



# Leisure Perspectives

September 2017



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# Introduction

// The UK remains a popular tourist destination which is excellent news for us all. However, the uncertainty generated by Brexit and in particular the fall in the Pound has impacted consumer confidence. This generally leads to declining discretionary spend and of course, has a major impact on the leisure sector as a whole. However, we can't get an accurate picture without looking at the individual sub-sectors that make up the industry.

What we have seen is strong hotel revenues this year with the influx of inbound tourists and the rise in staycations, but that doesn't mean it's also great news for pubs and restaurants. Even with inbound tourist expenditure and price increases, revenues remain flat. Remove this layer of tourist spending, and it would seem that domestic spend is decreasing. Cautious consumers are reigning in expenditure, which is leaving pubs and restaurants with less customers coming through the door and lower spend per visit.

We are also starting to see the impact of the rising costs of holidaying abroad. Both the price of travel and the cost of goods purchased such as food and drink, are increasing as the value of the Pound depreciates against the Euro. As such, operators are reporting an element of bill shock as holidaymakers return home and spend less on leisure activities in September.

KPMG surveyed UK CEOs across multiple sectors in June 2017 to gain an understanding of what is at the top of their corporate agendas. Disruption has become a fact of life, with 65% of CEOs seeing disruption as an opportunity for their business. Risk and regulation are climbing on the agenda, and businesses are now starting to ensure that they have the right people and talent to cultivate the culture they require for success. Along with risk and people, CEOs are placing more focus on customer-centricity to understand consumer purchasing habits, and how to create value for them.

As the summer holiday season has drawn to a close, now is the time for the leisure sector to focus on cost efficiency and new ways to attract customers. 'Leisure Perspectives' looks at some of the key issues highlighted by CEOs through a leisure specific lens; including the CMA investigation into betting and gambling, the need to ensure that companies understand what is influencing customers spending patterns, and how they are allocating their disposable income to leisure.

Additionally, we investigate how the world of work is changing with the gender pay gap, national living wage and other reforms affecting the people agenda. We also provide further clarification on what the revision of the General Data Protection Regulation (GDPR) means

for an industry where a vast amount of customer data is stored, and explain the importance of the regulation. This heavily affects the hotel industry, and also gaming where analysing customer data allows companies to provide a personalised experience for each customer – the holy grail of customer experience at the present time.

The articles are only a snapshot of what is happening in the leisure industry today – where disruption is now the norm, and competition is coming from multiple angles. We're passionate about how we can help you, and welcome any conversations around the challenges that you're facing and how they can be overcome.



**Will Hawkley**  
**Global Head of Leisure**  
**and Hospitality**  
KPMG

# Attracting and retaining talent in the changing world of work



**From the introduction of gender pay gap (GPG) reporting regulations, and the publication of Matthew Taylor’s long awaited review of modern working practices this year, to the sustained focus on national minimum wage compliance and the uncertain direction of the UK workforce post-Brexit, no part of the leisure sector’s people agenda has been left untouched.**

Across hotel groups, bars and restaurants, tour operators and entertainment venues, the increasingly complex regulatory environment is leaving employers with a lot to think about. Not only do HR, Finance and in-house Legal teams

have to grapple with rigorous and evolving compliance requirements, they also need to consider the knock-on effect on their brand and reputation – all of which will have an impact on an employer’s ability to attract and retain talent.

Indeed, KPMG’s 2017 CEO Outlook Survey shows that reputational and brand risk is now one of the top three most important risks that CEOs face today<sup>1</sup>. Combine this with the fact that many CEOs anticipate “spending nearly double on recruiting over the next three years”<sup>2</sup> and it shows that they’re sitting up and taking notice of these new people challenges.

1,2. KPMG, (2017) UK CEO Outlook 2017 [online] KPMG. Available at: <https://home.kpmg.com/uk/en/home/insights/2017/06/uk-ceo-outlook-2017-disrupt-and-grow.html>

## Say goodbye to the 'one-size-fits-all' approach

To add to the already complex challenges mentioned, companies within the leisure industry today can have up to five generations of employees within their workforce, at the same time. Each generational group has its own particular set of priorities, values and expectations. Therefore, applying a 'one-size-fits-all' approach to attracting, engaging and retaining staff in the future may no longer achieve the desired results.

In particular, one key demographic tuned into an employer's brand and reputation will be the millennials. Millennials are defined as young adults born between 1980 and 1995, and comprise 35% of the UK working population<sup>3</sup>.

They represent an extremely powerful voice in the employment market, and employers cannot afford to ignore their role and impact in the workplace. But what strategy should they employ to maximise the opportunities arising from recent changes such as GPG reporting, future developments following the Taylor Review and to align their brand values to showcase themselves as a company a millennial can identify with and want to be part of? We've set out a few considerations.



3. KPMG, (2017) Meet the Millennials [online]. KPMG. Available at: [https://home.kpmg.com/uk/en/home/media/press-releases/2017/03/kpmg-launches\\_its-her-future-scheme-by-outlining-five-recommend.html](https://home.kpmg.com/uk/en/home/media/press-releases/2017/03/kpmg-launches_its-her-future-scheme-by-outlining-five-recommend.html)

## The evolution of the representation of women in the workplace

It wasn't until 1928 that women in the UK aged over 21 had achieved the same voting rights as men. Decades on, more women have been attending university. They have also been entering the workforce in droves. Yet despite these successes, in 2017, anecdotally, women remain under-represented in senior positions in business and are still generally on the back foot when it comes to pay, earning a median average rate of 82 pence to every £1 a man makes<sup>4</sup>.

