HOW RESTAURANTS CAN BEAT THE RECESSION & COST-OF-LIVING CRISIS

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With forecasts predicting a prolonged recession for the UK ahead, restaurants need to tackle the cost-of-living crisis head-on.

As UK consumers cut back on non-essential spending, eating out is a luxury many either can't afford or justify on tighter budgets.

We've teamed up with **DataHawks** — the hospitality and retail data insights and email marketing specialists — to explain how restaurants can beat the recession by winning customers who continue to spend, even as the cost-of-living crisis worsens.

What you'll need to 'make it' in the YEAR AHEAD

As we saw during the pandemic, it's crucial to get the proven basics right during difficult times. Don't get distracted by quick fixes. Double down on what works and redistribute resources to make the most of what you've already got.

In this guide, we explain how you can use third-party marketing data (from search, social media, etc.) and first-party customer data (in your CRM) to deal with the challenges that lie ahead.

With this data-driven approach, we focus on three key stages of the customer cycle:

1. Acquisition
Capture more customers during difficult times.

2. Conversion
Convert customers at every stage of the journey.

3. Retention
Maximise revenue with repeat customers.

With **acquisition**, we focus on how you can capture more diners with inbound marketing strategies. This means narrowing in on the people who are most likely to keep spending on restaurants and eating out during a financial crisis.

At the **conversion** stage, we discuss how you can convert people at each stage of the customer cycle. We also explain how you can use your CRM data to identify and prioritise your most important customers.

Finally, for customer **retention**, we look at how you can use automation to prevent customers from slipping away and personalisation to maximise revenue.

In customer success, the Pareto Principle (80:20 rule) describes how 20% of your customer base should generate 80% of your revenue. In practical terms, this means you should be generating the vast majority of revenue from repeat purchases from a relatively small base of loyal customers.

First, though, let's look at the acquisition stage and how you can capture more customers in the first place.

Stage #1: Acquisition

How to capture more customers during difficult times

During the Covid-19 pandemic, many companies pulled the plug on marketing spend. However, the restaurants that thrived, even during the worst of the pandemic, were the ones that spent their marketing budgets differently.

The obvious example is restaurants that publicised takeaway and delivery services during lockdown, as orders skyrocketed. However, economic pressures are having the opposite effect in 2023 with many people spending less on eating out.

If you're working with a limited budget, prioritise target audiences you know are going to spend with you. Use your CRM data to find out who spends the most with you and who spends the most often. The cost-of-living crisis has been escalating for a while now so you should have plenty of data to work with at this point.

Analyse what customers were spending pre-Covid, how their spending habits changed during the pandemic and how much the cost-of-living crisis has affected their spending more recently.

In a KPMG survey (Dec 2022), 3,000 British consumers were asked about their spending habits for 2023. Restaurant owners need to pay attention:

- **61% of consumers plan to cut non-essential spending in 2023**

- **46% plan to cut back on eating out - more than any other expense**

- **14% plan to spend more on eating out and 10% on takeaways in 2023**

Non-essential food purchases top the list of cutbacks for UK consumers but some people intend to spend more on eating out and takeaways in 2023. Restaurants need to pinpoint these target audiences and prioritise them.

The restaurants that succeeded during lockdown were the ones that adapted fast to changing demands and the same will be true for the cost-of-living crisis.

However, this time, it will be the restaurants that identify and prioritise customers who are willing to continue to spend.

How to win the right kind of customers during a recession

First, analyse your customer data to pinpoint the customers who are still spending. Next, analyse their spending habits and build a profile of how this target audience spends their money:

- **How often they book or order**

- **How much they spend per booking**

- **How much they spend per item**

- **Which items they order**

- **How many items they order per booking**

- **How many people they attend with/order for**

- **How much they tip**

- **Services they use (sit-in, takeaway, delivery, etc.)**

By analysing this data, you'll start to see patterns in their spending habits. For example, you may notice some customers are ordering fewer drinks than they were before the cost-of-living crisis. They could be ordering a higher volume of less expensive dishes or ordering deliveries more than sitting in at the restaurant.

Using this data, you can revise your menus, pricing and specific deals to cater for new spending habits and incentivise repeat purchases.

Turning customer data into winning campaigns

Use customer data to inform marketing strategies and acquire new customers across every channel.

- **SEO:** Segment keyword targeting to reach the right audience (intent, relevance, long-tail keywords, etc.).

