Getting Back to Basics: 2024 CX Outlook

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Introduction

According to Merriam-Webster, the 2023 word of the year is "authentic." Why? In the midst of all this tech-enabled innovation, we still find ourselves craving the basics.

The COVID-19 pandemic forced restaurants to adjust to the challenges posed by the "new normal." This meant increasing their focus on online orders, promoting curbside pickups, and introducing outdoor dining with restricted seating, among other measures. Now, as we approach 2024, businesses are aiming to get back to their true purpose, which is understanding why people search for them, find them, and choose them. Moving forward, brands will leverage this to figure out how they drive consumers to not just choose them but return and return again.

Despite facing significant challenges, the industry continues to rebound, with monthly restaurant sales exceeding pre-COVID levels nearly every month since March 2021, according to Census Bureau data. This, however, is partly due to higher food prices overall.

But regardless of rising food costs, consumers offer signs of resilience and want to maintain their restaurant visits and orders as much as possible. A factor helping alleviate some pressures among consumers has been the rapid softening in average guest checks, driven at least in part by more conservative menu-price increases this year.

Our Prediction

To maintain or even exceed sales and traffic growth, brands must focus on delivering exceptional, *authentic* customer experiences (CXs) as we head into the back-to-basics era.

During the pandemic, customers may have shown increased patience for sub-par service as the restaurant industry faced declining customer traffic and sales, staff shortages, and more. However, this leniency has waned, and customers are now more demanding than ever, expecting value for their money and time, particularly given the current economic conditions.

While offering high-quality food at affordable prices is crucial, it constitutes only a fraction of the hospitality equation. Brands need to demonstrate empathy for customers and create a warm, welcoming environment that entices them to return.

Quantifying hospitality may seem complex, but the key lies in analyzing customer feedback. It's not just about collecting data; it's about translating that data into customer-centric actions, enabling brands to deliver the experiences customers desire.

🔍 top rated restaurants near me

CX Trends

Consumer behavior has shifted from purchasing goods to indulging in experiences like dining out. Instead of cutting back on dining out, consumers are choosing to dine less frequently but are willing to spend more per occasion for higher-quality, engaging restaurant experiences. Moreover, as per a study by Square, 55% of diners said that they are interested in being offered new and different experiences, such as cooking classes, live music, tastings, or game nights. It's therefore crucial brands channel additional efforts into attracting customers who will seek novel and heightened experiences in 2024.

Hospitality should transcend expectations—only then can brands reap the benefits: GuestXM data revealed that restaurants that provided higher levels of hospitality during Q3 of this year, had 2.4 percentage points better same-store sales growth and 1.8 percentage points better same-store traffic growth than brands classified as providing lower levels of hospitality to their guests. Units that improved net sentiment year-over-year (YoY) saw better traffic and sales.

In terms of guest sentiment, food quality has become the key differentiator helping brands attract more customers than competitors. The top negative themes in Q3 included food safety, temperature inaccuracy, and accuracy of order. The top positive themes include flavor, quality, and portion.

For service, the top positive themes are friendliness, appearance, and experience, and the top negative themes are rude service, accuracy of order, and attentiveness.

Furthermore, according to a survey study by Lisa W. Miller & Associates:

30% of customers are frustrated with slow speed of service, and 23% are frustrated with dirty restrooms.

When asked what limited-service restaurants can do to make the experience worth it, 40% said providing affordable pricing for quality meals. 36% said consistent food quality and taste, and 34% said offering special offers and discounts.

When asked what full-service restaurants can do to make the experience worth it, 45% of customers said providing affordable pricing for quality meals. 45% said consistent food and taste, and 41% said friendly and attentive staff.

Dining in remains a top preference: concerning casual-dining customers, 48% prefer dining in.

65% of customers are willing to pay higher restaurant prices when they know there will be exceptional service.

Our Prediction

Consumers, in response to economic uncertainties, are likely to opt for more budget-friendly choices in the coming year, which means value will become a key driver for limited-service restaurants.

Additionally, as consumer preferences shift from buying goods to enjoying experiences like dining out, hospitality will become a crucial factor driving the success of full-service restaurants.

Price Hikes

Raising menu prices without a thorough understanding of its impact on customers carries significant consequences. While it may contribute to short-term sales growth, it will ultimately erode customer traffic. And with financial pressures such as delinquencies rising for credit card and auto loans and student loan repayments restarting, consumers are becoming more sensitive to price hikes.