The issue of gender pay has been subject to intense media scrutiny (and conflation with the separate concept of equal pay<sup>5</sup>), in particular in the entertainment industry with the recent release of wage discrepancies between male and female television presenters. However, newly introduced GPG reporting requirements oblige all employers with 250 or more staff,

including companies within the leisure industry, to calculate and publish several key gender pay gap metrics by 4th April each year. These must appear on both the employer's website and a governmental web page.

GPG reporting brings important opportunities for employers to make their efforts on diversity and gender balance more effective. It will also reveal any gaps between corporate messaging on gender diversity and the action taken, or not, to deliver it. A poll by Think Future revealed that for 55% of female undergraduates, and 27% of their male counterparts, a sector's reputation on gender equality would influence their decision to work within it<sup>6</sup>. Therefore, if an organisation is prioritising future talent, particularly millennials, it should incorporate gender pay findings as part of its broader inclusion and diversity strategy.



**The current average median gender pay gap across all sectors in the UK is 18.1%<sup>7</sup>**



4,7. Government Equalities Office, (2016) UK Gender Pay Gap [online] GOV.UK. Available at: <https://www.gov.uk/government/news/uk-gender-pay-gap>

5. The concepts of gender pay and equal pay often get confused. The aim of equal pay protection is to ensure that men and women are paid equal pay for equal work. Gender pay gap reporting has a much broader scope and identifies differences in pay between men and women across the whole workforce.

6. KPMG, 30% Club, (2016) The Think Future Study [online]. KPMG. Available at: <https://home.kpmg.com/uk/en/home/media/press-releases/2016/04/female-students-fear-their-gender-will-influence-their-pay.html>

# Your checklist to people issues in the changing world of work:

**1 Gender Pay Gap** – get your data ready, involve key stakeholders, and, in addition to publishing statutory metrics within the deadlines, use the data to identify the root causes of any gaps, plan your communications and analyse the impact on recruitment and retention to shape fairer strategies for the future.

**2 Flexible working arrangements** – consider your existing workforce arrangements and, in particular, review flexible arrangements such as zero hour contracts. Review employment status and accompanying employment rights and consider your communications – this is vital in promoting positive workforce relationships and limiting disputes.

**3 Blending work and play** – millennials are the first generation to use the word ‘fun’ to describe their dream job<sup>8</sup>. Tech companies were the first movers, incorporating leisure within the workplace. Some offices have built-in running tracks, slides and gyms and also offer massage services and ‘Casual Fridays’. Could this be a viable, alternative method for other sectors investing in young talent?

**4 National Minimum Wage** – complying with national minimum wage requirements is not as simple as paying at or just above the correct rate. Companies within the leisure sector that engage low-paid labour must comply to avoid heavy penalties (which can be as high as £20,000 per worker or 200% of the amount owed) and the cost of arrears. Here are three actions you can take to mitigate risks: make sure all workers are on the correct rate of pay; set up your payroll systems correctly; and manage your reputation.

**5 Brexit** – Brexit could lead to a large outflow of talent from the UK. In parallel to reviewing strategies to attract and retain Millennials, assess the impact of Brexit on current affected employees and the future workforce requirements of your business.



If your organisation requires any support in understanding and addressing the people issues identified above, including from a compliance, data or communications perspective, please contact us to speak to our multidisciplinary team of Employment Law, HR, Payroll Advisory, Reward, Data Analytics and Inclusion & Diversity specialists.

8. KPMG, (2017) Meet the Millennials [online]. KPMG. Available at: [https://home.kpmg.com/uk/en/home/media/press-releases/2017/03/kpmg-launches\\_its-her-future-scheme-by-outlining-five-recommend.html](https://home.kpmg.com/uk/en/home/media/press-releases/2017/03/kpmg-launches_its-her-future-scheme-by-outlining-five-recommend.html)

## Socialising the message

Social media campaigns such as #HeforShe resonate with a young audience and an employer's involvement in these types of initiatives can help them to stand out to new entrants to the workforce. Additionally, with the support of data analytics, organisations can adopt a 'compliance plus' approach to GPG reporting. Rather than just complying with the regulatory requirements, an organisation can seize this opportunity to leverage data gathered to identify the root causes of gender pay gaps at different levels of the hierarchy and across different business areas. Results from this analysis could be used to socialise gender pay issues (and, importantly, the distinction with equal pay) across the organisation including senior stakeholders and at Board level. This will help organisations analyse the impact on recruitment, retention, pay and promotion in more detail to shape a fairer strategy for the future – one that by principle is more attractive to job-seekers, and likely to keep talent within.

9. The Oxford English Dictionary defines the "gig economy" as "a labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs".

