a catchcry across the hospitality sector over recent years, and rightly so, as success in our industry depends heavily on how consistently we deliver unique and memorable experiences for our guests.

Put simply, hospitality can be looked at as the feeling we generate in our guests when they are within our four walls; the better and more positive the feeling, the higher the probability that guests will want to return to experience it again with us. The opposite also applies. While physical elements such as venue design, mood lighting, attentive service, and food & beverage quality undoubtedly play critical roles - the true 'hospitalitarian' sees these as instruments. These instruments are used to orchestrate the ultimate goal of

creating smiling guests who feel great about being in our company. The real commitment to customer experience is not about getting all of these elements perfect all the time, but to be constantly striving for perfection and improvement.

Which is why this report is so important - the hospitality sector finally has an objective measure to strive towards. As the data shows, the aggregate hospitality Net Promoter Score trails behind that of the retail industry, which has been focused on customer experience for many years now. Thankfully, we are now able to get closer than ever to understanding our customers' key experience drivers. The insights outlined in these pages provide a fascinating 'peek' inside the hospitality customer's mind, allowing us to see how the experience is perceived differently

at cafes, pubs and fast-food establishments. The data, not easily available to us previously, can now be used to inform our decisions on where to direct our time, energy and dollars in order to make the biggest positive impact in our businesses.

Mapping the customer journey and designing touchpoint standards that deliver consistently remarkable guest experiences is now the price of entry for any growing hospitality organisation or group. The great news is that this IS happening across the board in our industry and, as a 30-year hospitality veteran who believes wholeheartedly in the principle of 'treat people the way you want to be treated', I couldn't be happier.

Jason Jelich

Customer Experience Director
Momento Hospitality Group



Executive summary

In this report, we reveal our findings around customer experience in the Australian hospitality industry. These results are based on 'in the moment' feedback collected at a range of hospitality establishments across the country.

Key findings



Food & drink quality is a top driver of NPS scores, followed by wait time



The average NPS score for Australian hospitality businesses is 64



Millennials hate to wait, while baby boomers are most concerned with food & service quality



In general, younger consumers tend to leave lower NPS ratings across the board but particularly at pubs, clubs and venues



The customer experience suffers on Fridays and Saturdays across all hospitality segments, which is recognised by a dip in NPS scores

The ‘Experience Economy’ and hospitality

Thanks to growth in ‘foodie’ culture, consumer demand and the population at large, the Australian hospitality sector has been steadily expanding over the past five years[1]. The landscape is rapidly changing, with delivery services such as Deliveroo, Menulog and Uber Eats both creating competition and introducing businesses to new customers, and shifting consumer preferences in favour of mid-tier dining options[2].

In the hospitality industry, the experience itself is the product. Businesses must therefore deliver outstanding customer experiences in order to succeed. Consistency and continuity are crucial - in service, in food quality, in atmosphere. Technology can enhance the experience, making it more efficient, easy and enjoyable, without interrupting the emotional connection between consumer and service provider.

To maximise customer satisfaction, businesses have typically focused on brand touchpoints. But doing so can divert attention from the more important issue: the end-to-end customer journey. Many hospitality businesses are not naturally inclined to operate this way, and moving from thinking about touchpoints to journeys requires a deep shift across functions.

However, those who manage to execute this operationally enjoy higher customer and employee satisfaction, revenue, and competitive advantages[3]. In fact, restaurants that invest in customer experience can drive a one to two percent improvement in same-store sales, a Deloitte study found[4], boosting both spend per visit and return visits. Focusing on the customer experience can help hospitality operators stop leaving money on the table.



[1] Australian Industry and Skills Committee

[2] Bankwest

[3] McKinsey

[4] Deloitte

Experiences are the new product

As goods and services have become increasingly commoditised, like commodities before them, experiences have emerged as the next step in what is known as the progression of economic value.

► **FIGURE 1**

Progression of Economic Value

A commodity business

Charges for undifferentiated products

A goods business

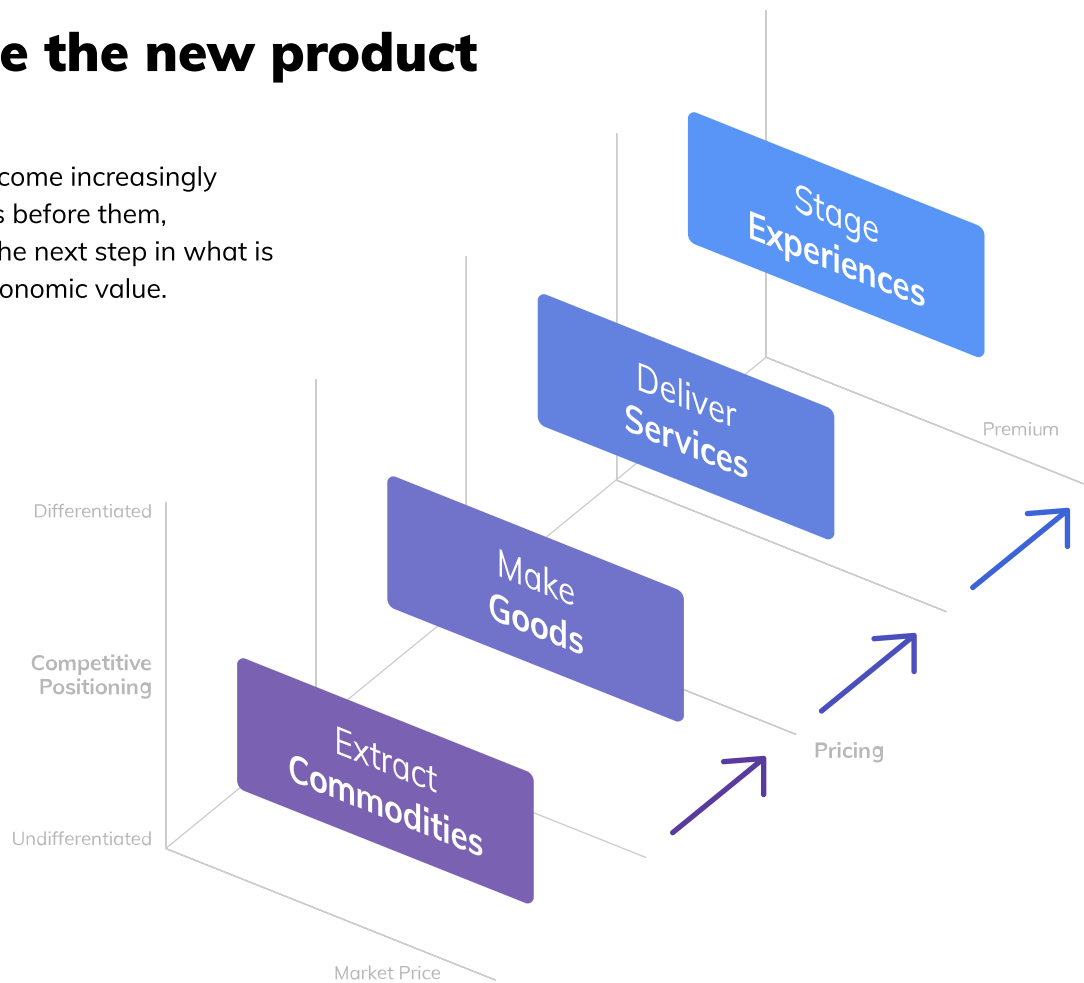
Charges for distinctive, tangible things

