BARCLAYS

The feedback economy

Making the most of online customer feedback to drive business growth

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Introduction

Online feedback sites such as TripAdvisor have rapidly become an important tool to help consumers make decisions about how to spend their leisure time – from the best place for a family holiday to where to get lunch.

This trend represents a major opportunity for the UK hospitality and leisure sector, with small and medium-sized enterprises (SMEs) particularly well placed to take advantage – but only if they can adapt and respond.

The rise of online reviews

Customers can now access independent, real-time reviews on a wider range of hotels, restaurants and other leisure destinations than ever before.

User-generated reviews are constantly being added – 200 new reviews are added to TripAdvisor every minute[1] – keeping information very up to date. This can help businesses make informed decisions on issues such as pricing, operations and strategy.

About this report

Barclays carried out a survey of 2,000 customers and over 500 businesses in the UK leisure and hospitality sector to assess the effect of online customer review sites.

We have also constructed economic models to measure how responses by businesses to increasing use of online customer reviews could benefit the sector and the wider economy.

A £3.2bn opportunity

The current business outlook for the sector is positive, with expected growth of around 3% to 5% over the next few years.[2] 70% of the businesses surveyed expect revenue to increase over the coming 18 months. Growth is likely to be further fuelled by factors such as the weaker pound experienced following the Brexit vote, which could make the UK a more attractive travel destination to those travelling from abroad. An increase in leisure time and growing security concerns may also mean people stay in the UK for holidays. £22.5bn is spent on UK 'staycations' every year.[3]

200 new reviews are posted on TripAdvisor every minute[1]

Yelp features more than **102 million** customer reviews[4]

750,000 reviews on OpenTable every month[5]

Trustpilot attracts **500,000** reviews a month[6]

Our economic modelling shows that being more responsive to customer feedback sites could help hospitality and leisure businesses boost the UK economy by £3.2bn over the next decade, compared to business as usual. The overall impact on the economy could be as high as £4.9bn by 2026.

Hotels and restaurants are the most sensitive to online reviews and our model predicts these businesses will see the largest benefits, with over £100m value created in hotels and £80m for restaurants.

What next?

To capitalise on this growth opportunity, SMEs will need to respond and adapt to issues identified by customer feedback. The more businesses can do this effectively, the greater the potential benefits. A more customer-responsive sector is likely to see greater customer numbers, more repeat and longer stays, higher spend per customer, better customer service and more customers making recommendations to others.

Adam Rowse
Head of Business Banking
Barclays

How are online reviews changing the hospitality and leisure sector?

Online reviews are becoming the go-to source of information to help consumers evaluate the leisure decisions they make, and having a big impact on consumer behaviour, particularly among younger people.

How do you use customer review sites?

	AGE 18 to 24	AGE 25 to 34	AGE 35 to 44	AGE 45 to 54	AGE 55 to 64	AGE 65+	Average total
I look specifically for good reviews to help me decide where to go and then consider other factors such as cost and location.	18%	29%	21%	16%	12%	8%	**18%**
I decide where I want to go based on factors such as cost and location and then check to see if there are any bad reviews that would put me off.	57%	52%	56%	55%	57%	52%	**54%**
Neither of these.	4%	6%	8%	11%	6%	10%	**8%**
N/A – I do not tend to use customer review services/sites.	21%	13%	15%	18%	25%	30%	**20%**

Part of the routine

Leaving feedback is becoming more routine across all age groups.

- 45% of customers say they are more likely to leave online feedback than they were 18 months ago

- 52% say one of the most important factors in leaving reviews is knowing how important they are for others.

This behaviour creates a feedback loop that increases both the volume and quality of online reviews.

The millennial effect

- 60% of customers say they trust online reviews, rising to 71% among 18 to 34 years olds

- 29% of those aged 18 to 24 say customer reviews are one of the most important factors when making a leisure decision, compared to 18% of those aged 65 and over

- 29% of 25 to 34 year olds look for good reviews to make decisions, compared to 18% across all respondents.

These findings suggest that the importance of online reviews is likely to increase over the next decade as these consumers get older and their spending power increases. SMEs have a big opportunity to capitalise on this trend by engaging with, and marketing to, the next generation of 'digital natives' online.