Despite a softening in average guest checks, meals still cost 20% to 30% more compared to pre-pandemic levels, according to the Lisa W. Miller & Associates study. What's more, 59% of customers are frustrated with menu price increases, and 52% of limited-service customers reported that they have sticker shock when receiving their restaurant bills compared to 47% of full-service customers.

GuestXM research supports this: Customers are much more sensitive to changes in price and growth in average check when visiting a limited-service restaurant than when going to a full-service restaurant. Furthermore, in Q3 of this year, restaurants with the lowest check growth had better YoY traffic, and brands with negative or flat YoY check growth had stronger overall net sentiment than the rest in Q3.

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Lisa W. Miller & Associates

Our Prediction

As we approach 2024, careful consideration will be necessary for any price adjustments. Brands should focus on making customers' experiences truly worthwhile, and this does not necessarily mean through discounts. As research suggests, relying too heavily on discounts and promotions can lead to a decline in customer loyalty. It's about crafting an experience that goes beyond transactions and ensures customers feel their time and money are well spent.

If there is no other choice than to raise prices, again, offering exceptional service can mitigate any negative reactions to price increases from customers.

Customer Feedback Management

Hidden within customer feedback, whether collected via surveys or online review/social media channels, is a wealth of data essential for reaching excellence in hospitality.

Top-performing brands are investing in social and review listening as well as online reputation management solutions to reinforce their CX strategies for 2024.

As per Forrester, "64% of CX leaders expect to see budget increases in 2024—making it crucial to cut back on redundant or poorly performing investments so budgets can be targeted to areas that drive action and value." Brands will, therefore, begin investing more in technology that could help elevate the CX, such as AI-powered feedback and reputation management solutions.

Operator Poll: Goals for 2024

For example, during GuestXM's "Team Roundtable: How Smalls Sliders Tackles Fast-Growth Challenges with Big Business Mentality" webinar, the audience was asked what their primary business goal is for 2024 in terms of streamlining operations and delivering high-quality products and services to customers.

50%

50% of respondents revealed that exploring technology opportunities to improve operations is at the forefront of their strategic initiatives.

75%

75% said they plan on investing in technology to stay competitive in 2024.
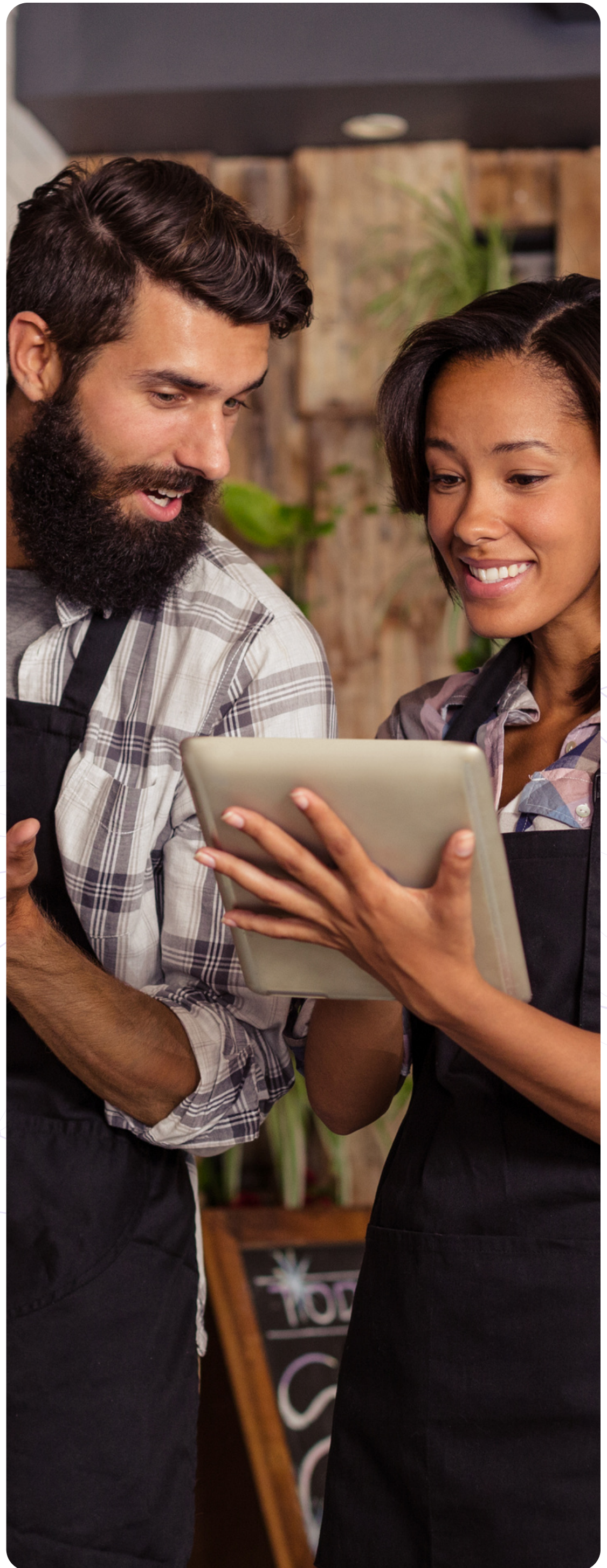
Types of Customer Feedback