A service business

Charges for the activities performed

An experience business

Charges for the feeling customers get by engaging with them



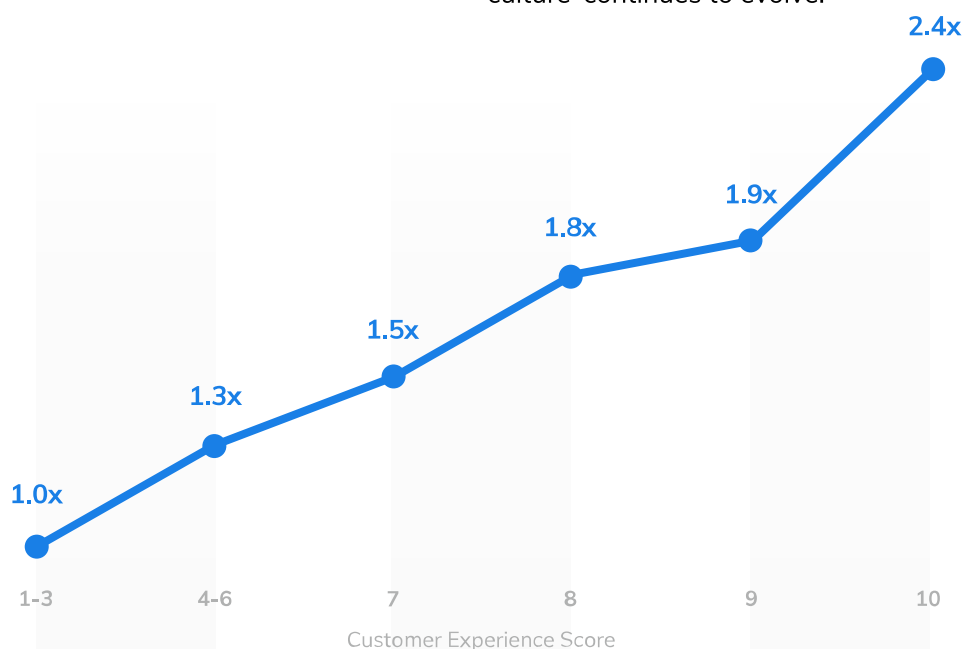
The evolution of the experience economy is not simply an academic concept divorced from reality. On the contrary, improving the customer experience has been shown to dramatically increase sales.

Case in point: “Customers who had the best past experiences spend 140% more compared to those who had the poorest past experience.”*

The data in this report substantiates these global findings in the context of the Australian hospitality landscape, making the insights very relevant as the country’s ‘foodie culture’ continues to evolve.

► **FIGURE 2**

Annual Revenue Increase Per Customer*



*Source: Harvard Business Review

How to measure the customer experience

In this report, there are two primary metrics that were used to measure the Australian hospitality experience:

NPS



Net Promoter Score (NPS) is the industry standard benchmark of the customer experience, which shows how likely a customer is to recommend a brand to a friend or colleague. It is often the cornerstone metric used in a customer experience management programme. Through numerous research studies, it has also been shown to have a direct correlation to business and revenue growth.



CX Score



CX Score is a proprietary metric developed by Ratelt that measures overall satisfaction with a defined micro-experience, not necessarily the overall brand. Whereas NPS is forward looking and can be driven by a complex set of factors, the CX Score measures customer satisfaction in the moment. The CX Score also enables hospitality operators to capture feedback on specific elements of the customer experience e.g.: wait time, food & drink quality, and ambiance.

😊 Awesome = 10

😞 Not Great = 4

🙂 Good = 7

😡 Awful = 0

Hospitality CX vs other industries

Our industry-level benchmarks show that hospitality trails behind several other sectors with regards to the aggregate NPS score and, hence, customer experience.

As a focus area, CX is still not at the top of the agenda for many Australian hospitality operators. While larger fast food brands have more or less ingrained certain methodologies within their operations, they are not representative of the industry. The majority of smaller hospitality operators - including holding groups - still have no idea how to approach customer experience as a discipline and practically embed it within their business. Also, the diversity of hospitality businesses, which includes everything - from small cafes through to pub chains and food trucks - means that the customer experience maturity of the overall industry is low compared to retail or healthcare. As a result, it's worth learning from both of these industries.

Why NPS is higher than other studies

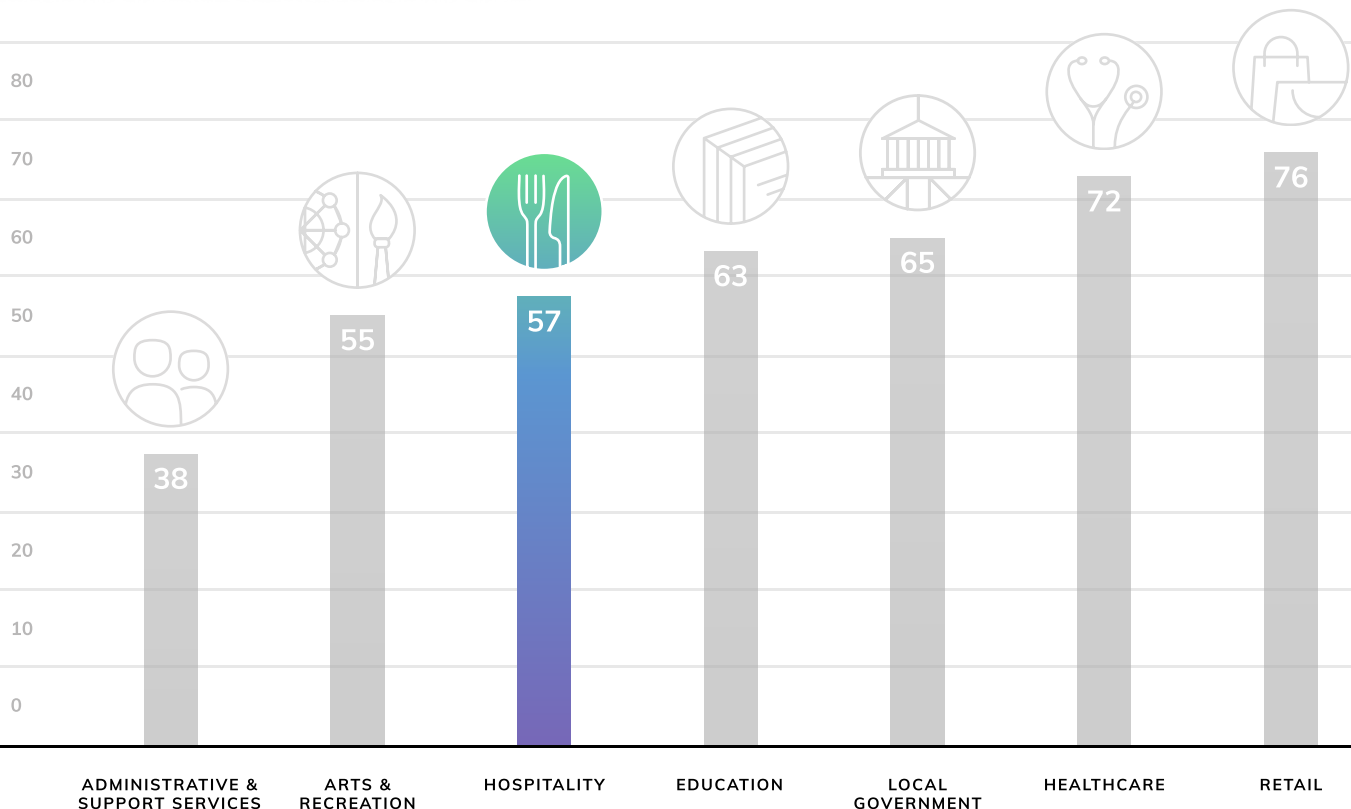


The NPS overages presented in the Ratelt benchmarking report are higher than other industry averages. There are two reasons for this.