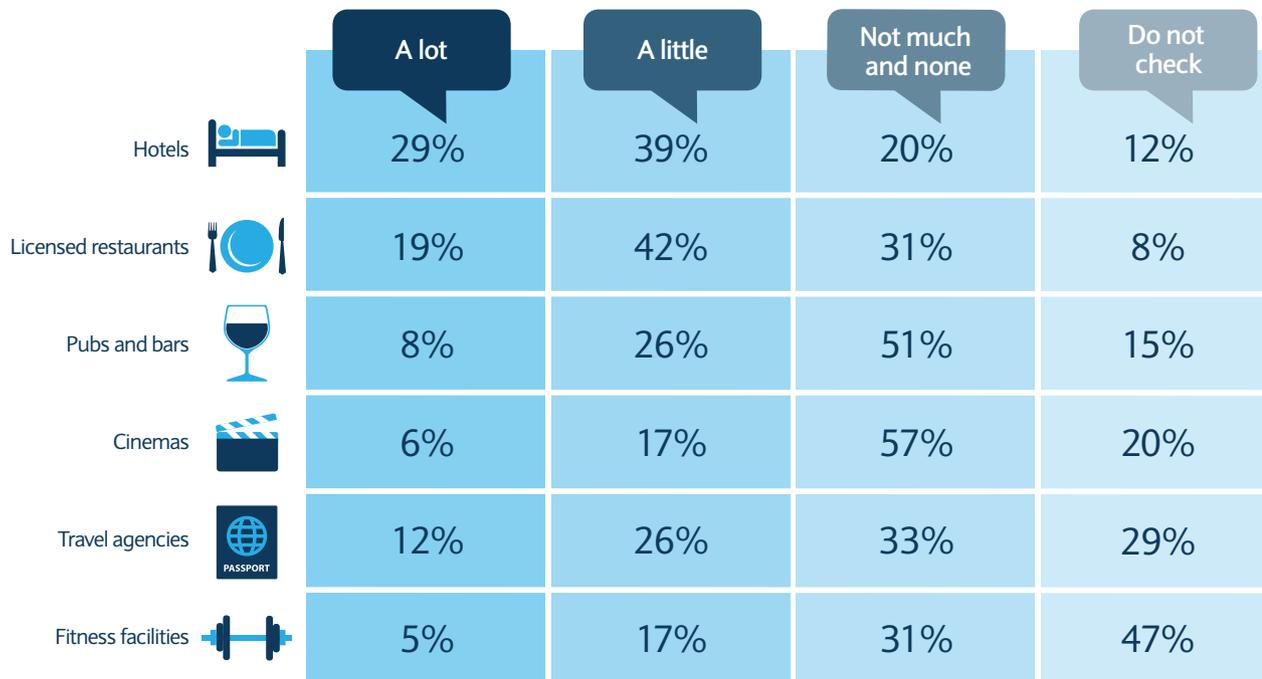Younger people are more likely to attach importance to online reviews.

Hotels and restaurants lead the way

- Consumers pay most attention to reviews when choosing accommodation (69%) and restaurants (61%), while online reviews of cinemas (23%) and sports clubs/gyms (22%) have less influence

- 58% of consumers say they have visited a hotel or B&B at least once because of positive reviews, compared to 54% for restaurants and 32% for bars and pubs

- Online feedback is currently seen as less relevant for sub-sectors such as health clubs (31%) and beauty salons (28%).

However, according to recent research,[7] people are using online customer reviews when making a wider range of purchase decisions and less well-established sub-sectors such as pubs, shops, salons and fashion are increasingly being influenced by customer reviews.

How much attention do you pay to online customer reviews when choosing where to go in the following categories?

	A lot	A little	Not much and none	Do not check
Hotels	29%	39%	20%	12%
Licensed restaurants	19%	42%	31%	8%
Pubs and bars	8%	26%	51%	15%
Cinemas	6%	17%	57%	20%
Travel agencies	12%	26%	33%	29%
Fitness facilities	5%	17%	31%	47%

How are hospitality and leisure businesses responding?

Our research shows that SMEs are well placed to take advantage of the growing importance of online feedback.

- 85% of SMEs say that online customer feedback has been beneficial to their business

- 69% expect online reviews to become more important in the next 18 months

- 78% say online feedback will become more important over the next five years

- 67% report that feedback has been mostly positive over the past 12 months.

So, what processes and resources are businesses putting in place to capture this valuable information and what do they do with it?

Processes

- Almost all the SMEs surveyed say they have some kind of process in place to monitor customer feedback, but only 62% say they monitor review sites specifically

- 75% say they talk to customers on the premises

- 63% monitor social media and ask employees about customer feedback

- 52% use customer surveys and feedback forms to collect customer reviews

- 55% say they integrate customer feedback into the business.

Do you expect customer feedback to become more or less important over the next 18 months?