Indirect / Unstructured / Unsolicited Feedback

Consumers increasingly opt for the convenience of sharing their opinions online versus providing direct feedback. To address this, organizations should focus on collecting feedback from the platforms where customers express their concerns and take prompt action.

For example, looking at a sample of over 1.4 million reviews across Google, Yelp, Facebook, and TripAdvisor, GuestXM concluded that Google is one of the most critical review channels.

Given the vast amount of online channels available today, some brands, nonetheless, continue to not only have difficulty tracking online reviews but also decoding the data in a timely manner. This is where AI technology proves especially beneficial: AI expedites the extraction of meaningful insights from raw feedback data, swiftly identifying correlations and trends without manual effort. This streamlined analysis saves time and resources, enabling brands to prioritize actions that enhance the CX.

Maintaining brand reputation is another crucial reason why it's essential for brands to stay vigilant about customer reviews. GuestXM research has shown that the volume of online customer feedback a restaurant receives has a great influence on how positive or negative a brand is perceived. During the first nine months of 2023, those restaurant locations with very high ratings (over 4.5 stars) received 3.5 times more online reviews than restaurants rated between 3.5 and 4.0 stars.

This trend is expected to persist into 2024 and beyond with the growing availability of channels, emphasizing the importance for brands to prioritize delivering outstanding, authentic experiences that encourage customers to share positive reviews.

Furthermore, interacting with customer reviews is essential for a positive CX. Engaging with reviews shows customers that you truly care about their opinions, which in turn strengthens your brand reputation.

During GuestXM's Q4 State of the Industry webinar, we asked executives from the top restaurant chains in the nation how they currently respond to reviews. 33% said they respond to negative reviews first, and 47% said they respond to every review.

According to Google, businesses that respond to reviews are seen as 1.7 times more trustworthy than those that don't. Again, automation tools can help brands streamline and simplify repetitive tasks when it comes to responding to reviews.

Direct / Solicited Feedback

Surveys are here to stay.

Restaurants can potentially decrease the chances of negative online reviews by actively seeking customer feedback through surveys.

Today, most businesses are monitoring core indicators of brand and location health through Net Promoter Scores (NPSs), Customer Satisfaction (CSAT) scores, Customer Effort Scores (CESs), and other methods. Top brands are also including surveys to customers of their delivery and takeout platforms to better manage the experience. This is especially crucial for restaurants using third-party delivery services.

Businesses that use their own in-house delivery service have control over the entire process. So outsourcing deliveries to third-party companies can potentially jeopardize the CX.

Customer feedback surveys can help brands stay on top of any issues so they can be addressed as quickly as possible.

Workforce

Staffing challenges, although still present, have continued to ease slowly. As a result, pressures on wage growth have largely subsided. YoY growth in starting wages for key hourly, non-management positions in both limited-service and full-service restaurants has declined from the record-high levels experienced in previous years. Wage growth YoY is now lower than what was experienced back in 2018 and 2019.