## The stability of a flexible workforce – an achievable aim?

The Taylor Review published in July 2017 set out to consider the implications of modern and increasingly flexible employment practices on the rights and responsibilities of workers and employers – it considers the importance of 'good work for all'. There has been substantial criticism of organisations over employment tribunal cases involving the employment

status of self-employed individuals and their ability to benefit from protection of employment law rights. Media and legal attention and scrutiny of the 'gig economy'<sup>9</sup> has increased and this is not just confined to technology platform based businesses. More broadly, the gig economy represents the concept of transient short-term work in any sector, as opposed to permanent employment. This way of working speaks to job-seekers

## Checklist for approaching GPG:

- ✓ Engage with internal stakeholders early on so they can support you in getting the figure and supporting communications right.
- ✓ Build your narrative and plan your communications strategy. In addition, assess how GPG reporting will fit into your wider gender or inclusion and diversity agenda.
- ✓ If you plan to publish your figures early, think about timing and how you will communicate it.
- ✓ Make sure your systems are set up to report the right data and staff are trained in the correct procedures.
- ✓ Review policies and practices to address any gender equality issues identified in your GPG analysis.

with an entrepreneurial spirit, who enjoy the ability to dictate their own working hours, fulfilling jobs as and when they need or have the desire to. However, for other talented workers or more vulnerable workers, the perceived lack of stability that comes with this operating model can be debilitating. As the gig economy becomes more prevalent, the key challenge for organisations in the leisure sector is to balance the employer need for flexibility and cost efficiencies with the expectations of individuals who seek flexibility and freedom within their careers, but also some form of job protection and career development.

## Summary of the Taylor Review's key recommendations<sup>10</sup>

The Taylor Review sets out seven steps “towards fair and decent work with realistic scope for development and fulfilment” which include:

- 1 'Good work for all' including achieving increased consistency between different forms of employment in terms of both rights and taxation
- 2 Balancing flexibility of platform based working with individual rights and distinguishing more clearly between workers and the self-employed
- 3 Providing guidance and clarity to businesses and individuals and providing additional protection for workers
- 4 Increased focus on corporate governance, self-regulation and worker engagement
- 5 Giving individuals the opportunity to strengthen their future work prospects
- 6 Developing a more proactive approach to workplace health
- 7 Using the National Living Wage and sectoral strategies to help individuals progress

10. Department for Business, Energy & Industrial Strategy, (2017). Good work: the Taylor review of modern working practices [online] GOV.UK. Available at: <https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices>

# When the tables turn on the house

**'Bamboozled' customers, assertions that gambling 'shouldn't be a con' and fears that the 'dice are loaded against them'<sup>1</sup>. These are snippets of colourful language used last year by the UK Competition and Markets Authority (CMA) and the UK Gambling Commission (UKGC) to express their concern for customers engaging in online gambling.**

The popularity of online betting and gaming in the UK has grown noticeably<sup>2</sup>. The UK online gambling sector is worth approximately £5 billion in terms of 'gross gaming yield' – the amount of money received by operators after prizes have been paid out to customers<sup>3</sup>. The industry has been reaping the rewards from consumers increasingly gambling remotely on smart phones – for example, dual-screening while watching sporting events and when commuting to and from work. Retail-based gambling brands have also capitalised on the digital experience. While progress is taking

time for some, the introduction of omni-channel strategies has placed an increasing focus on attempting to move consumers from the high-street to a virtual space and vice versa, by implementing features and functionality that are consistent across the two<sup>4</sup>.

## But it's not all fun and games

Similar to vendors in other B2C markets, a number of online gaming websites invite consumers in with tempting offers. But gambling operators risk running into hot water where they appear to be misleading – for instance, by suggesting new joiners will receive 'free' cash in exchange for signing up. Operators need to ensure correct, responsible gambling measures are in place, and face significant penalties if wrongdoing is found. An industry investigation by the CMA and UKGC has in part been prompted by customer complaints about the perceived promise of pay-outs with no clear indication of

the number of games that must be played before bonuses can be withdrawn. Moreover, customers have also described the difficulties when attempting to opt-out altogether, earnings collected or not.



1. Competition and Markets Authority, (2016). CMA launches investigation into online gambling. [online] GOV.UK. Available at: <https://www.gov.uk/government/news/cma-launches-investigation-into-online-gambling>

2. Walmsley, David (2017). UK Gambling review market report, p.21. [online] Mintel. Available at: <http://www.mintel.com/>

3. GBGC, (2017). GBGC Interactive Gambling report. [online] GBGC. Available at: <http://www.gbgc.com/store/interactive-gambling-report>

4. Walmsley, David (2017). UK Gambling review market report, p.28. [online] Mintel. Available at: <http://www.mintel.com/>

## Lose-Lose – or an opportunity?

In certain cases, the lack of clarity on the terms of engagement with online gambling could signify breaches of consumer protection law, and therefore, lead to enforcement action. The CMA are troubled by the complexity of requirements for gaming promotions, operators potentially cancelling bets or altering odds, and restrictions that prevent challenges and disputes when bets are settled. With a renewed focus, they are looking more closely at joining promotions, the customer's ability to withdraw from an online gaming website post-play without being charged, and the removal of funds from dormant accounts. Companies that fail to address and rectify these issues, could ultimately pay the price, whether through hefty fines, intensifying levels of scrutiny, stricter regulation, or even loss of operating licences.