More important
70%

About the same as now
27%

Less important
1%

Not sure
2%
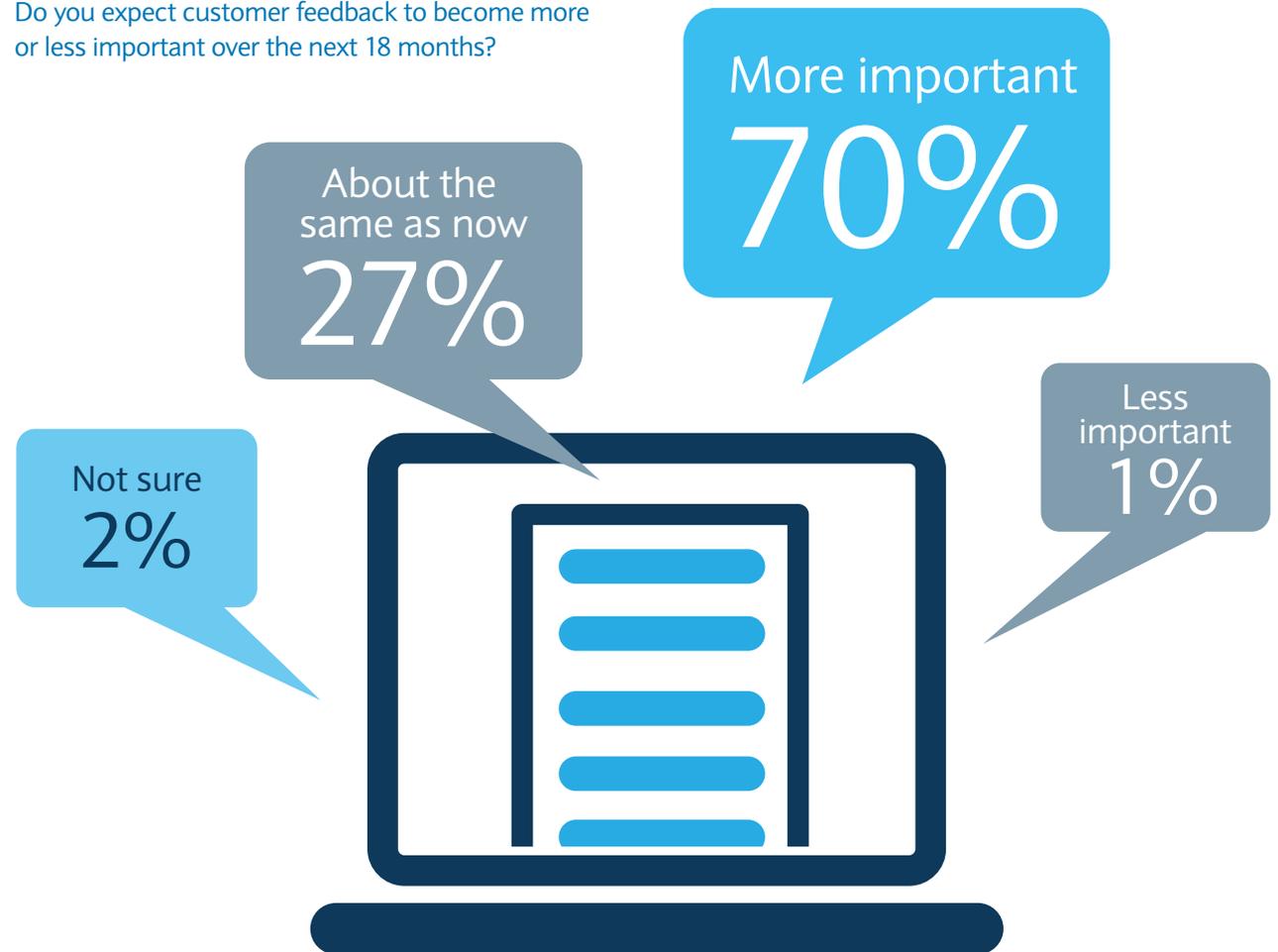
Responsibilities

- Only 18% of SMEs have a dedicated member of staff to monitor and respond to online feedback

- 59% say that senior management has responsibility for managing feedback as part of their other responsibilities

- 52% aim to respond to customer feedback within 24 hours, and 58% within three working days

- 54% communicate and share customer feedback with others.

Managing the data

- 64% of SMEs say they deal with customer feedback in the moment and have no long-term record of feedback for particular customers

- 39% use a customer relationship management (CRM) system to store feedback so it can be retrieved when customers make a booking, but only 26% say they use this information proactively.

Smaller businesses are often better set up to respond to online customer feedback, which can give them a competitive advantage over larger, less responsive businesses.

How SMEs stack up

Our research suggests that smaller businesses are often better set up to respond to online customer feedback, which can give them a competitive advantage over larger, less responsive businesses.

SMEs are more likely than large businesses to:

- Respond to feedback within 24 hours (52% compared to 30%)

- Communicate and share customer feedback with others (54% compared to 43%)

- Integrate customer feedback into the business (55% compared to 37%)

- Be responsive as a result of online feedback (63% compared to 46%)

- Become more innovative as a result of online feedback (44% compared to 34%).