- **Content marketing:** Adapt your content strategy to prioritise the interests of priority target audiences.

- **Local SEO:** Optimise your Google Business Profile, target locations, local outreach, etc.

- **Social media:** Adapt your content and messaging in social posts to maximise relevance with priority audiences.

- **Paid advertising:** Use targeting to narrow your target audiences and optimise bids to maximise ROI.

- **Video marketing:** Consider whether you need to take a different approach to video content, including style, tone, messaging and visual content.

- **Seasonal campaigns:** Know when your target audiences spend the most throughout the year and optimise your budgets, messaging, etc. to maximise ROI.

- **Influencer marketing:** Network with influencers and micro-influencers who can promote your restaurant to relevant audiences.

- **Offline networking:** Partner with hotels, attractions and relevant publishers (city guides, in-flight magazines, etc.).

Outside of digital marketing channels, you should also consider adapting your business services to maximise relevance with your target audiences.

For example, you may want to target different locations during economic downturns in your local SEO strategy. To achieve this, you could run delivery services to your target locations and create location-specific pages on your website to build a local presence for potential customers.

Take a look at these articles for more info:

Local SEO best practices for restaurants and takeaways
5 highly-effective PPC strategies for restaurants
SEO & PPC strategies for companies with multiple locations

Capturing one-time customers

In this guide, we spend a lot of time talking about the importance of customer retention but this doesn't mean you should ignore other opportunities. Some restaurants legitimately earn a lot of revenue from one-time visits - for example, those located in areas that attract tourism.

Going back to the KPMG study we linked to earlier, we know non-essential food spending tops the list of things for British consumers to cut back on in 2023. However, the same study also shows that travel tops the list of non-essentials consumers will spend more on this year (32%).

Eating out goes hand-in-hand with travelling and people will often spend more on a trip than they normally would back home. If you're in an area that gets a lot of visitors, take advantage of this.

For example, a restaurant in London can win plenty of travelling customers with a mix of the following strategies:

- **Blog content:** Articles on the best food and drinks for people to try in the city (restaurants, bars, markets, street food, etc.).

- **Local SEO:** Optimise for "near me" searches and positive reviews.

- **Social ads:** Use location targeting to show ads to people travelling in your area.

- **Influencer marketing:** Network with influencers and micro-influencers who can promote your restaurant to travellers.

- **Offline networking:** Partner with hotels, attractions and relevant publishers (city guides, in-flight magazines, etc.).

Stage #2: Conversion
Convert leads at every stage of the customer journey

During the acquisition stage, your messaging centres around discovery, relevance and piquing the interest of your target audiences. Now that we're moving into the conversion stage, you have to motivate these audiences to take action - eg: make a booking or visit your restaurant.

We've got three key components to discuss here:

1. **Map out the customer journey:** Know how your customers move from discovery through to acquisition, conversion and retention.

2. **Convert enquiries into bookings:** Turn inbound enquiries into paying customers.

3. **Identify your best customers:** Use your CRM data to identify your best customers and build in-depth profiles.

1. Map out the customer journey

The customer cycle for restaurants is often shorter than it is for other business types. Customers can make decisions quickly so it's important to understand this process and the motivators that drive action.

For a single conversion, the customer journey often consists of the following:

- **Discovery:** Prospects discover your restaurant in search, a delivery app, social media, etc.

- **Consideration:** They find out more about your restaurant and compare you with alternative options.

- **Motivation:** Specific factors motivate prospects to take action: urgency, location, special offers, special occasions, online reviews, etc.

- **Conversion:** Prospects convert by booking online, calling up or placing an order.

Keep in mind that discovery broadly takes two forms: active and passive. When users are actively searching for restaurants in their area, intent is significantly higher than prospects who discover you through social content.

As the cost-of-living crisis progresses, you may want to prioritise local search and optimise for the related conversion channels (online bookings, phone calls, etc.).

Generally speaking, "near me" searches (eg" Thai restaurant near me") indicate the strongest purchase intent but you can also capture customers at different stages of the customer journey with different query types: location searches (eg: "best restaurants in London"), category keywords (eg: "Thai restaurant"), branded keywords, etc.

At the consideration stage, prospects will normally view your Google Business Profile or visit your website. Make sure your Google Business Profile is 100% complete with accurate information and includes your menu with pricing and images for users to view.