Conversely, even if gambling operators are compliant, it shouldn't be forgotten that consumers increasingly value transparency. People with a propensity for risk-taking and seeking instant gratification may be put off by obscure (but still legal) online gambling terms and conditions, and start to seek alternative means for gain. Some commentators think that dissuaded consumers could flock back to traditional in-person gambling activities such as casino gaming and machines, or to other markets that have adopted game-like characteristics and can demonstrate the quick and easy-to-play appeal that has been driving the boost in the online gambling segment, such as eSports. Others, however, think this may create a significant opportunity – operators that place transparency first may steal a march on the competition.

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**Gambling operators risk running into hot water where they appear to be misleading – for instance, by suggesting new joiners will receive 'free' cash in exchange for signing up.**

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## Consumer behaviour, not just the operator's conduct, should be considered

Is it just operator conduct that is of interest? The CMA and UKGC investigation of online gambling is understood to have pricked up the ears of economists, on whom from a procedural standpoint, regulators often rely. Regulators now frequently consider behavioural economics when evaluating policy choices and objectives. This strand of economic analysis uses findings from psychology to explain consumer decision-making.

Insight has shown that consumers are habitually 'overconfident' in their ability to do something such as pay back a loan. Research also indicates that they have a 'present bias', an ardent desire to consume a good or service now as opposed to waiting. In the context of online gambling, this means that even when the terms of engagement are clearly communicated and understood by the customer, their perceived ability to meet them may be unfounded, overshadowed by optimism.

However, there is a balance to be struck between allowing consumers to make decisions and implementing policy that may be seen as paternalistic.

### What it means to be free

How an offer is framed is vital for managing the expectations of a consumer. Some online gambling providers allude to 'free' cash when a site is signed up to. The concept of 'free' is very attractive, and often overvalued by consumers. But 'free' can assume varying definitions, especially to an economist. When other regulated industries discuss a 'free £100', for example for switching bank accounts, the money is withdrawable and usable. In betting and gaming, this is not always the case.

“

The offer of 'free' cash can be very attractive to consumers, but 'free' can assume varying definitions, especially to an economist.

”



## 5 things to consider

1

It is paramount that online gambling operators correctly interpret consumer protection law and abide by it. If not they run the risk of unhappy customers turning to alternatives, the possibility of monetary penalties, or ultimately licences being revoked.

2

While operators can take a purely reactive stance to these types of investigations, they do present an opportunity. Engaging with regulators proactively and presenting more than the bare minimum, can help maximise the chances of an outcome that more closely aligns with operators' longer term strategies.

3

Effective communication with customers that promotes responsible play is more likely to strike a chord with the growing proportion of those that value transparency. Open and honest exchanges can improve a company's brand and reputation, building the trust of customers and earning their loyalty.

4

There are a myriad of methods for achieving growth within the online gambling sector. Observations include sophisticated targeting, multi-channel strategies that focus on digitisation, the customer experience and seamless integration of off- and online play, as well as M&A activity.

5

It is not just the online gambling industry that faces regulatory pressure and threat of substitutes. Gamification is spilling into other markets where consumers are discovering there is less to lose, but reduced customer risk and therefore reward, will also yield reduced revenues.

## KPMG CEO outlook survey 2017



**72%**  
of UK CEOs invested highly in regulation over the last year, and this is set to continue<sup>5</sup>



**48%**  
of UK CEOs are currently pursuing regulatory-induced transformation (vs 40% global)<sup>6</sup>

5,6. KPMG, (2017) UK CEO Outlook 2017 [online] KPMG. Available at: <https://home.kpmg.com/uk/en/home/insights/2017/06/uk-ceo-outlook-2017-disrupt-and-grow.html>

# Liking, sharing, tweeting, blogging & regramming: The influence of social media in the leisure sector

**The leisure industry has always relied heavily on word of mouth and feedback from friends and family. But what happens when the sphere of influence extends beyond the immediate social circle to encompass 2.3 billion social media users globally?**

The UK consumer is changing the ways that they entertain themselves from how they purchase to what they purchase. Convenience is now something that is expected for time-poor consumers. But what influences the choices that they make?

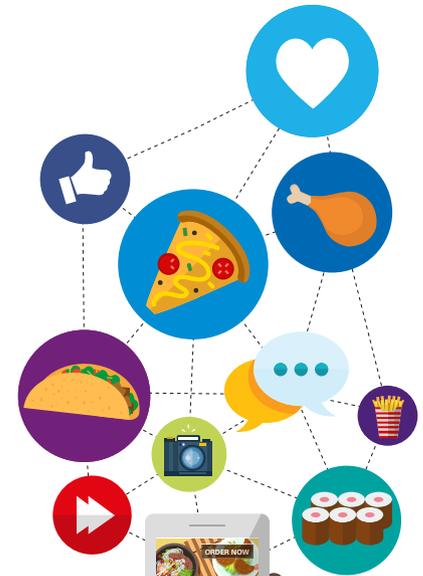
With social media use growing by 6% from 2015-2016 in Europe alone<sup>1</sup>, the influence of other consumers, their experience and brand preference is playing a stronger role in the decision making process.