According to a survey conducted during GuestXM's "Turning Customers into Raving Fans: Lessons from Cult Fast Casual & QSR Brands" webinar in collaboration with Schoox, a powerful learning management system that provides innovative solutions for workplace learning and talent development, approximately 85% of respondents plan to attract new candidates by offering competitive salaries and benefits in 2024. All respondents agreed that the main HR challenge in 2024 will be boosting employee engagement and morale. Regarding their focus for 2024, all respondents unanimously prioritize implementing effective employee training and development programs.

The labor shortage prompted brands to recognize the critical need for providing exceptional employee experiences to foster a more resilient and motivated workforce. And it's no secret that satisfied employees provide better customer service. Our prediction as we head into 2024? CX will continue to improve as staffing pressures ease.

GUESTXM DATA REPORTS:

In terms of delivery, for full service, order accuracy, temperature, and speed are the top reasons for lower online star ratings. As for limited service, speed, accuracy, and quality are the top reasons for lower ratings.

Delivery and Pickup

The surge in online ordering, which experienced significant growth during the pandemic, is anticipated to level off, especially in limited service. This shift underscores consumers' enduring preference for in-restaurant experiences.

Nonetheless, the global online food delivery market is estimated to be $130.2 billion and is expected to grow to $223.7 billion by 2027.

According to GuestXM data, in terms of delivery, for full service, order accuracy, temperature, and speed are the top reasons for lower online star ratings. As for limited service, speed, accuracy, and quality are the top reasons for lower ratings.

Ensuring the quality of the delivered food through stringent quality control measures, accurate order fulfillment, and effective packaging can help mitigate negative experiences.

And while third-party delivery solutions like Uber Eats and DoorDash will continue to be indispensable tools for brands that don't offer in-house delivery services, it's important to keep in mind that the shift toward more intentional spending is also causing consumers to move away from third-party delivery services, as stated in a recent article from National Restaurant News.

Should this trend persist through 2024, brands need to consider the advantages of developing and investing in proprietary, in-house delivery systems.

Technology

Restaurants that effectively utilize innovative technology and adapt to changing consumer trends will be well-positioned for growth in the coming year:

Contactless Payment

The popularity of contactless payments through near-field communication (NFC) or mobile apps is expected to increase. A study from Juniper Research has found that the total number of unique contactless mobile payment users will reach 1 billion globally by 2024; rising from 782 million in 2022, representing a growth of 60%.

Digital Kitchen Boards

Digital kitchen boards will drive efficiency.

Apart from reducing the risk of human error associated with manual order transcription and providing real-time updates on incoming orders, allowing kitchen staff to prioritize and manage orders efficiently, these "boards" eliminate paper tickets and automate order flow, offer customization and flexibility, facilitate better communication between the front-of-house and kitchen staff, and enables integration with POS systems, ensuring seamless communication between order placement and kitchen preparation, reducing the chances of discrepancies and delays.

In addition, many digital kitchen boards offer data analytics features, allowing restaurant owners and managers to analyze order trends, track kitchen performance, and make data-driven decisions for optimization.

Self-Service Kiosks

By 2027, the self-service market is expected to reach $63 billion, up from $40 billion in 2022.

In the restaurant industry specifically, self-service kiosks have only grown in popularity over the last few years—by 2024, it's estimated that this market will reach approximately $30.8 billion.

And customers seem to be in favor of them. According to Square's The Future of Restaurants report, 79% of customers said that they'd prefer to order via online kiosks rather than directly through staff.

AI Chatbots

AI chatbots can significantly benefit restaurants by automating various tasks. These chatbots can streamline the ordering process by handling online orders and reservations, providing 24/7 customer support, and offering instant responses to inquiries. Additionally, they contribute to personalized CXs by analyzing preferences for menu recommendations and targeted promotions.

However, consumers continue to fear that certain AI technologies may decrease personalized service at restaurants. Research from PYMNTS' study "The Digital Divide: Technology, the Metaverse and the Future of Dining Out" revealed that roughly 4 in 10 consumers at least partially agree that restaurants are becoming increasingly less personal.

In 2024, brands will need to prioritize balancing AI self-service and human interaction effectively.

Automated Inventory Management Software

Automated inventory management software in restaurants is a digital tool designed to streamline and optimize the process of tracking and managing inventory.

Key features often include real-time tracking of stock levels, automatic updates based on sales and purchases, alerts for low stock levels, and analytics to identify trends and make informed purchasing decisions. This type of software can enhance efficiency, reduce errors, and ensure that restaurants have the right amount of ingredients and supplies on hand to meet customer demand while minimizing waste (which is especially important as sustainability gains increased attention worldwide).