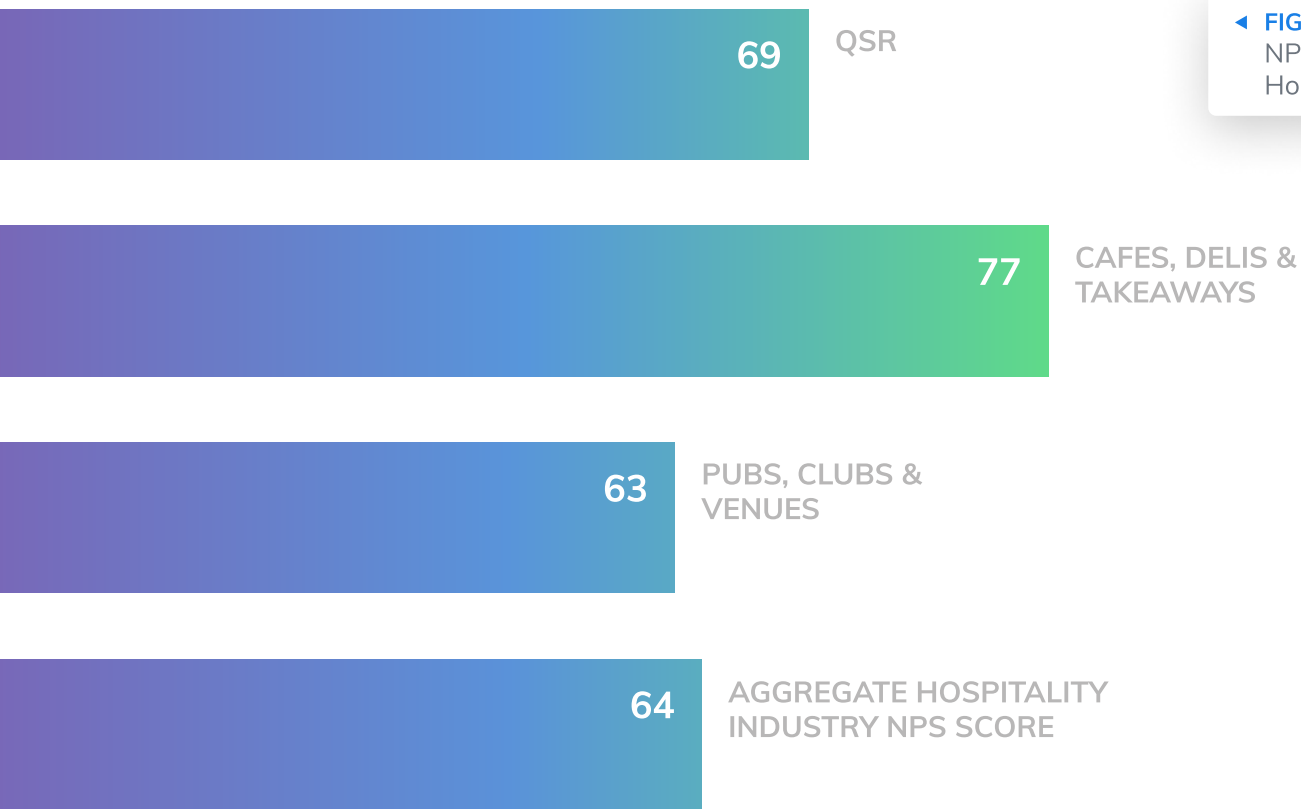
First, Ratelt uniquely captures omnichannel CX (digital and in-moment). Most comparable studies do not attempt to capture in-moment experiences at scale (i.e. the quality of the facilities) and by capturing millions of these (typically higher) data points, Ratelt NPS is higher than other benchmarks.

Second, the data set is heavily skewed towards Ratelt customers with mature customer experience programmes. For reference, the average NPS of first year customers was 46.

▼ **FIGURE 3**
Net Promoter Score by Industry Sector

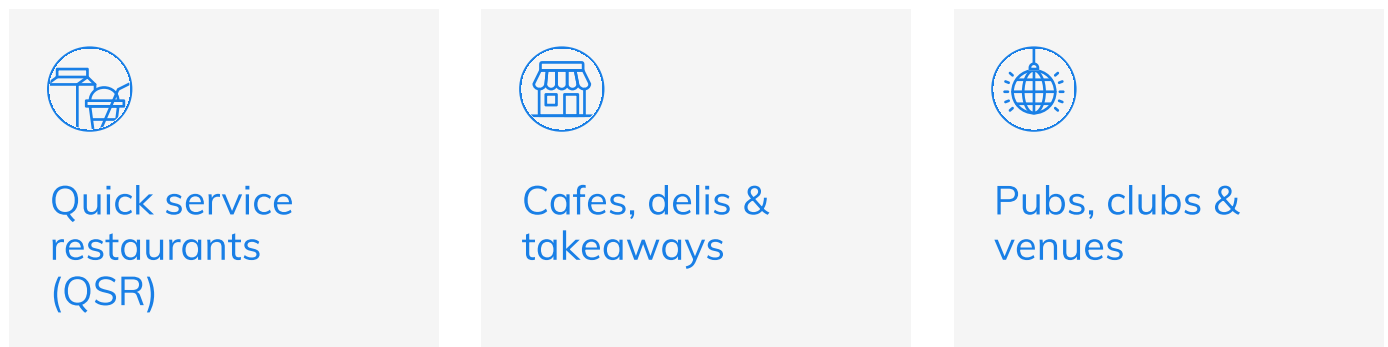


NPS distribution by industry segment



◀ **FIGURE 3**
NPS Scores by
Hospitality Segment

In surveying the Australian hospitality sector, we analysed data across the following sub-verticals:



While variation was evident across the segments, the average NPS score for hospitality outlets overall was 64 out of a possible 100. In comparison, our recent Retail Industry Benchmarking report found the average NPS rating for retailers was 78.

Cafes, delis, and takeaways came out on top,

with an average NPS score of 77. QSR trailed behind with an NPS of 69, followed by pubs, clubs & venues at 63. This is in line with trends observed in the US, where upscale and casual chains generally scored higher for customer experience among customers than pizza or doughnut chains in a recent Newsweek-Statista survey.

Source: Newsweek

Key drivers of the customer experience

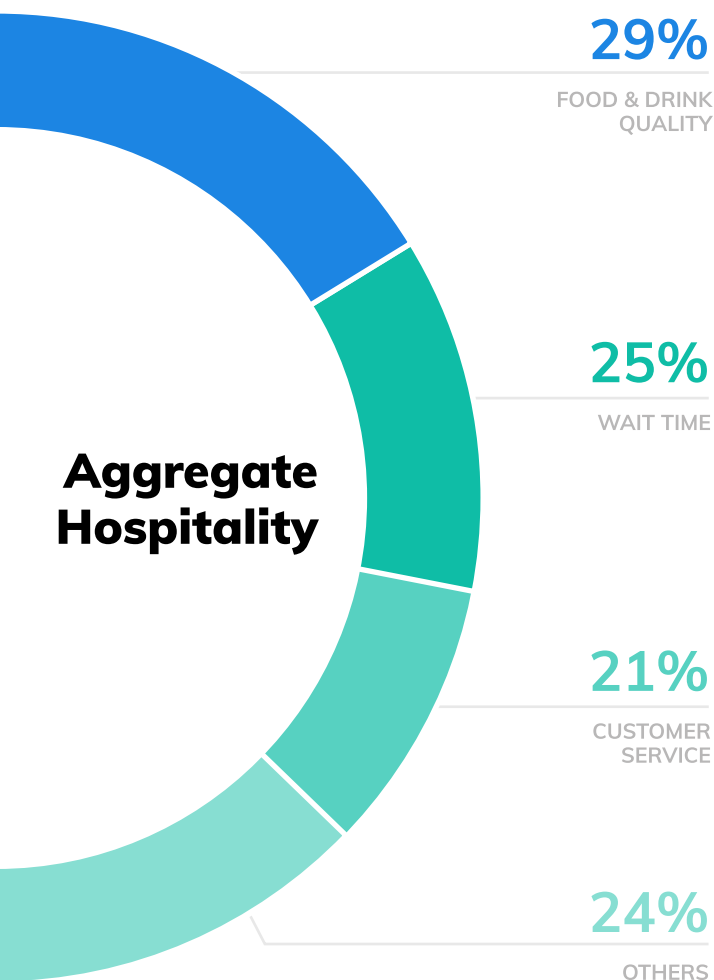
Looking at the hospitality industry holistically, food & drink quality (29.5%) tops the list of factors driving NPS. Wait time (25%) was also of high importance.

Upon diving deeper, however, it's clear that different types of outlets are judged differently. Customer service, wait times and food & drink quality played nearly equal roles in driving NPS scores for cafes, delis, and takeaways. In contrast, customer service and ambiance were of utmost importance in the pubs, clubs & venues sub-vertical, where patrons tend to linger at leisure and wait times are rarely a concern. And naturally, wait time was the key driver for QSR scores - food & drink quality played the smallest role.

With Australia's hospitality sector projected to continue growing through 2022*, successful bars and restaurants have a few things in common. They are focusing on customer service, evolving premium and varied food offerings, and developing offers to attract mid-week customers. It's clear, however, that customers have certain expectations based on the nature of each type of establishment. Operators must deliver against those and play to their strengths in order to thrive.