## The emerging consumer...

There's no such thing as an 'average consumer' – consumers are all different and value different things. As such they expect to be treated as individuals and be offered unique,

personalised services. It's not just about how much a consumer spends; it's about where they spend their money. Take cinemas for example – they no longer only compete with each other, but also in-home entertainment offerings such as Netflix which offers more choices, better options and newer movies without moving from the comfort of their own home. And it doesn't stop there. As these consumers stay at home more, they also start to prefer to dine in, buying food from nearby restaurants through the click of a button on their app.

Exposure to new technologies and disruptors has raised consumer expectations in regards to convenience across all areas of life; they're savvy about how to use data and more willing to try new technologies and services. With decreasing disposable income and a dipping confidence in the economy, the UK consumer looks at where to prioritise spend meaning that companies offering different services all become competitors for that shrinking share of the customer's wallet.



1. Kelly, Jessica (2016). Social media in tourism - International. [online] Mintel. Available at: <http://www.mintel.com/>

# Know your consumer

With competition from new entrants rising, it's important for the leisure industry to do their due diligence and get to know the consumers that they are marketing to – as ultimately, the consumer has the choice.

We've highlighted three theoretical consumer personas to start to understand the types of consumers that are emerging, and how the leisure industry can begin to interact with them.



## The value seeking traveller

The 'value seeker' uses ubiquitous use of metasearch engines to reduce their overall price and find the best deal. They're cost savvy, without skimping on value. Their choice of location or activity can be swayed by price, but they don't sacrifice the quality of the experience.



## The health and wellness fanatic

The 'health and wellness fanatic' has an invested interest in improving their lifestyle through the means of diet, exercise and general wellness. This might include following a specific diet or way of eating (such as 'clean eating'), getting involved in boutique fitness classes and placing a greater emphasis on holidays with a purpose such as yoga retreats, wellness breaks and digital detoxes.



## The environmentalist

As well as reducing their carbon footprint, the 'earth aware' consumer is now also focused on waste reduction and local consumption. They like to know that what they are consuming is sustainable for the environment, and prioritise experiences where they are informed about the supply chain and ethics.

## So how do you capture their attention? Say hello to the 'influencer'

Social media isn't powerful solely because of the brand itself – it's propped up by the 'influencers' who create authentic content, tell a story, and can sway the opinions

of their followers. The top 10 travel influencers alone have a combined 10,945,263 Instagram followers, and a reach across social media of 17,419,000<sup>2</sup>. However, this is only a fraction compared to the top 10 fitness influencers who have a combined 39,482,812 Instagram

followers and an overall total reach of a whopping 106,000,000<sup>3</sup>. With those figures, it is not surprising that communities are starting to play more of a role in consumer decision making and driving engagement with brands.

2,3. Forbes, (2017). Top Influencers. [online] Forbes. Available at: <https://www.forbes.com/top-influencers/#1c239ba272dd>

# Is social media the modern day travel agent?

Adults spend an average of six hours on their phone per day, and almost one third (31%) of the global population use social media<sup>4</sup>. Millennials are an important target for the travel and tourism industry, and it is estimated that they have a spending power of US\$2.45 trillion<sup>5</sup>.

From researching locations, to price comparison and booking, tourism brands are taking advantage of social media to engage with travellers. Social media and digital technology is also being used for customer service and support once a trip has been booked. To complete this loop, travellers share photos and experiences through a variety of social media platforms, particularly Instagram – and then the cycle of influence begins again.



4. Kelly, Jessica (2016). Social media in tourism - International. [online] Mintel. Available at: <http://www.mintel.com/>
5. Youbrand, (2017). How to tap into the purchasing power of millennials with social media. [online] Available at: <https://www.youbrandinc.com/social-media/how-to-tap-into-the-purchasing-power-of-millennials-with-social-media/>

## The cycle of influence: travellers & social media

Savvy travel brands are now using social media as a platform for their customer service and support models, responding to enquiries and tackling problems.

The consumer expects to be able to interact with brands directly through social media, and receive a personalised experience.

Travel brands are using key 'influencers' to drive brand awareness. In return for a free flight, hotel stay or experience, they ask the influencers to share experiences of their trips on social media, to provide an authentic lens into their offerings, and share stories with their extended social followings and communities.

**33%**  
use Instagram to discover new places<sup>9</sup>



Social media channels are being used as a means to generate bookings through secure links or linking through to the website.

The likes of Booking.com are making personalised recommendations; Trip.com uses artificial intelligence to come up with personalised recommendations and hotelmatch. me uses big data and machine learning to provide the perfect match for accommodation and travellers.

Use of search engines to reduce cost such as Kayak, Skyscanner.

**47%**  
of travellers choose a destination because of price.<sup>7</sup>

**86%**  
of travellers use online sources when deciding on their accommodation.<sup>8</sup>

**48%**  
of Instagram users use the platform to help them select a travel destination.<sup>9</sup>

# How are social communities becoming inspiration for the everyday consumer?



There has been a major mind-set shift amongst the consumer from 'having' to 'being'. With this trend, consumers are becoming more concerned with their own wellbeing, and as such, consumption patterns are changing.