QR Codes

Most customers prefer ordering and paying through QR codes.

However, according to the National Restaurant Association's findings in the State of the Restaurant Industry 2023 report, only 46% of baby boomers are interested in accessing menus on their phones via a QR code versus 73% of Gen Z adults. Baby boomers also are less willing to use contactless or mobile pay options (57%) and only 53% said they would order and pay using a smartphone app.

Marketing

Influencer marketing will continue to gain traction.

A survey by Matter Communications revealed 69% of respondents are likely to trust a friend, family member, or influencer recommendation over information coming directly from a brand.

According to Influencer Marketing Hub's State of Influencer Marketing 2023: Benchmark report, influencer marketing has grown into a $21.1 billion industry, a significant increase of 29% from $16.4 billion in the previous year.

Influencer marketers continue to favor Instagram due to its high ROI, as per HubSpot. 20% of marketers said that they get the biggest ROI from Facebook and YouTube, and only 14% said they get the biggest ROI from TikTok.

However, Influencer Marketing Hub also reported that engagement rates on TikTok range between 10.53% for accounts with over 1 million followers and 15.04% for accounts with 1,000 to 5,000 followers, whereas Instagram accounts with fewer than 5,000 followers see an engagement rate of about 4.21%.

A study by the American Marketing Association discovered that higher influencer marketing spending correlates with increased engagement rates. Even a 1% rise in spending resulted in almost a 0.5% boost in engagement.

Furthermore, the Matter Communications study found that 61% of respondents found relatable personalities to be the most appealing as it evokes a sense of familiarity. Expert personalities were the second most preferred with 43% saying that they found these types of influencers appealing.

69%
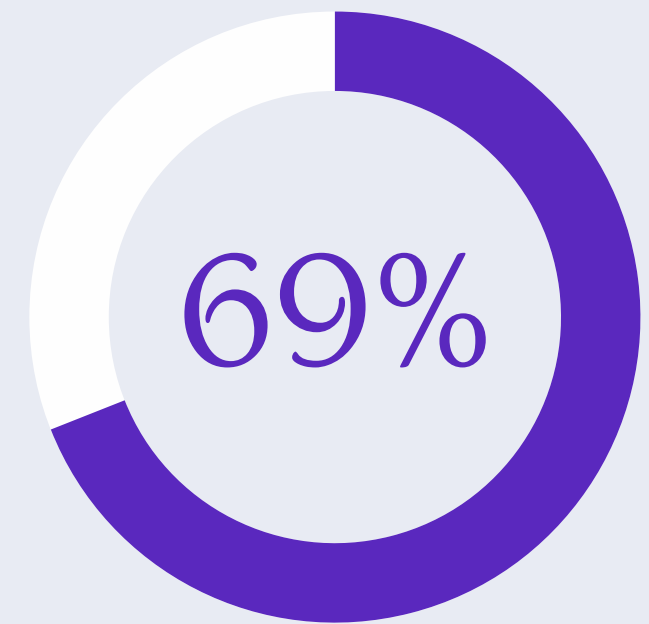
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Matter Communications

Health and Wellness

People today are more health-conscious than ever, paying closer attention to what they consume.

Statista Consumer Insights reported that 50% of Americans actively aim to eat healthily. This inclination is strong among Baby Boomers (58%) and also notable among Gen Z (44%). Furthermore, a survey by the Cleveland Clinic showed that 46% of US adults said a barrier to eating healthy foods was their price.

In the upcoming year, consumers will insist on transparency and effective communication from brands concerning the nutritional content of their food and beverages.

Sustainability

According to a study by Specright, <u>71% of consumers plan to make more sustainable purchasing decisions next year</u>.

The same study also revealed 58% are willing to spend more money on products that are deemed sustainable or environmentally friendly, and 74% of consumers indicated they are more likely to purchase from a company that is transparent about its sustainability practices.

As per a <u>Statista survey study</u>, messaging will play a pivotal role for brands aiming to capitalize on ethical spenders, particularly when targeting Gen Zers. And despite their willingness to spend more on sustainable products, this younger demographic doesn't necessarily connect sustainability with luxury or premium items. They believe sustainable shopping should be accessible to everyone. In fact, 40% of consumers surveyed reported that sustainable food and beverage products are too expensive for them.