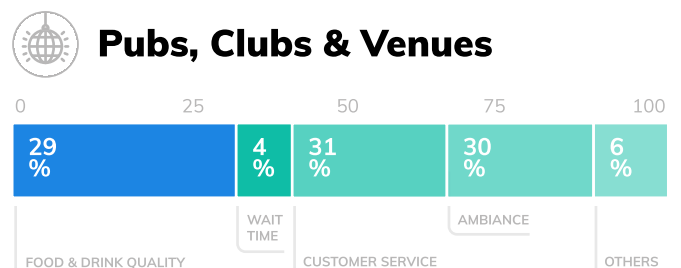
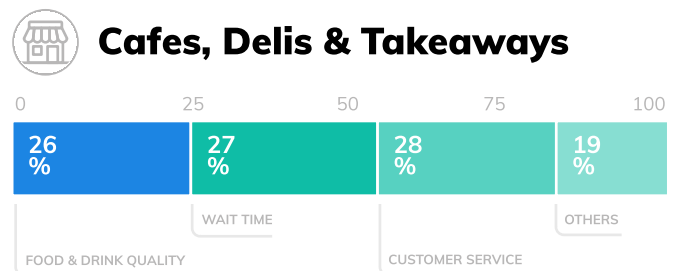
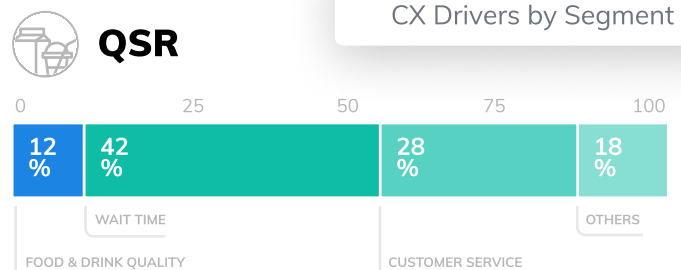
For pubs, clubs & venues this is not easy and patrons awarded the lowest scores for customer service and food & drink quality, indicating a struggle to deliver to high expectations. The increasing sophistication of the Australian consumer is something that this segment has to adapt to.

▼ **FIGURE 4**
Hospitality CX Drivers



*Source: Bankwest

▼ **FIGURE 5**
CX Drivers by Segment



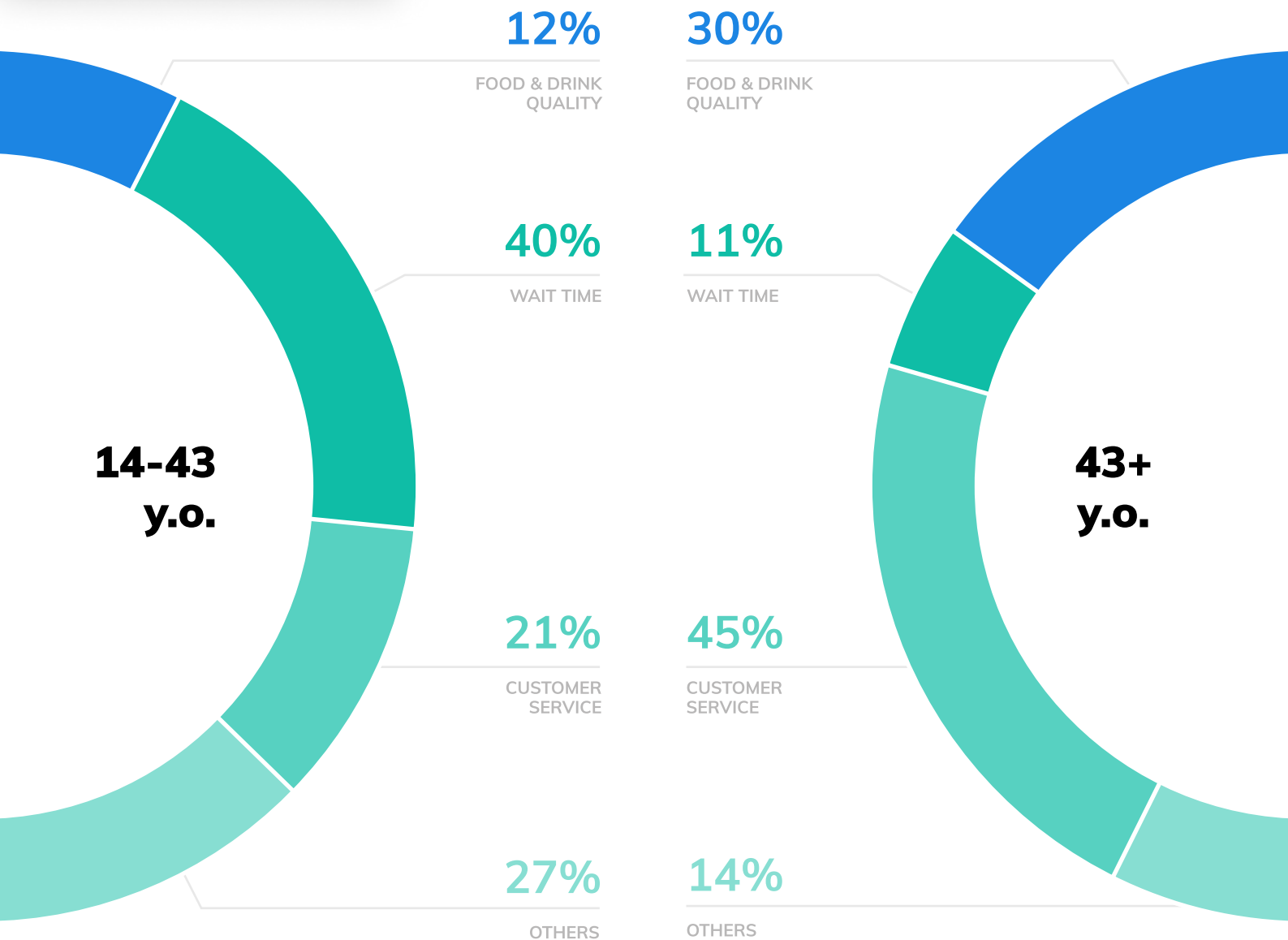
Intergenerational differences

Those aged 14-23 gave the lowest NPS scores overall across all sub-verticals, relative to the number of ratings. Millennials were comparatively unhappier with all the measured factors - customer service, food & drink quality, and most of all - wait time. Given that Millennials tend to put a premium on speed and efficiency and value getting through the line quickly at restaurants, this isn't hugely surprising*. Conversely, baby boomers placed more of a priority on food quality and customer service.

This isn't just limited to hospitality. Our recent retail benchmarking report also discovered that younger consumers tend to leave lower NPS ratings across the board for retailers, and that those aged 18-24 are more sensitive to in-store wait time and customer service. According to Adobe, 90% of those aged 18-34 take action after a poor customer experience, such as posting reviews or telling a friend. Hospitality operators must have systems in place to address this.