These disparities could be to do with how businesses of different sizes focus their resources. Large businesses are more likely to use online feedback as just one of a number of marketing tools and may therefore have put less emphasis on online reviews in the past.

This suggests that it is at the smaller end of the scale where there are the biggest opportunities to capitalise on online customer feedback. This is reinforced by research in the US showing that independent businesses can respond to online customer feedback more quickly than more established brands and franchises.[8]

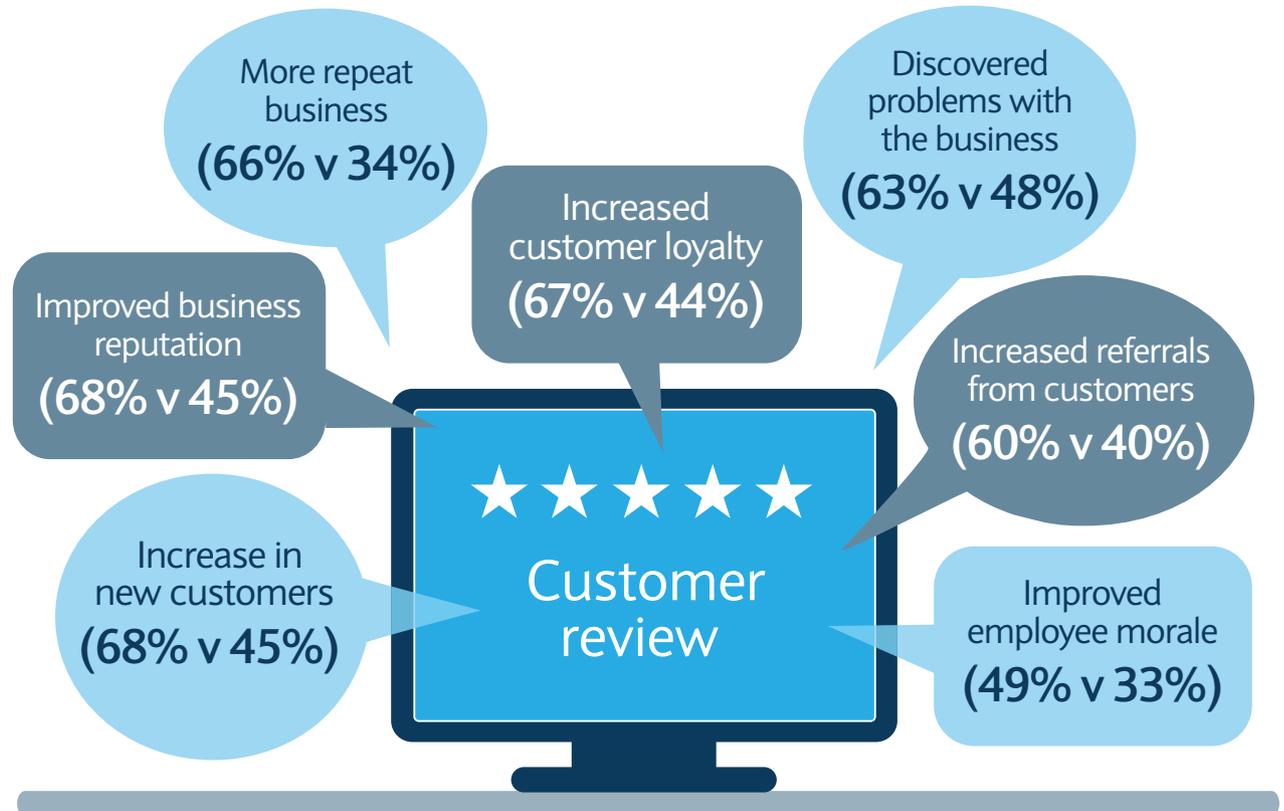# What are the benefits of online customer feedback?

In addition to the potential boost to the UK economy – which could be as much as £3.2bn over the next 10 years – our research identifies a number of ways that SMEs have benefitted from online customer feedback.

It also shows that SMEs are more likely than large businesses to experience these benefits.

- The vast majority – 82% – of both SMEs and large businesses say that online feedback has been beneficial for their business

- 70% agree that published customer feedback attracts more customers to their business than it puts off.

59% of SMEs say they have been able to measure the value of online reviews and 79% say the value customer feedback has added to their business is either the same or greater than the resources they put in to managing it.