A great menu could motivate people to convert on the spot but you may need to work a little harder to convince some prospects. This is where it's important to understand the needs of your target audiences and what makes the difference for them when choosing between restaurant options. Start by making all of the relevant information available to them (opening times, menu details, etc.) and which services you provide: dining-in, takeaway, delivery, drive-thru, etc.

You can show all of this information in your Google Business Profile to help prospects make an informed decision. From here, you can experiment with additional motivators like special deals and promotions.

At the conversion stage, make sure you provide all of the conversion options your customers need. 'Reserve with Google' might be the fastest way to turn local searches into paying customers but make sure you also support phone calls and have conversion systems on your website for online bookings, orders, etc.

Analyse customer data to see how they progress through the conversion cycle so you can optimise each stage. Know which keyword types are capturing the prospects you need, how they compare you with the competition and which motivators are convincing them to make the booking.

If your top-spending customers normally find you via local search and call up to make sure you have a table available, this tells you which channels to prioritise. Invest more resources into local SEO with continued optimisation and implement multiple phone lines so you don't miss out on crucial bookings.
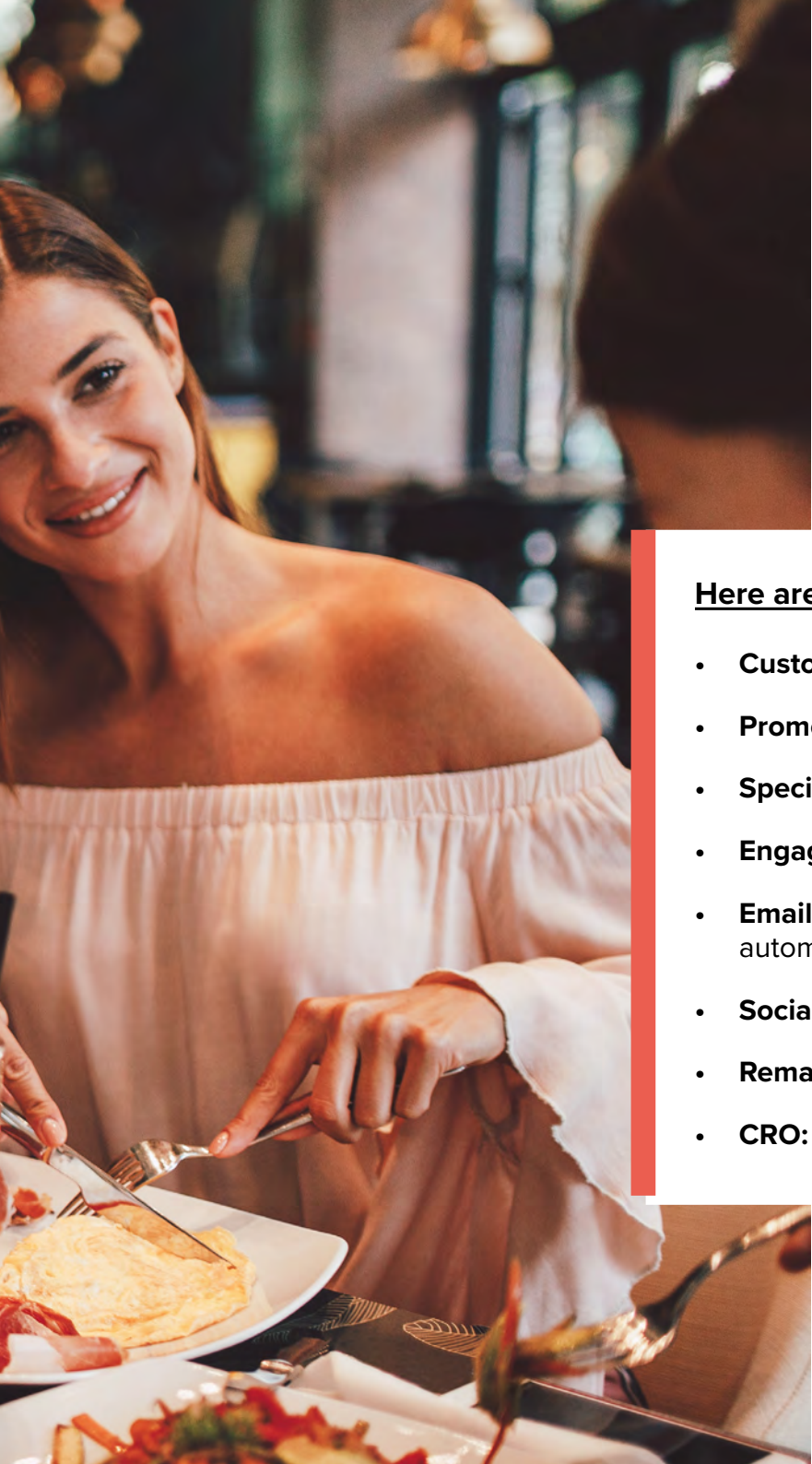
2. Convert people into bookings