During 2012 - 2015, Barclays reported a 41% rise in consumer spending in the fitness industry<sup>10</sup>. This isn't surprising when you consider a 'boutique gym' experience. Take for example an upmarket indoor spin studio. A consumer will pay £20 for an individual class, £6 for a protein-fuelled drink, and then has the opportunity to buy branded active wear on arrival and departure. Seems like an overpriced experience for a 45 minute sweat session, doesn't it? Not if you consider the social community that the consumer then becomes a part of. Going beyond being inspired by social media influencers, the fitness fanatic also gets to become part of the desired community, interacting on social media and gaining membership to this social 'club'.

1Rebel, a luxury gym in central London, similarly offers a 'pay as you play model', ensuring that every part of the consumer experience is catered for. This includes the standard (and expected) protein-drinks, a women's blow dry service and a men's cut service to guarantee that the customer leaves looking better than they did when they walk in. Not to mention the built-in bar and 'free prosecco Fridays'. Whilst participating in this type of boutique fitness may come with a high price tag for the consumer, they receive automatic enrolment in the '#RebelArmy' – something in this instance that money can buy.

With a surge of focus on an improved lifestyle, it's clear that consumers are willing to invest their pennies based on their individual preferences. This type of experiential leisure is on the rise. With all of these services offered under one roof, it removes the need for the consumer to visit a gym, juice bar, hairdresser and pub separately. Traditional leisure industry players must learn how to diversify to keep up with, in this instance, the 'fitness tribes' that are emerging.

6.9. Miss Travel, (2017). [online]. Miss Travel. Available at: <https://www.misstravel.com/>

7.8. Trip Barometer, (2017). Meet your lucrative millennial traveller. [online] Available at: Trip Barometer: <https://www.tripadvisor.co.uk/TripAdvisorInsights/n2357/meet-your-lucrative-millennial-traveller/>

10. Barclays, (2017). Pensioners power boom in gym start-ups. [online] Barclays. Available at: [http://www.newsroom.barclays.com/r/3289/pensioners\\_power\\_boom\\_in\\_gym\\_start-ups\\_](http://www.newsroom.barclays.com/r/3289/pensioners_power_boom_in_gym_start-ups_)



**Experiential leisure is on the rise...  
Traditional leisure industry players must learn how to diversify.**



## Spreading the word about sustainability...

We're all unique, so the active globetrotter or fitness fanatic lifestyle won't suit us all. There's also other issues at the heart of the consumer. Ranging from an increased focus on decreasing CO<sub>2</sub> emissions, meat consumption, recycling packaging and reducing waste, the issue of sustainability is on the rise. For example, half of millennials (51%) are more likely to eat at restaurants, cafes or canteens where they are informed about how their food arrived on their plate.<sup>11</sup>

Too Good To Go (TGTG) has capitalised on this trend by partnering with 6,200 stores in 6 countries. Their mission is to eat well, save money and save the planet. A triple threat that's positive all round – demonstrated by their impressive forecast of reducing 650 tonnes of CO<sub>2</sub> emissions and saving 1.3 million meals just by offering food at discounted prices. With a growing social media community, users are



starting to spread the word of this money saving and environmentally friendly app – another disruptor to add alongside the likes of Deliveroo, and the platforms that connect the consumer and food outlet directly.

Another example is 'subscription meals' like HelloFresh. Valued for the convenience factor initially, HelloFresh also supplies the exact quantities of fresh ingredients to make a specific meal, so there's no waste for the consumer.

This rising trend of sustainability further enforces that consumers are concerned about more than just price and money savings. But if an app can give you both, then surely that's an easy decision? To be a part of this, players in the leisure industry must embrace the disruption – or learn from it, keeping the issues close to their customer's heart also close to the core of their business.



**51% of millennials are more likely to eat at restaurants, cafes or canteens where they are informed about how their food arrived on their plate.<sup>12</sup>**



11, 12. Populus, (2016). Millennial diners on the look-out for meat-free options and ethical standards. [online]. Populus. Available at: <http://www.populus.co.uk/2016/06/millennial-diners-look-meat-free-options-ethical-standards/>

## 5 things to consider to improve the customer experience

The good news is that 79% of CEOs are now open to new influences and collaborations.<sup>13</sup>

- 1 Decide where your organisation needs to win, then match or follow the market.
- 2 Develop capabilities – build, buy or partner (through eco-systems).
- 3 Build organisational agility to meet evolving consumer needs.
- 4 Understand your consumer through data analysis and enhanced customer insights.
- 5 Finely tune your social media strategy. Most brands in the leisure sector understand the benefits of social media, but they need to start thinking about how to leverage this and interact.

## KPMG CEO outlook survey 2017



of CEOs see disruption as an opportunity



of CEOs are now open to new influences and collaboration



of CEOs say that they can confidently articulate how they create value for customers



of CEOs believe that they can articulate their value proposition to the customer in the same clear way

13. KPMG, (2017) UK CEO Outlook 2017 [online] KPMG. Available at: <https://home.kpmg.com/uk/en/home/insights/2017/06/uk-ceo-outlook-2017-disrupt-and-grow.html>

# Smart customer loyalty and how you can achieve it

In today's challenging economic environment, executive teams are increasingly expected to deliver sustainable growth by transforming their customers' experiences. Ninety percent of executives we surveyed said they are worried about customer loyalty, and 32 percent said building and sustaining customer loyalty was a top ten priority<sup>1</sup>.