*Source: BCG

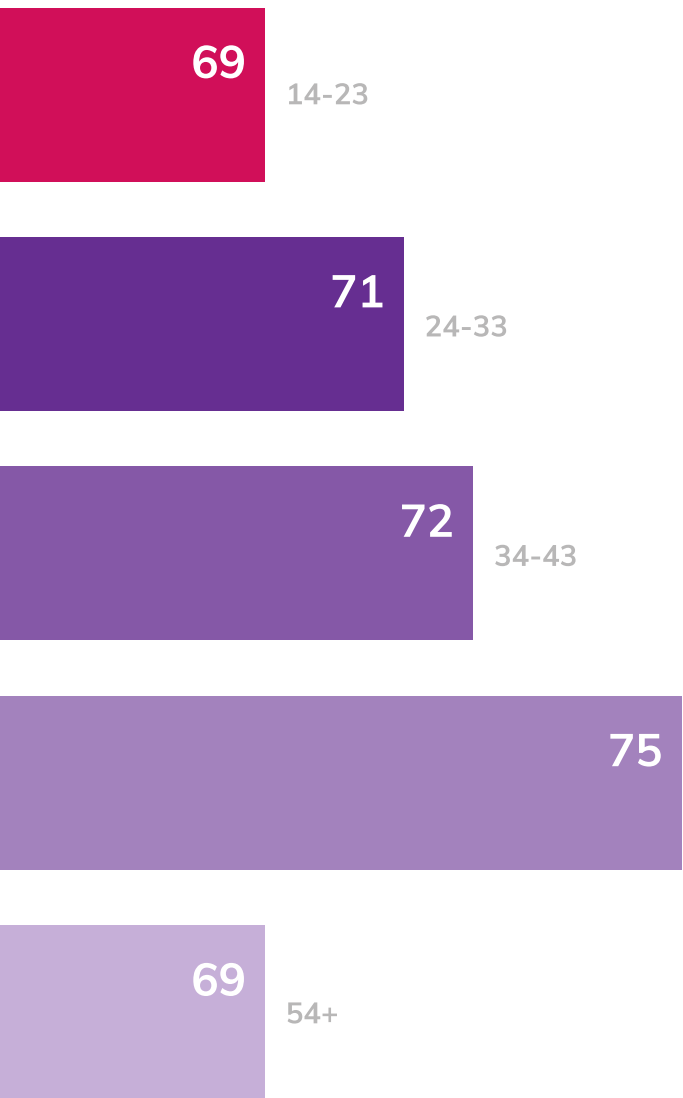
▼ **FIGURE 6**
NPS Drivers by Age Group



How age colours the experience

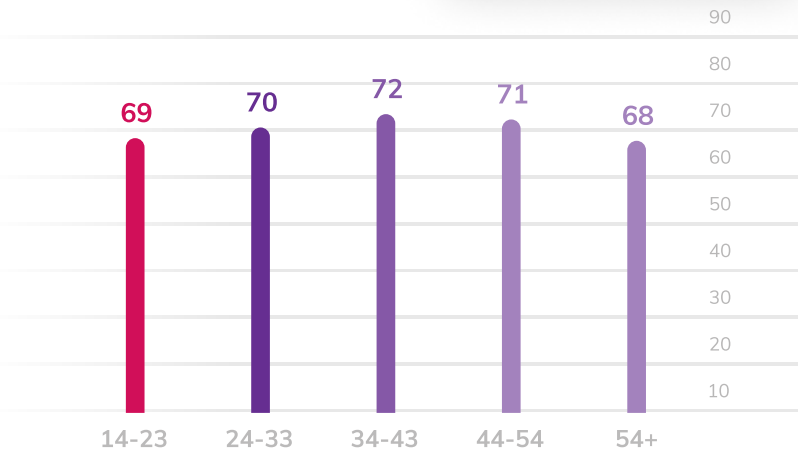
A closer look at the data shows that the highest ratings came from customers aged 44-53. They were the most satisfied consumers, giving an average NPS score of 75. For cafes, delis, and takeaways specifically, this increased to a generous 89. However, satisfaction with QSR outlets was highest among those aged 34-43 (where the average score was 72) and for pubs, clubs and venue operators, those aged 24-33 were happiest, giving an average score of 68.

▼ **FIGURE 7**
Hospitality Industry Aggregate
NPS by Age Group

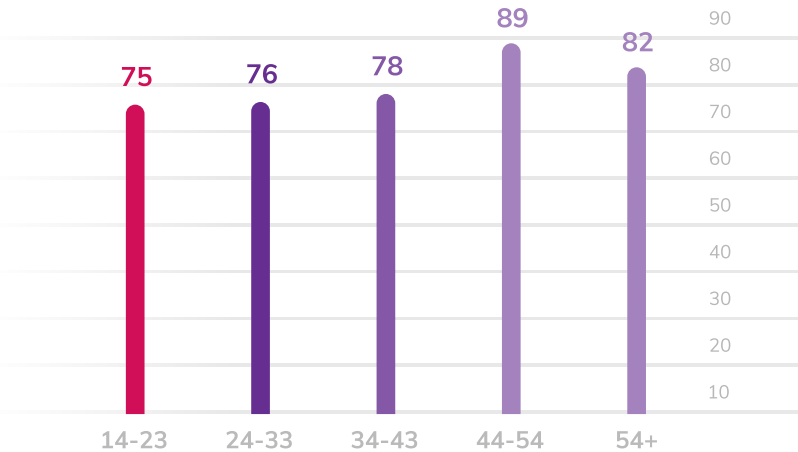


QSR

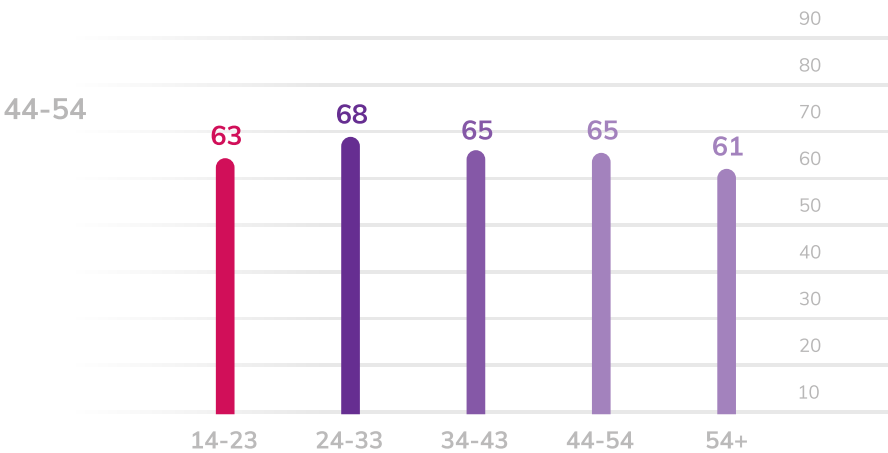
▼ **FIGURE 8**
NPS by Age Group



Cafes, Delis & Takeaways



Pubs, Clubs & Venues



Gender perceptions



Men responded more often



Women responded more generously



Similar trends to those observed in retail industry

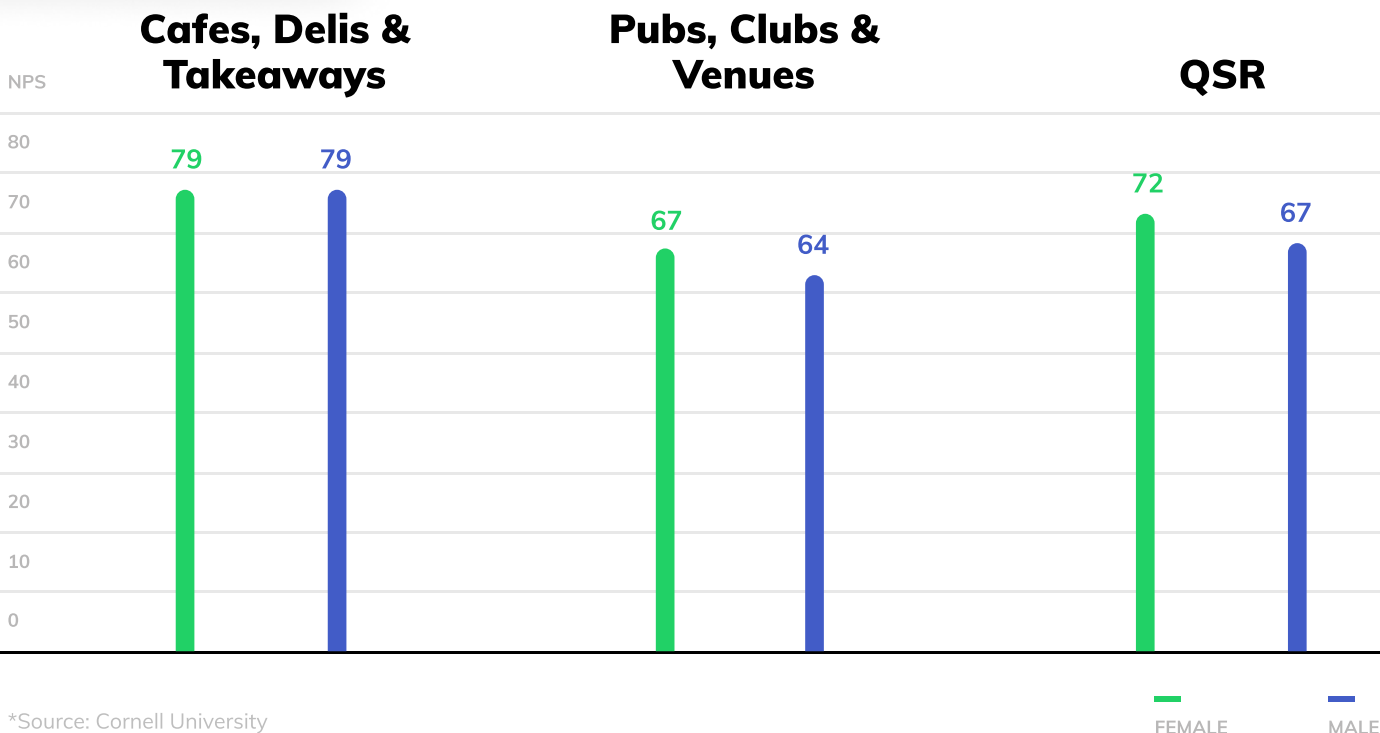
Overall, women tended to be more generous with their assessment of the customer experience. This parallels our findings in the retail industry, which found that female shoppers left higher NPS ratings in every vertical.