Hunger is a great motivator and restaurants often enjoy a shorter customer cycle than other business types. When someone wants to eat, they search for a place to eat in the local area and they place an order - done.

Sadly, not all conversion paths are quite this simple, though. To maximise revenue, you have to optimise for conversions at each stage of the customer journey and implement nurturing campaigns for those who aren't ready to take action. Nurturing keeps your restaurant, dishes, special deals, etc. in the minds of prospects and ramps up motivation until they can't resist any longer. It also keeps conversion paths open at every stage of the cycle so prospects can satisfy the urge at the click of a button.

Here are some key strategies to consider:

- **Customer reviews:** Build a profile of positive reviews to increase trust.

- **Promotions:** Promote special deals on social media and your Google Business Profile.

- **Special occasions:** Cater for birthdays, anniversaries and other special occasions.

- **Engagement:** Answer Q&As and respond to reviews on your Google Business Profile.

- **Email marketing:** Capture email addresses from website visitors and customers and use automated journeys designed to nurture interest and convert it to a first booking.

- **Social ads:** Target prospects with social ads to keep your menu in their minds.

- **Remarketing:** Use remarketing to keep previous website visitors engaged.

- **CRO:** Optimise conversion channels on your websites, including your CTAs.

Prioritising local search will increase the average purchase intent of your customers but it's important to have contingency plans for people who don't convert. This is especially true during economic hardships where you want to get the maximum return from every possible opportunity.

3. Identify your best customers

DataHawks founder Victoria Searl says the biggest misconception in hospitality marketing is that when it to comes to data, it's enough to just capture email addresses. Unfortunately, having a million email addresses means nothing if you're sending everyone the same generic emails.

If you're spending good money on a CRM system and customer data isn't your biggest asset, you're not getting much of a return on your software investment.

As soon as a customer's email address hits your CRM, you want to start building a data profile with every piece of data that you can use to segment and target granular audiences. Identifying the frequency, recency and £ value of your customers and what they buy in the first instance can reveal who your most important customers are and the action you need them to take.

> For example:
>
> **Frequency**: How often each customer buys from you.
>
> **Recency:** The time since their last visit.
>
> **Value:** How much they spend when they visit.
>
> **Products:** What they buy.

With this data, you can start to identify who your most important or most likely convertible customers are and the messaging which might resonate most to trigger action.

"We're living in the era of personalisation, so businesses who don't know their key customer groups - particularly the ones who represent more value to them - in intimate detail, and use that insight to drive segmented, personalised email communication, will lose them to the brands who do."

Personalisation

If segmenting your data helps you focus on your priority groups, personalisation helps you provide the messaging most likely to resonate which each group and trigger the action you want to see.

By building customer profiles in as much depth as you can, including demographics (age, gender, etc.), geographic data, and psychographic insights which reveal the mindset and motivation of each customer, the more relevant your messaging can be and the more likely it will convert to a booking.

For example, let's say you've got two people living on the same street, of the same gender and similar frequency and avg. spend. Crucially, both of these people only order vegan dishes from you. This may sound like a perfect match of demographic and behavioural insights but what happens if we incorporate psychographic data?

If we analyse the social profiles of these two customers, we might see one follows a bunch of health and fitness accounts while the other engages more with animal welfare and activist content.

Suddenly, these two customer profiles look very different. Sure, you could send them the same email campaign promoting your vegan menu, but you can do better than that. By understanding the motivations of each customer, you can promote your healthiest vegan dishes to one customer and highlight animal welfare in the messaging to the other.

This is the level of insights you need from your CRM if you want to identify your key customers and understand why they buy from you.