We have codified how organisations can deliver great customer experiences through The Six Pillars™ of Customer Experience Excellence<sup>2</sup>, and research tells us that it is the ability to deliver personalisation and empathy to customers whilst minimising the time and effort expended by the customer that are the key drivers of loyalty. While many businesses understand the need to build and maintain a sustainable and loyal customer base, few do this successfully. Leading brands understand this and that to drive loyalty the overall

delivery of memorable customer experiences must be placed at the very core of their customer strategy, creating innovative, novel, and personally meaningful experiences to consistently bring consumers back again and again<sup>2</sup>.

One of the important enablers to support the creation of a loyal customer is a compelling loyalty programme. This is a crowded space where on average the typical household is enrolled in 29 loyalty programmes across various sectors with active usage in only 12<sup>3</sup>. In an age of changing customer expectations and rapid technological change, if brands persist in offering undifferentiated, one-dimensional programmes that offer predictable discounts and points that are difficult to redeem, levels of engagement will only continue to decline, leaving customers disinterested and unsatisfied.

## What do modern customers expect from loyalty programmes?

Customers now require a different relationship with brands they interact with, and loyalty programmes can no longer consist of formulaic, transaction-based exchanges between brands and customers. It is the brands that harness their customer data to deliver a personalised loyalty experience that is seamlessly accessed across channels, offers clear progression opportunities and allows tangible redemption opportunities for customers, which achieve what we call Smart Loyalty.

1 KPMG's 2016 Global Consumer Executive Top of Mind survey;  
<https://assets.kpmg.com/content/dam/kpmg/pdf/2016/06/seeking-customer-centricity-the-omni-business-model.pdf>

2 Making Memories: 2016 UK Customer Experience Excellence Analysis;  
<http://www.nunwood.com/customer-experience-excellence-centre-2016-uk-analysis/>

3 <https://www.colloquy.com/latest-news/2015-colloquy-loyalty-census/>



**90% of executives we surveyed said they are worried about customer loyalty, and 32% said building and sustaining customer loyalty was a top ten priority.<sup>1</sup>**



# The Five Drivers of Smart Loyalty



## How can brands achieve Smart Loyalty?

As competition increases in the marketplace where brands selling similar products are always trying to develop direct relationships to customers, loyalty programmes enable organisations to break through the 'noise' to achieve differentiation.

The following **Five Drivers of Smart Loyalty** enable brands to propel their current programmes from schemes

that simply reward customers for purchases into flexible, multi-faceted customer engagement platforms.

**1. Multiple channels** – Loyalty programmes of the past involved customers having to carry a plastic card with them at all times, which was scanned on payment, coupons would then be sent via email or post. However, technological advances means that customers are now always connected, and therefore expect seamless integration of

loyalty programmes across online, mobile, and in-store incorporating communication, rewards and payment.

**2. Personalisation** – To develop a greater understanding of customers' needs, brands can leverage advanced analytics to understand customers' changing behaviours and motivators across their lifecycle journey to deliver personalisation at an emotionally meaningful level. Using customer data enables brands

to identify and target individual loyalty drivers, and not only meet but exceed customer expectations. Once customers can see that the loyalty programme is providing useful, personalised offers and incentives this creates a mutually beneficial relationship whereby the customer will be prepared to provide more data to brands and allow more sophisticated analysis to even better target rewards.

### **3. Status and community**

**benefits** – Next generation loyalty schemes should provide a sense of belonging and community amongst its members, and non-monetary symbols of this relationship should be present at each stage of the customer lifecycle. Broader lifestyle benefits also serve to reinforce a sense of community. As customers continue to engage in the scheme, there should be clear incentives to motivate the most valuable customers to reach the next membership tier to unlock more rewards.

**4. Gamification** – Incorporating gamification elements creates a diverse experience for customers and boosts engagement, especially during the early stages of their membership in the programme. Gamification enables brands to set clear achievable goals and milestones for customers, and choose the specific behaviours they want to reward. The most effective games

are social, encouraging customers to play regularly and spread the word about the game and programme. Of course, games also need to be fun, and customers will enjoy winning rewards over simply receiving them.

### **5. Accessible redemption** –

Breakages in loyalty programmes most frequently occur at the point of redemption, with almost £6 billion worth of points going unredeemed across the top ten loyalty schemes in the UK<sup>4</sup>. A major contributing factor are onerous redemption processes, which often have many restrictions, such as airlines placing strict limitations on when and how their customers' can redeem. Coupled with the devaluation of points over time, this creates a negative cycle where customers no longer feel engaged in the scheme as their desired rewards become increasingly unattainable. Instead, brands should ensure their redemption process is clear, simple, and transparent, with personalised rewards that provide value to customers.

Additionally, when brands partner with other companies such as airlines or hotels to offer a wider range of reward options, it is essential that brands use their understanding of their customer base to ensure the partner network provides rewards they actually want.