In the QSR segment, we saw a full 5 point difference in the average ratings between genders. For pubs, clubs and venues, the gap was less pronounced - just 3 points separated the male and female respondents.

There was no difference by gender when it came to rating cafes, delis & takeaways.

Do women enjoy eating out and drinking more than men do? The data indicates they do - or at least, that their service expectations are more calibrated to reality when they do. Research* suggests that men tend to eat more when dining out with women, so playing to couples may well pay off for restaurateurs and venue operators.

▼ **FIGURE 9**
NPS Ratings by Gender





NPS by time of day & day of week (Cafes, Delis & Takeaways)

Morning starts well, then NPS goes downhill

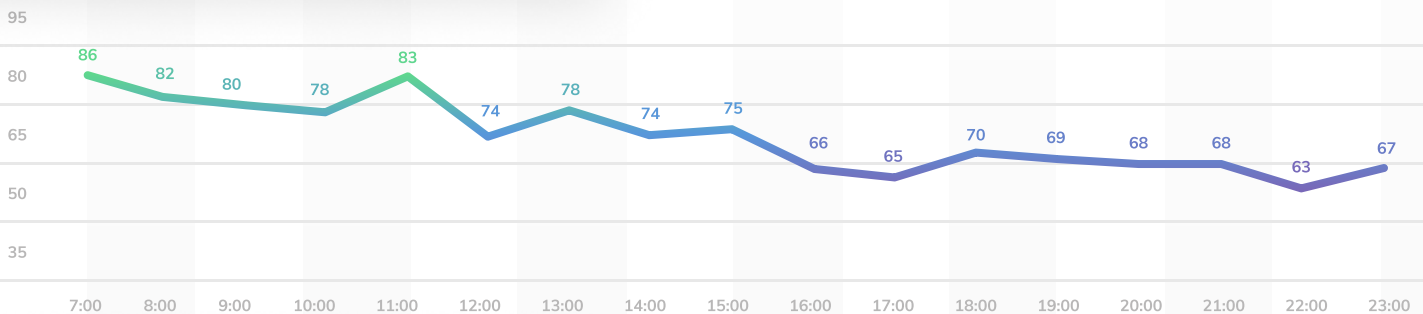
Among cafes, delis, and takeaways, a significant drop in NPS (from 83 to 65) occurs from 11am-5pm, which represents the majority of business hours. The breakfast crowd may be satisfied but from mid-morning on, patrons evidently aren't as easy to please. As the work day goes on, it's safe to assume people are increasingly pressed for time and stressed out.

How to appease your 'hangry' patrons

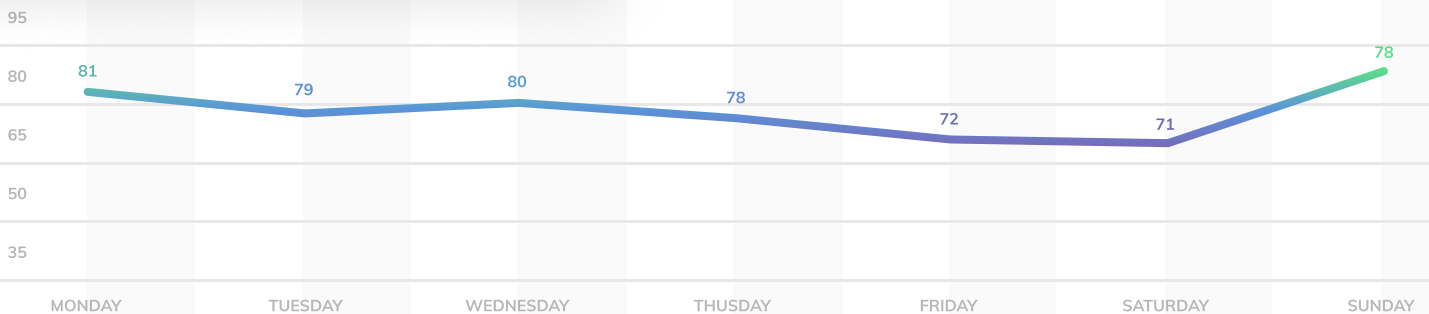
While 'hangriness' may not be an officially recognised medical condition just yet, these results point to an end-of-day slump for hospitality outlets to overcome. Maintaining customer service levels and reasonable wait times during that key dinner timeslot is vital. For sit-down diners, being engaged by staff is the most crucial experiential element, while enabling swift and tailored ordering will pay off for takeaway customers. "Guests want the freedom to place an order, customize it, and pay for it with ease. Placing a personalized order that is saved and ready to go the next time."*

*Source: Deloitte

NPS by Time of Day (Cafes, Delis & Takeaways)



NPS by Day of Week (Cafes, Delis & Takeaways)



In terms of the day of week, cafes, delis, and takeaways start on a strong note, but see a significant drop in NPS on Friday and Saturday,

driven by poor wait times in particular. Operators may be able to mitigate this with careful staff and roster planning.



NPS by time of day & day of week (Pubs, Clubs & Venues)

Lunch time crowd is a tough nut to crack

Among pubs, clubs, and venues, NPS takes a major dip during lunchtime, being 12pm to 3pm (from 76 to 62). We observed that CX appears to suffer due to increased wait times during peak rush hour - outlets would do best to ensure they are equipped to cater to their lunch crowds by rostering additional staff or through operational improvements. In the evenings, wait time is the only driver that doesn't suffer; however, satisfaction with customer service and food & drink quality tends to decline as the night wears on.

This seems to mirror market dynamics in UK pubs and a ESA Retail survey of British establishments echoes these findings that show low overall satisfaction. This can potentially be remedied through addressing attributes such as speed and friendliness of service, selection of food, decor and atmosphere[1].

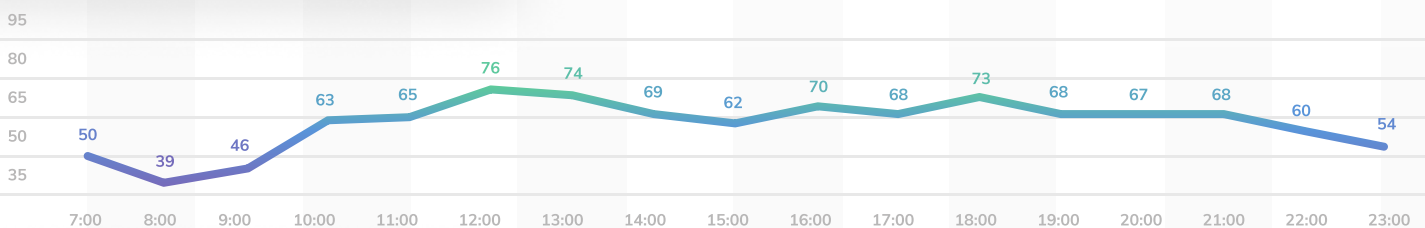
Pubs and clubs need to evolve to keep up

Australian pubs are increasingly evolving from watering holes to gastronomy destinations and marketing themselves as an alternative to restaurants, deriving more revenue from food. According to a Bankwest study, winning bars and pubs are developing more diverse and gourmet menus along with offers to encourage midweek customers[2].

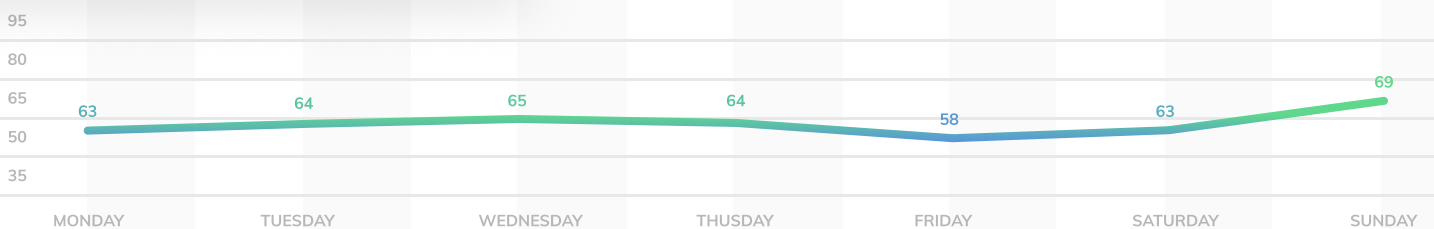
A key trend in hospitality has been the rise of healthy fast casual chains in recent years, which may to some extent be 'cutting the lunch' for this segment. Industry consultancy Baum+Whiteman's latest report highlights an increase in sitdown restaurants converting to fast-casual, serving upscale food[3]. The implication for operators is the need to differentiate and cultivate a cohesive offering.