The main benefits reported by SMEs compared to large businesses in the past 18 months are:

More repeat business
(66% v 34%)

Discovered problems with the business
(63% v 48%)

Increased customer loyalty
(67% v 44%)

Improved business reputation
(68% v 45%)

Increased referrals from customers
(60% v 40%)

★ ★ ★ ★ ★
Customer review

Increase in new customers
(68% v 45%)

Improved employee morale
(49% v 33%)

Increasing customer numbers

Our research suggests two main reasons why online feedback helps to increase customer volume.

The clustering effect

Although individual hospitality and leisure businesses compete with each other, they also benefit from the cumulative effect of improvements based on responding to customer feedback.

A general improvement in performance can help groups of businesses develop more effectively as leisure destinations. This has two main benefits: it encourages repeat visits from local users and also raises the profile of the area as a visitor destination.

The spillover effect

By helping to improve overall service quality, customer feedback can enhance the reputation of a particular industry sub-sector or leisure activity, generating industry-wide spillover effects. In the medium term, this can help enhance the reputation of the UK as a whole as a leisure destination, boosting the likelihood that UK households will spend their leisure time in the UK and helping the UK leisure sector to remain competitive internationally.

Even small changes can impact customer volumes. For example, a study of 320 restaurants in the San Francisco area[9] found that an increase from 3.0 to 3.5 stars in average review rating increased the probability that a restaurant would operate at full capacity during prime dining times from 13% to 34%. The study also found that an increase from 3.5 stars to 4.0 stars increased the probability of a fully booked restaurant at prime times by a further 19%.

Increasing customer spend

Our research suggests that online feedback can lead to a positive feedback loop where businesses not only benefit from increased capacity, but also encourage secondary spend by providing products and services based on customer preferences.

Our customer survey shows that this could lead to potentially significant increases in revenue. For example, 56% of customers surveyed say they have booked accommodation because of positive feedback on an online customer review site.

A study by the Harvard Business School[10] that looked at customer reviews of restaurants in the North West United States found that a one-star increase in feedback ratings on Yelp (with all other factors held constant) resulted in a 5% to 9% increase in business revenue.

Would you say that online customer feedback has affected the number of customers you have seen over the past 18 months?

4%
Customer feedback has led to fewer customers

11%
Don't know

28%
No effect

57%
Customer feedback has led to more customers
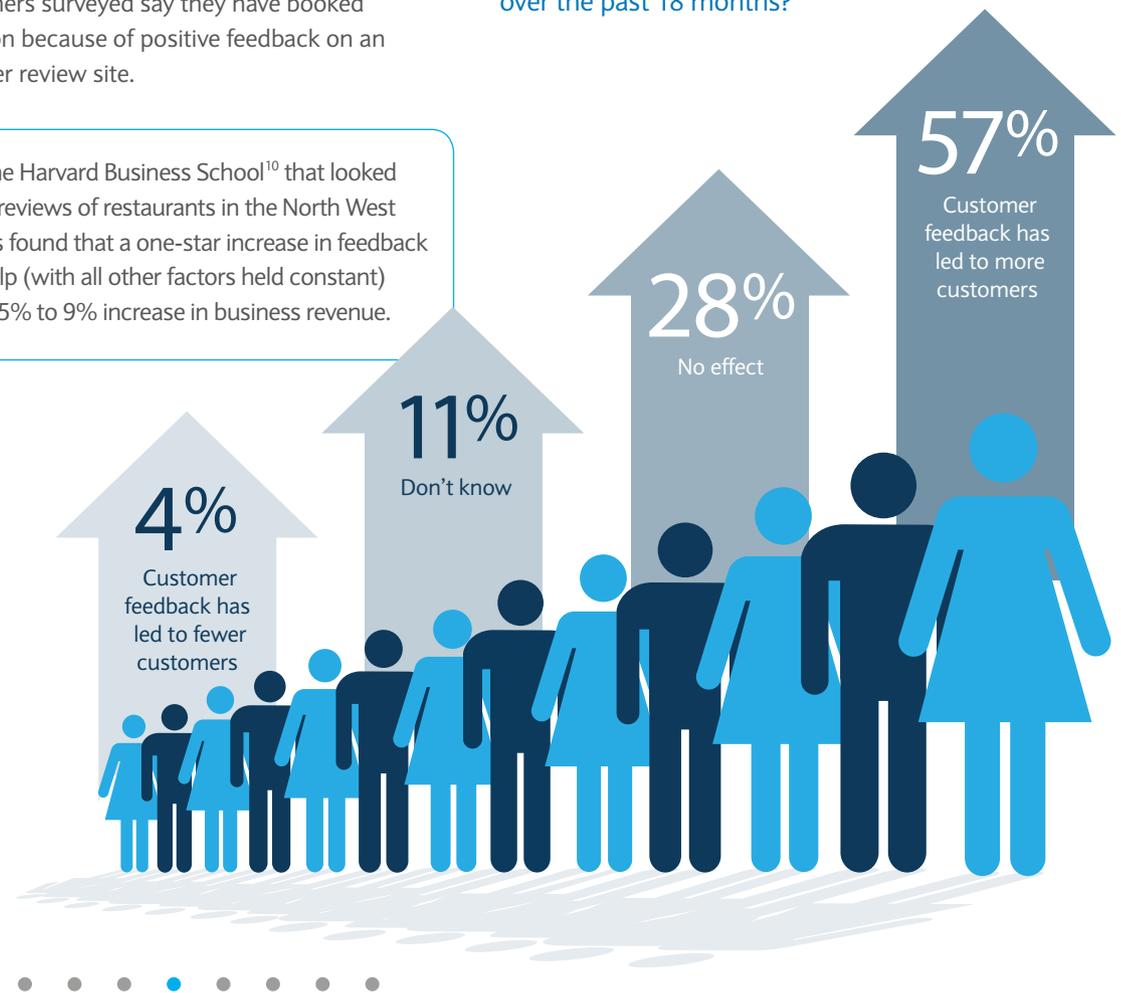
Improving customer service