Stage #3: Retention

Keep your best customers spending money

At the start of this guide, we explained how the Pareto Principle (80:20 rule) suggests 80% of your revenue should come from 20% of your customer base. Retention is the key to achieving this and you want to approach this from two key angles:

Predicting drop-off: Use customer data to predict churn – and intervene with automated campaigns.

Maximise customer value: Use personalisation to increase frequency and spend from your best customers.

By preventing drop-offs, you keep your customers involved with your brand and spending money. The other key aspect to retention is maximising revenue from each customer, either by increasing frequency, how much they spend per order – or both.

Predict when customers are about to drop off

With complete customer profiles in your CRM, you'll have all of the behavioural data you need to see how their spending habits change as economic pressures increase. You can identify any changes to frequency and whether they order differently – for example, spending less per order or taking up special deals more often.

Naturally, some people are going to spend less on eating out and food deliveries during a recession, but you don't have to let customers walk away.

You can use your CRM data to predict customer drop-offs and intervene with automated campaigns to keep them engaged. Let's say we analyse the data and determine that regular customers who don't place an order within 30 days are most likely to drop off.

You can create an email campaign that automatically sends out to customers who haven't ordered within the past 35 days to avoid that.

A lot of companies send out the same generic re-engagement emails to customers who lose interest but with the right CRM data you can send fully automated, highly-personalised re-engagement emails with messages that resonate with the mindset and motivations of every customer.

You know what's going to tempt these customers back and you've got the personalised email campaigns capable of delivering the right message.

Maximise customer value with hyper-personalisation

To generate more revenue from existing customers, you have to motivate them more often, with greater intensity or both. You're not going to do this with generic marketing messages. You have to dig even deeper into your data and make your messages more relevant than ever.

Earlier, we explained how you can combine demographic and psychographic data to create more relevant marketing messages. You can take this one step further and pull in data from third-party sources to create highly-personalised campaigns that automatically respond to, for example, customers' surroundings.

Let's say we've got two customers with exactly the same demographic and psychographic profile and similar behaviour patterns (frequency, avg. order value, favourite dishes, etc.). The only thing that separates them is that one lives in Devon and the other lives in Northumberland.

Now, it makes sense to have these two customers on the same email marketing list by default. However, you can still take personalisation further by understanding the factors that impact their purchase decisions.

So you might pull in data from the Met Office to see how their spending habits relate to weather conditions: how much they spend, what they order, etc. Taking this even further, you could pull in real-time data for rainfall, temperature, humidity and other insights, allowing automatic personalisation at the moment each customer opens their email.
So, if it's bright and sunny in Devon, the customer sees images of white wine and fresh dishes perfect for eating in the garden. Meanwhile, if it's wet and grey for customers in Northumberland, they'll see images of red wine and cosy dishes to enjoy in front of the TV.

This is the level of personalisation you can achieve by making full use of your CRM and pulling in third-party data and software.

Bringing it all together

With a complete CRM filled with customer profiles, you can use your data to match with new target customers who meet the same criteria.

For example, you can match audiences on social platforms to reach new prospects who share the same characteristics as your most important customers and reach a wider audience with your inbound marketing campaigns, using the same level of relevance to motivate new customers on a deeper level.

This brings us back to the acquisition stage and closes the loop on the customer cycle.

Now, you have a multichannel inbound marketing strategy capturing potential bookings at every stage of the customer journey and a customer data strategy that pinpoints your top customers, maximises revenue from them and helps you find more new customers just like them.

Takeaways

Here's a quick summary of the key things to take away:

Maximise visibility

Develop an SEO strategy that maximises visibility and discoverability. Many larger brands are only starting to invest in SEO, simply relying on brand name to win customers - you can beat them to the punch.

Capture customers at every stage of the funnel

Develop an inbound marketing strategy across search, social and PPC that captures new customers at every stage of the funnel.

Identify your most important customers

Use your CRM to pinpoint the top 5%-10% of your customer base – prioritise these customers and find more who fit the same profile. And don't forget your prospects, those sitting on your database who haven't yet made a booking.

Prioritise retention

Use marketing and customer data to maximise ROI across acquisition, conversion and retention - but prioritise retention with your most important customers.

Automate campaigns

Run automated campaigns that convert and retain customers while you sleep.

Personalise messages

Make full use of your customer data to create personalised campaigns capable of motivating them.

Close the loop

Use your marketing and customer data to capture more customers matching the same profile as your most important customers.

Want to learn more about how you can maximise your marketing strategy?

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