[1] ESA Retail [2] Bankwest [3] Baum+Whiteman

NPS by Time of Day (Pubs, Clubs & Venues)



NPS by Day of Week (Pubs, Clubs & Venues)



A drop in customer service is the main culprit for lower NPS scores on Friday. NPS then rebounds on Saturday, reaching its crescendo on Sunday.

This recovery could be down to consumers feeling more relaxed, having had a chance to unwind over the weekend.



NPS by time of day & day of week (QSR)

Scores steady throughout day but plunge at night

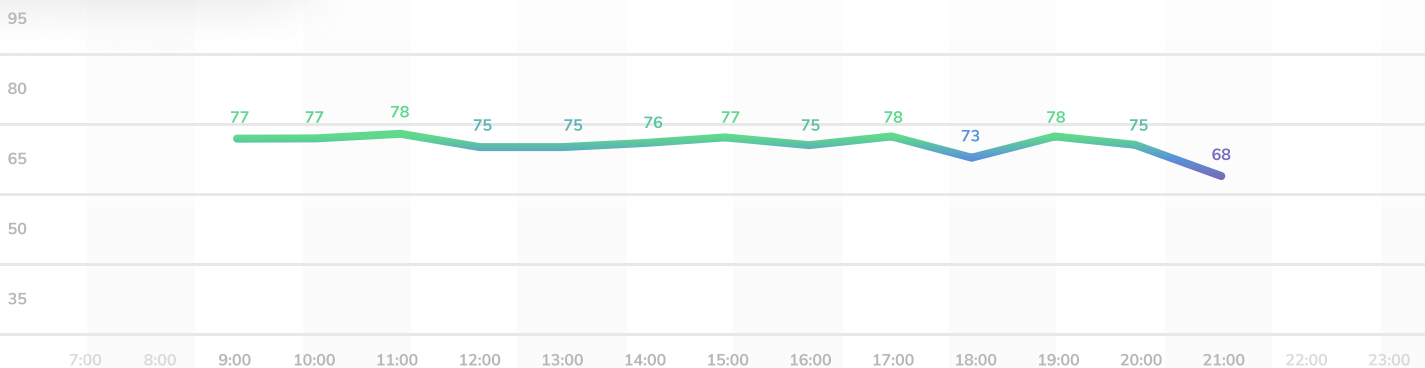
In the QSR space, NPS scores hold steady during the day. Night-time coincides with the lowest NPS for this sub-vertical, when customers are most likely to be short on patience and time, and rostered staff may be part-timers with less experience. The lesson for QSR operators could be to implement better training programmes for their less experienced staff to ensure service consistency or to offer more self-serve options.

Breakfast may be an opportunity to win customers over

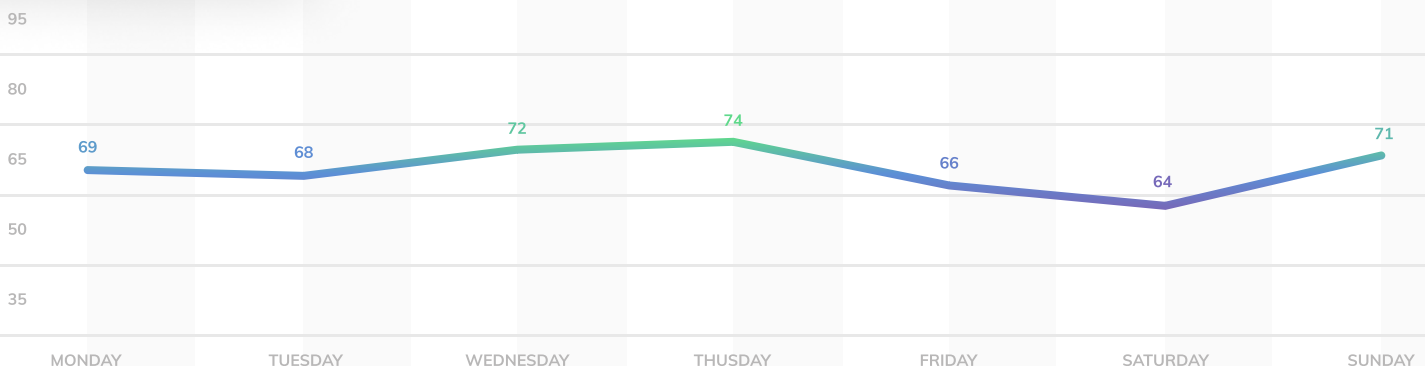
High NPS generally translates to high breakfast frequency, according to Bain research*, with younger consumers in particular grabbing the first meal of the day on the go. With customer loyalty in this category being highly fractured, early morning may just be the battleground where QSRs are best placed to win if they can convince punters to try their breakfast offering.

*Source: Bain

NPS by Time of Day (QSR)



NPS by Day of Week (QSR)



Fortunately in this segment, satisfaction with wait times remains consistent throughout the week. However, the pattern for NPS scores highlights a peak on Thursday, while Saturday is the weakest day

overall. In lieu of any major drops in the other factors that affect the customer experience, it appears that customers may simply have higher expectations on the weekend that don't line up with reality.

A strategic framework for improving CX

Introducing the 'CX Flywheel'

Through our award-winning podcast, [Customer Experience Leaders](#) we've managed to interview some of the world's leading CX practitioners and organise their findings into a practical framework, which we call 'The Customer Experience Flywheel'. These interviews have included leading hospitality brands: [Gelato Messina](#), [Madison Square Garden](#), [Neil Perry](#), [Walt Disney World](#) and [SumoSalad](#).

To summarise, the Flywheel consists of the following four components that, together, ensure the consistent delivery of a flawless CX: the Customer, Leadership, People and Processes.

You can learn more about this unique framework on our [blog](#).

▼ FIGURE 10
CX Flywheel



Key takeaways

Hospitality businesses seeking to improve their customer experience can tap into wider trends - and boost their bottom line - by doing the following:



Cater to Millennials

Younger consumers are more exacting than previous generations. Not only do they want an expedient and personalised service, they are much more likely to voice their opinions after the fact - whether good or bad. And in this day and age, every negative online review or post directly affects the bottom-line.

They tend to prefer fewer direct interactions. Therefore careful thought must go towards ensuring each interaction reflects positively on your brand: from

recruiting friendly staff to keeping wait times in check.

This demographic cohort is entering its peak spending years, and their global purchasing power is soon forecast to outpace that of any other generation*. Given that Millennials are city dwellers, who enjoy the benefits of urban living, the hospitality sector is well placed to capture its share of their disposable dollars by focusing on the customer experience.

* Source: Financial Times



Watch those wait times

Spurred by technology, consumers don't want to wait. It's an undeniable trend driven first by the internet age, then the subsequent mobile revolution. In this challenge, however, lies an opportunity.

QSR outlets are increasingly capitalising on digital tech by introducing kiosk or smartphone ordering in-store. McDonald's, Starbucks and Chipotle are continuously rolling this capability out to more

branches and seeing double digit increases in orders[1]. Allowing customers to place orders via smartphone apps is proving a winning move for these chains. Meanwhile, the growing popularity of delivery services such as Uber Eats offers another opportunity to serve time-poor customers, and the humble drive-through lane remains in high demand[2].

[1] PYMNTS.com

[2] Australian Professional Skills Institute



Food & drink quality is vital

Your product must be up to scratch, particularly in the 'Age of Instagram' - where a meal isn't enjoyed unless the dish is snapped and shared on social media. There are millions of posts and mentions on social media channels each year about the restaurant or food and beverage industry[1]. These days consumers, particularly Millennials, are more likely to rely on social media when choosing

where to dine, and Facebook and Instagram are ripe grounds for discovering new eateries.

Savvy operators also have their finger on the pulse of dining trends. Nearly half of consumers prioritise natural ingredients and - increasingly - flavours from Korea, the Philippines, and many other Asian cuisines are growing in popularity, reflecting the diversity

of communities[2]. Even takeaway businesses can benefit from specialisation. For example, focusing on a core product with choices of 'twists' or variations that cater to individuals' desire for personalisation[3]. Menus will greatly benefit from a refresh to keep pace with changing palates.