Customer feedback can, of course, also lead to negative reviews – 45% of SMEs say that online feedback had exposed weak points in their business.
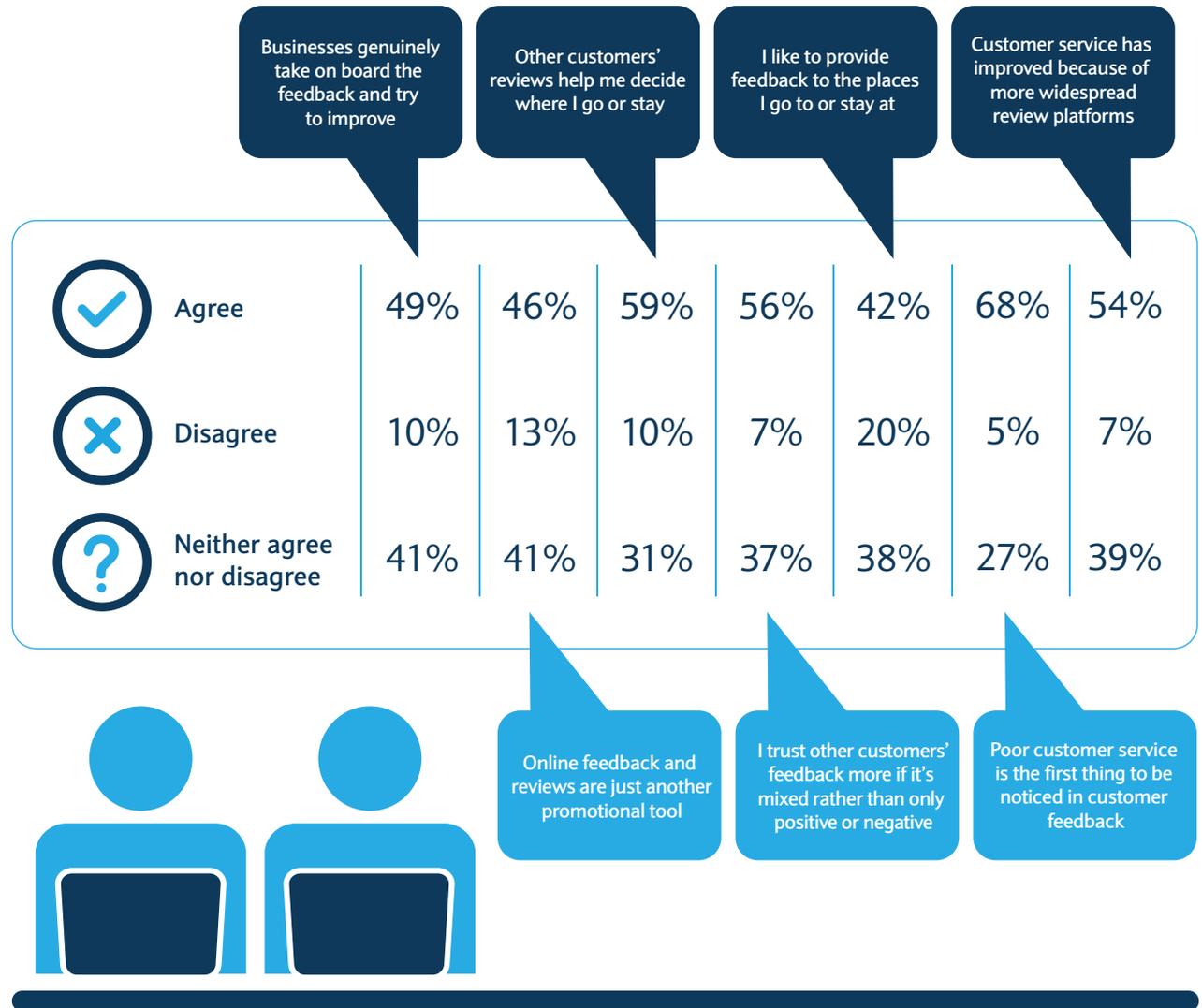
However, those businesses that can respond effectively to negative feedback can reap the benefits by addressing any weaknesses identified and improving the service they provide. When we asked SMEs how they have changed as a result of online reviews 63% said they had become more responsive to customers.

