

Discounting is damaging brands, says Horizons

Charging the full price for a meal out will become more difficult for restaurant and pub operators as diners become increasingly accustomed to discounts through the widespread availability of money-off vouchers.

This was one of the key messages to an audience of leading foodservice operators and suppliers at a Breakfast Briefing held in London yesterday by market analyst Horizons.

Discount deals in pubs and restaurants have played an important role in keeping consumers eating out over the past 18 months, with as many as 16% of diners making use of vouchers. But their on-going use could threaten the brand positioning of many restaurant chains as well as erode their profit margins, which will have a negative impact on the business in the long term.

'Consumers have developed a voucher-scheme mentality when it comes to eating out,' warned Horizons' managing director Peter Backman. 'It's a treadmill that many operators will find impossible to get off without redefining their target audience in line with lower prices.'

Horizons' research shows that of the 16% who use vouchers most prefer '2 for 1' deals. Pizza Express, McDonald's, Tesco, Domino's and Pizza Hut are the most common places to redeem them.

Many vouchers are downloaded by diners through money-off websites, while more targeted offers are sent by some chains directly to the consumer via mobile phone, email or Facebook. This enables one-off deals to be communicated quickly to consumers such as Pizza Express offering '50% off your food bill' in its London restaurants on the day of the recent tube strike.

Current deals on the website MoneySavingExpert.com include '2 for 1' at Strada and Ask, '2 for £12' at Café Rouge, '50% off' at Brasserie Gerard and La Tasca, '2 mains for £10' at Zizzi, and 'a free drink' at Pitcher & Piano. Some deals are only applicable during quieter trading days or times such as Sunday to Thursday while others are valid everyday.

'Operators need to think about what discounting does to customer perception and the market position of their business,' said speaker Glyn Heald, a partner at business coaching firm Shirlaws. 'Foodservice businesses are based around four things - marketing, service, product and price. If the business lowers its price downwards then they are altering customer perception of their position in the market.'

'Businesses intending to maintain that lower price point need to make sure they adjust their business model to maintain margins, and this means appealing to a different customer sector, altering service levels and their cost base and changing their marketing accordingly.'

'If they stop discounting restaurants will have to work extremely hard to ensure customers get something extra for the higher price they are being asked to pay. Customers very quickly get used to paying a lower price for a particular level of service, so if operators effectively raise the price by stopping the discounts, customers could end up feeling cheated.'

For further comment or to interview Peter Backman please contact Linda Pettit at Tilburstow Media Partners on 01737 823721/07973 789853 or email press@horizonsforsuccess.com.

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EDITOR'S NOTE

About Horizons

Peter Backman is the managing director of Horizons, the analyst and specialist information consultant for the foodservice and hospitality sector. Peter is an expert on the structure and dynamics of the foodservice sector, and its supply chain, in the UK and across Europe. He has been involved in foodservice, as an analyst, researcher and consultant, for almost 30 years.

Horizons helps its clients make better business decisions by providing accurate and detailed information about the foodservice market, its trends, and opportunities. The company provides consultancy services, workshops and statistical information based on its model of the sector and database of key accounts across Europe.

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