[1] Statista

[2] Baum+Whiteman

[3] Australian Professional Skills Institute

How to achieve double-digit NPS growth in twelve months

As a Customer Experience Improvement Company, and Australia's leading customer experience management platform, we believe strongly in the power of a well-executed omnichannel CX programme. And the results we've seen with our customers over the last three years support our belief. On average, Ratelt customers have recorded a first-year NPS improvement of 18%.

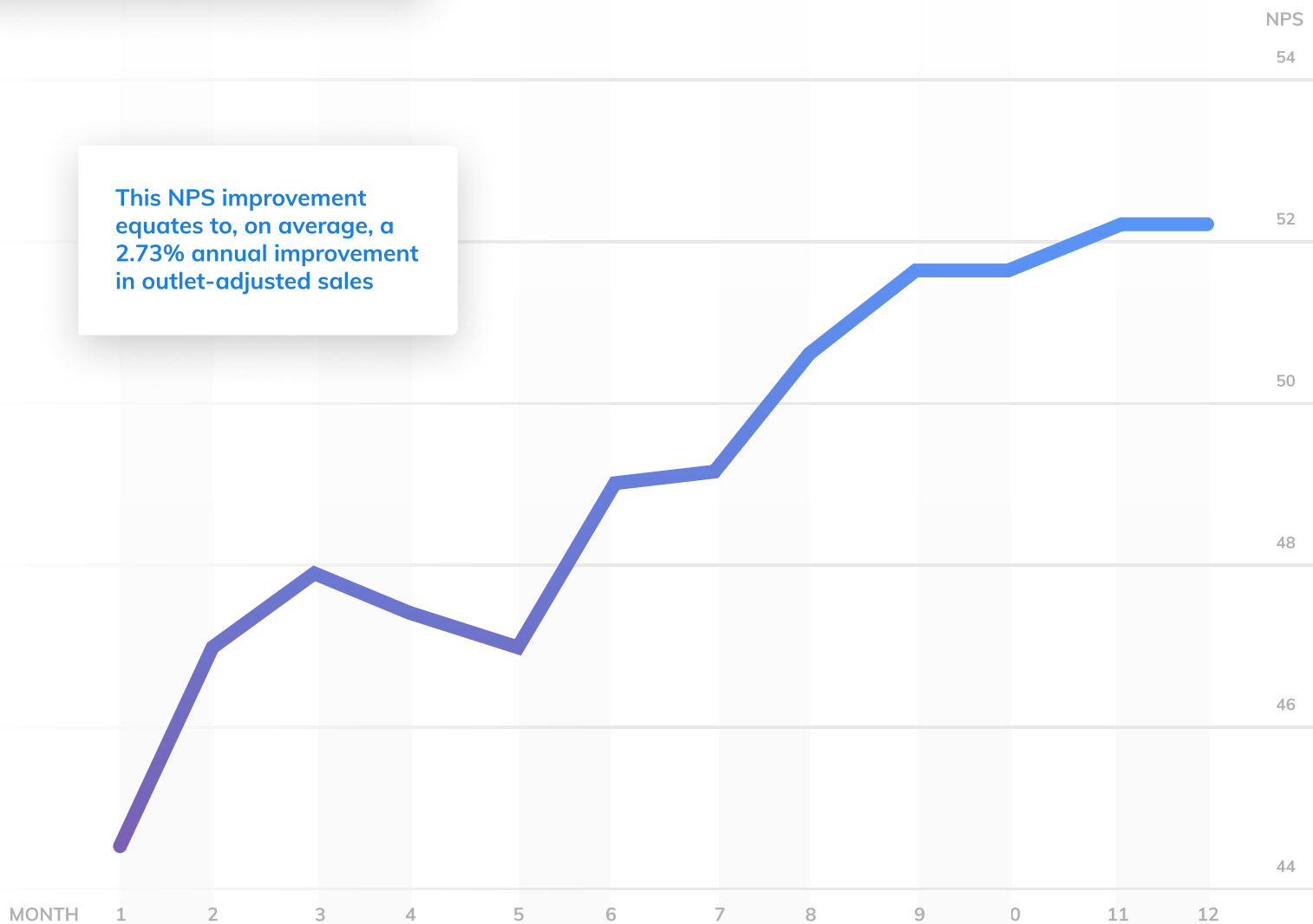
In working closely with hospitality brands who are customer experience leaders, we've found that they share the following characteristics:

- alignment on the importance of CX throughout all levels of the organisation
- customer huddles are an integral part of daily store life
- bonuses and promotions are partially tied into customer experience delivery
- customer experience is measured at the micro level, not in 'batches'.

▼ FIGURE 11

Average NPS Growth Of Ratelt Customers In The First Year

This NPS improvement equates to, on average, a 2.73% annual improvement in outlet-adjusted sales



Methodology

Research instrument & methodology

Unlike long and arduous surveys that achieve very low response rates, the point of the Ratelt MicroSurvey is to touch on the most relevant aspects of the customer experience during or just after a transaction, while still at the point of purchase.

This is when a consumer is primed for leaving unabridged and candid feedback. Keeping the MicroSurvey short and simple by design ensures that consumers find the experience of interacting with the Ratelt device delightful. This encourages consumers to carry through with answering every single question in over a third of cases.

Questionnaire design

Each MicroSurvey starts with the CX Score, which is the disarming set of four smiley faces that initially prompts someone to interact with the device and provide high-level feedback on their experience.

The CX Score is then followed by a set of questions specifically around various aspects of the in-moment experience, including 'wait time', 'food & drink quality', 'ambience', 'customer experience', and any others that may be relevant.

These are followed by the industry-standard Net Promoter Score (NPS) question to complete the MicroSurvey. The total interaction time with the device/survey instrument is usually under 10 seconds, which leads to a very high completion rate compared to other self-serve market research methods.

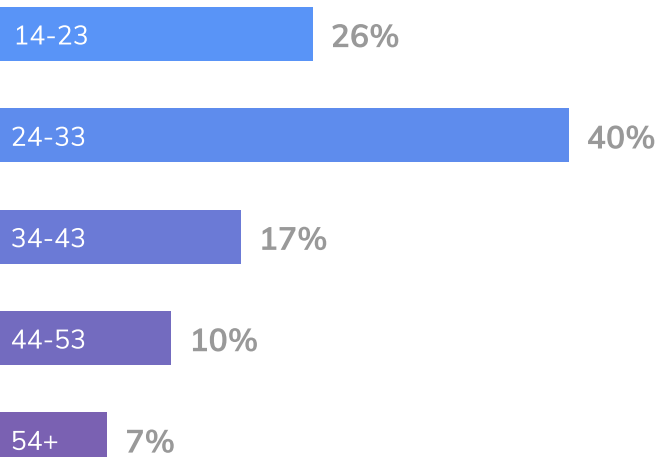
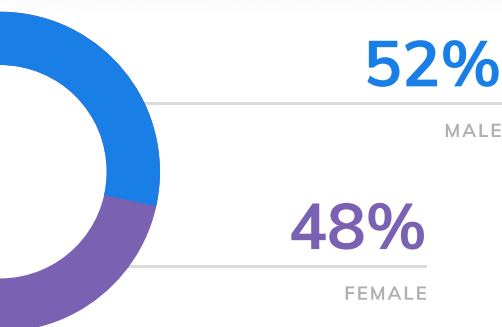
As a result, the hundreds of Ratelt devices in hospitality venues across Australia have amassed a data set that provides a level of insight into the customer experience at a scale that hasn't previously been available through other research methods.

Sampling method

The sample is based on 23,608 individual customer ratings collected from a cross-section of Australian hospitality businesses nationally.

▼ FIGURE A

Respondent Demographics By Gender



▲ FIGURE B

Respondent Demographics By Age



Introducing Asia-Pacific's leading customer experience management platform



KFC®

SprudBAR



oporto.



Momento*
HOSPITALITY



Bakers Delight

"We use Rateit to gather targeted customer feedback on specific business initiatives. This allows us to see the impact of our decisions on customer satisfaction, in real-time. The data helps us enhance our business decision-making and maximise the returns on our investment into customer experience."

Michelle Draper
State Manager (WA & SA)
Oporto Franchising



**Speak to a hospitality
customer experience expert**

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