Those businesses that can respond positively to negative feedback can reap the benefits.

Our survey responses also indicate the important role online feedback can play in improving customer service, with 44% saying reviews have made them more innovative, while 32% have changed their strategy as a result.

Responses from our consumer survey support the view that online reviews have a positive impact on customer service, with 54% agreeing that review sites have led to an improvement in customer service.

Customers' views on online feedback and reviews

Businesses genuinely take on board the feedback and try to improve

Other customers' reviews help me decide where I go or stay

I like to provide feedback to the places I go to or stay at

Customer service has improved because of more widespread review platforms

	Businesses genuinely take on board the feedback and try to improve	Other customers' reviews help me decide where I go or stay	Other customers' reviews help me decide where I go or stay	I like to provide feedback to the places I go to or stay at	I like to provide feedback to the places I go to or stay at	Customer service has improved because of more widespread review platforms	Customer service has improved because of more widespread review platforms
✓ Agree	49%	46%	59%	56%	42%	68%	54%
✗ Disagree	10%	13%	10%	7%	20%	5%	7%
? Neither agree nor disagree	41%	41%	31%	37%	38%	27%	39%

Online feedback and reviews are just another promotional tool

I trust other customers' feedback more if it's mixed rather than only positive or negative

Poor customer service is the first thing to be noticed in customer feedback

Strategies for success

To take advantage of the potential £3.2bn boost that online customer feedback could bring to the UK economy, SMEs should think about the following:

Recognise customer feedback

Recognise that online customer feedback will become increasingly important as the younger generation increases its spending power.

Early adopters

Learn from early adopters that have been quick to recognise the potential benefits of online feedback.

Joined-up strategy

Ensure you have a joined-up strategy for gathering and responding to customer feedback as part of a wider commitment to customer relationships.

Multiple feedback

Make use of multiple feedback mechanisms (face to face, telephone, online etc.) on multiple devices and give these an appropriate weighting depending on your business.

Effective processes

Put effective processes in place to manage and respond to customer feedback, especially where customer feedback has exposed areas of weakness.

Resources

Ensure the resources you assign to responding to online feedback are adequate and appropriate to the scale and ambition of your business.

Targeting

Target repeat visits by rewarding customers for leaving feedback through appropriate promotions and build on the positive feedback loop this can create.

Case study: Aqua

Aqua, a group of independent Italian restaurants, has put robust processes in place to take advantage of the opportunities online feedback offers.

Online review sites such as TripAdvisor have become an increasingly important marketing tool for smaller businesses over the last few years. Richard Smithson, Aqua's Managing Director, says this is why one of the goals of the company's management reporting process is to improve each restaurant's TripAdvisor ranking.

Encouraging feedback to increase customers

This starts with staff at each of the company's seven restaurants who actively encourage customers to visit TripAdvisor to leave feedback about their experience. The General Manager at each restaurant is responsible for monitoring and responding to reviews and making any changes, if necessary. Each week, the General Manager reports to the Operations Manager to assess the reviews, consider how the team has responded and see what effect it's had on the restaurant's TripAdvisor ranking.

This not only enables Aqua to identify areas for improvement but has also helped the company increase customer numbers. Richard points to the restaurant in Bath as an example. Bath is a big tourist destination and visitors are more likely to use a site like TripAdvisor to make a decision about where to eat – making it even more important to be one of the top-rated restaurants in the city. According to Richard, the team in Bath has been able to measure this effect, finding a direct correlation between an improvement in TripAdvisor ranking and an increase in the number of customers visiting the restaurant.

One of the goals of the company's management reporting process is to improve each restaurant's TripAdvisor ranking.

Competitive edge

Finding ways to gain an edge in an increasingly competitive market is vital for business, according to Richard. He says online feedback has been good for the sector overall, helping both large chains and smaller groups like Aqua to make improvements in areas such as pricing and food quality. The advantage he sees for smaller businesses is that they can react more quickly to make the necessary changes. Data is another area where smaller businesses can gain an advantage. As the volume of reviews increases, companies will have access to more and more information about customers and their preferences. Richard says that independent restaurants will need to become more sophisticated in how they use this data in order to find new ways to compete with the large chains.