The message is clear: As sustainability concerns grow and consumers shift toward becoming more environmentally conscious, restaurants must pursue eco-friendly practices to reduce their environmental impact and gain the trust of customers:

Upcycled Ingredients

Instead of discarding certain parts of food items such as fruit and vegetable pulp and brewer's spent grains, these by-products can be upcycled or repurposed into new and usable ingredients, minimizing waste and maximizing the value of resources.

Sustainable Packaging

As per the Specright study, consumers confirmed they would pay more for recycled cardboard (50%), cornstarch foam/water soluble packaging (48%), reusable plastic totes (62%), and products with the terms like "eco," "biodegradable," or "recyclable" on packaging (55%).

Hyperlocal Sourcing

In 2024, more restaurants will prioritize local sourcing. Hyperlocal sourcing specifically refers to the practice of procuring ingredients and food products from local suppliers and producers within close proximity to the restaurant.

71%

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CX Benchmarking

CX benchmarking is gaining prominence within the restaurant industry as the focus shifts from operational efficiency to prioritizing a customer-centric approach.

Brands aiming to surpass industry standards need a solid CX benchmarking strategy to be able to adapt to changing customer expectations, identify competitive gaps, or effectively prioritize improvements.

But what is CX benchmarking?

It's a method used by businesses to measure and assess their customer interactions and services against historical data, industry benchmarks, and competitors. The process involves analyzing key performance indicators and metrics to identify strengths, weaknesses, and areas for improvement.

In the years ahead, the industry will only see a surge in feedback channels and, therefore, data. However, more doesn't necessarily equal better as businesses may require additional resources—a new tool, increased headcount, or expanded budgets—to distill meaningful insights from the data.

Rather than drown in a sea of information, brands will increasingly turn to CX benchmarking, which employs modern data processes to provide a single answer capable of addressing myriad issues. For example, it can unveil the reasons behind low customer retention, reveal insights about competitors, like variations in food quality scores, and more. Benchmarking cuts through the noise, providing a consolidated perspective so brands can swiftly extract relevant insights, gain a clearer understanding of their performance landscape, and make data-driven decisions to fuel organizational success.

The restaurant industry is carrying a certain weight of uncertainty in the market that developed throughout 2023. The key to navigating this uncertainty lies in returning to the basics, and CX benchmarking serves as a foundational tool for understanding CXs, making informed decisions, and adapting strategies for success.

Benchmarking Examples

WORKFORCE

- Turnover
- Compensation
- Bonus
- Total rewards
- Employee benefits
- Demographics
- Sales per labor hour

GUEST SENTIMENT

- Food
- Beverage
- Service
- Ambiance
- Intent to return
- Value
- How your online sentiment affects sales & traffic

SALES & TRAFFIC

- By geolocation
- By segment
- By cuisine type
- Comp sales
- Weekly average
- PPA check growth
- Sales mix
- Sales type

How can you develop a CX benchmark framework? Learn what metrics you should benchmark, including NPS, CSAT, Order Accuracy, Wait Time, and more, and leverage detailed examples of CX benchmarking in our ebook: The Ultimate Guide to CX Benchmarking.

Preparing for the New Year

In 2024, restaurants will begin to shift from the "new normal" and re-embrace the basics.

Customers are done tolerating mediocre service, and to meet and exceed their expectations, brands need to focus on listening to their opinions and acting upon their feedback, stay abreast of technological advancements to ensure convenient, seamless experiences, create the warm, inviting environment customers crave, and, most importantly, remain innovative, which means being open to introducing new ideas, methods, or products that lead to positive change and improvement. As it happens, brands perceived as innovative afford three times more growth than brands that aren't, according to Kantar data.

How can brands prepare for the new year?

They can start by focusing on their brand mission, vision, and values and use data from their CX platforms to assess how well they are delivering on those. If scores don't align, they should identify specific service steps, locations, or concepts affecting performance. Furthermore, they must prioritize mastering their craft through training and market testing, aiming to consistently deliver an experience that keeps customers coming back.

About GuestXM

Gain full control of your brand—from how it's perceived to how it performs—so you know exactly what impact your team can make to transform your brand's hospitality and deliver remarkable restaurant experiences.

Visit guestxm.com to discover what's possible