About Aqua

Founded in Bristol in 1998, Aqua is a group of independent, local Italian restaurants whose aim is to deliver memorable experiences, with impeccable service and great food.

Richard Smithson
Managing Director
Aqua

Case study: DUKES LONDON

DUKES LONDON, a luxury boutique hotel in London's Mayfair, uses review sites to drive awareness of the hotel's high-quality service, make tailored changes for guests and help with staff recruitment.

Debrah Dhugga, Managing Director of DUKES COLLECTION, which owns hotels in London and Dubai, says online reviews are increasingly important – but only if the right service is in place. She believes that for luxury hotels like DUKES – which take pride in providing a high-quality, personal, five-star experience – the key benefit of online review sites is that they drive awareness of this superior service, giving potential guests access to the kind of details that they wouldn't get anywhere else.

A tailored approach

Debrah says that monitoring and responding to reviews has become part of her daily routine. She spends about 40 minutes each day monitoring feedback from a range of sites, including TripAdvisor and Google, and answers all the reviews personally. Debrah then feeds back anything relevant to the team at morning briefings.

Feedback often helps with small improvements that can be tailored to guests' preferences. DUKES uses a CRM system to build guest profiles – where they're from, how long they tend to stay, what they like. Information from review sites can help create a more complete profile and allows the hotel to respond to guests' specific needs. For example, if a guest left a review that complained about the view from their room, Debrah would include this in the guest profile and allocate a more appropriate room for their next visit. It's important to learn from negative customer feedback and all comments, whether good or bad, are used constructively to enhance the guest experience.

The key benefit of online review sites is that they drive awareness of this superior service.

Recruiting the best

Another benefit is staff recruitment. Attracting the very best staff is an important way to stay ahead in what is a very competitive sector. Debrah says that the best candidates are very likely to go online to see what guests are saying about the hotel and that this can have a significant bearing on the decisions they make. Looking to the future, Debrah says that being agile and responsive will help smaller businesses compete. Review sites give guests a way to provide almost immediate feedback – in their room, in the lobby or in the taxi to the airport. It is essential that smaller hotels can match this immediacy and Debrah aims to respond to all feedback within 48 hours at the absolute latest.

About DUKES LONDON

Winner of AA London Hotel of the Year and England's Leading Classic Hotel at the World Travel Awards, DUKES LONDON is a sophisticated, luxury hotel in the heart of historic St. James's.

Debrah Dhugga
Managing Director
DUKES COLLECTION

Key takeaways

Feedback sites are here to stay

- 85% of SMEs say that online customer feedback has been beneficial to their business

- 69% of customers say they pay 'a lot' or 'a little' attention to online reviews when choosing accommodation

- The majority of consumers and businesses expect online customer feedback to become more important over the next five years.

Younger people are setting the trend

- 29% of 18 to 24 year olds say online customer reviews are one of the most important factors when choosing where to go, compared to 18% of over 65s

- Younger people are more likely to trust online reviews than those over 65

- The importance of customer reviews will continue to increase over time.

Customer feedback can create a competitive advantage for SMEs

- SMEs are often better set up to respond to online feedback and reap the benefits

- SMEs are more likely than larger business to integrate feedback into the business and share feedback with others

- SMEs are more likely to see the benefits of customer feedback, including an increase in customers and more repeat business.

To find out more about how Barclays can support your business, please visit barclays.com/businessbanking

[1] www.tripadvisor.co.uk/PressCenter-c4-Fact_Sheet.html
[2] Oxford Economics quarterly UK economic forecasts, 29 January 2016.
[3] http://www.hotelowner.co.uk/4326-barclays-uk-travellers-spend-22-5bn-on-staycations/
[4] www.yelp.com/factsheet
[5] www.opentable.com/about
[6] http://blog.trustpilot.com/blog/2016/3/8/its-all-in-the-data-see-how-reviews-can-improve-your-business
[7] BrightLocal Local Consumer Review Survey, 2014.
[8] "Reviews, Reputation, and Revenue: The Case of Yelp.com." Michael Luca. Harvard Business School Working Paper, No. 12–016, September 2011, revised March 2016.
[9] "Learning from the Crowd: Regression Discontinuity Estimates of the Effects of an Online Review Database", Michael Anderson and Jeremy Magruder, Economic Journal Vol.122, pp 957-989.
[10] "Reviews, Reputation, and Revenue: The Case of Yelp.com." Michael Luca, Harvard Business School Working Paper, No. 12–016, September 2011, revised March 2016.

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