<sup>4</sup> <http://www.telegraph.co.uk/finance/personalfinance/money-saving-tips/11912823/Shoppers-waste-6bn-of-loyalty-reward-points.html>



**Brands who truly understand their customers, reward behaviours over activity, and target the right customers at the right time in a personalised way will be the ones who will win loyalty in the long term.**



# GDPR: An opportunity to improve the customer experience?

**On 25th May 2018, the General Data Protection Regulation (GDPR) will affect organisations in the UK and worldwide that have any dealings with consumers and businesses in EU member states. It will fundamentally alter the scale, scope and complexity of the way that personal information is processed. This means that leisure companies will have to make significant changes to the way that they collect, store, use and disclose personal information.**

The leisure industry is a prime example of where the customer comes first. Hotels and travel companies focus on improving the end-to-end customer experience, and with this comes the need to develop a deep understanding of the customers that they are serving.

## **Cyber threats, breaches and reputational risk**

The emergence of new technology and multiple channels of interaction with the consumer, means that there are a magnitude of touch points with customers, and many sources where customer data is gathered

and stored. For example, hotels are now embracing digital innovation by introducing apps across all major platforms where customers can book rooms, make changes to their bookings and indicate their preferences. They are also using customer data and information to provide personalisation of services and experiences.

The hotel sector is viewed as one of the most unprepared industries in relation to GDPR. With so much personal data collected and stored on the customer, they become a key target for cyber threats. This information can be used to carry out fraud, and if successfully hacked, could also put hotels in the spotlight due to these breaches – not the front cover newspaper feature that any hotel strives for.

KPMG's CEO Outlook survey states that 59% of CEOs in the UK believe that they are fully prepared for a cyber event. This is a significant increase of 19% since 2016, showing that it's an issue that industries are taking seriously.<sup>1</sup>

## **Booking a holiday: customer interactions with the hotel**

Mr and Mrs Jones are booking their annual holiday.



↑ They **research** and choose their dream destination.

Data-driven advertising helps to understand consumer preferences, and influence the decision-making process.

1. KPMG, (2017) UK CEO Outlook 2017 [online] KPMG. Available at: <https://home.kpmg.com/uk/en/home/insights/2017/06/uk-ceo-outlook-2017-disrupt-and-grow.html>

## 2 They make their **selection** of a hotel and flights then **book**.

Consumers provide personal information such as name, address, date of birth, passwords, credit card details and phone number.

## 4 They arrive at their hotel in Tenerife where they **check in**. They also 'check-in' on their **social media** profiles to let their friends and family know that they are enjoying 2 weeks in the sun.

Information is handed over at the check-in desk such as credit card and passport details. Location data is also shared through social media, where it can be linked back through to the hotel.

## 6 Given their excellent experience, they create an **online account** and join the **loyalty programme** to earn rewards for redemption on their next stay.

Personal data is stored on an online account and linked to the loyalty programme. Marketing activities are also carried out on the basis of this profile.

## 5 Afterwards, they **review** their hotel online, provide **feedback** and complete a **survey**. They also **share** their experience of the hotel on TripAdvisor and post their holiday snaps on **social media**.

Additional information on preferences and demographics is gathered when the consumer reviews their stay. They can also share experiences with other travellers online and link their social media posts to the location and hotel.

## 3 They **prepare** for their holiday by renting a car, booking excursions and organise any transfers.

Information on the customer profile is potentially passed through to third party providers (such as car rental companies, excursions and airport transfers).

### Building trust through compliance

It is clear from Mr and Mrs Jones's holiday that there are multiple occasions when they gave away their personal information to the hotel and third party companies. GDPR will significantly alter each of these interactions, however it's not all flashing alarm bells. In today's world where personal information is a key asset and a business driver, taking the steps to comply with GDPR can place the leisure industry at a competitive advantage. It allows organisations to refine their personal data, and ensure that both their marketing efforts and customer experience journey is a trusted one.

## Data privacy and collection – a view through the customer lens

To understand the customer effectively, innovatively engage with them and interpret their wants and needs, customer data needs to be collected and analysed to form an accurate picture of the customer. Through the revision of GDPR, consumers will start to see a difference in the way that organisations communicate with them about the use of their data. This will affect the length of consent statements and privacy policies.



### Empathetic organisations

The Nunwood Customer Experience Excellence Analysis 2017<sup>2</sup> found that the hotel and hospitality industry provides some great examples of best practice. Aligning to the ‘six pillars of customer experience’ (personalisation, integrity, expectations, resolution, time and effort and empathy), it is clear that the industry at large is performing well under the pillar of ‘empathy’.

- In a social world, people’s attention focuses on those who demonstrate an awareness and understanding of their interests, challenges and options.
- It is about creating a sense of belonging through feeling understood.
- Empathy is detectable and vital for psychological satisfaction.

2. Nunwood, (2017). KPMG Nunwood 2017 Customer Experience Excellence Analysis. [online]. Nunwood. Available at: <http://www.nunwood.com/customer-experience-excellence-centre/2017-schedule/>

# The five steps you need to take to become GDPR ready:

1

Act now – though GDPR had a two year implementation period, most organisations will struggle to be ready in time.

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2

See GDPR as an opportunity – the new requirements of GDPR have the potential to be onerous for organisations. However they should view GDPR as a revenue opportunity rather than a negative on the balance sheet. Trusted businesses = happy customers.

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3

Raise awareness at the Board level – the Board needs to understand the implications of GDPR and buy into the need to make enhancements.

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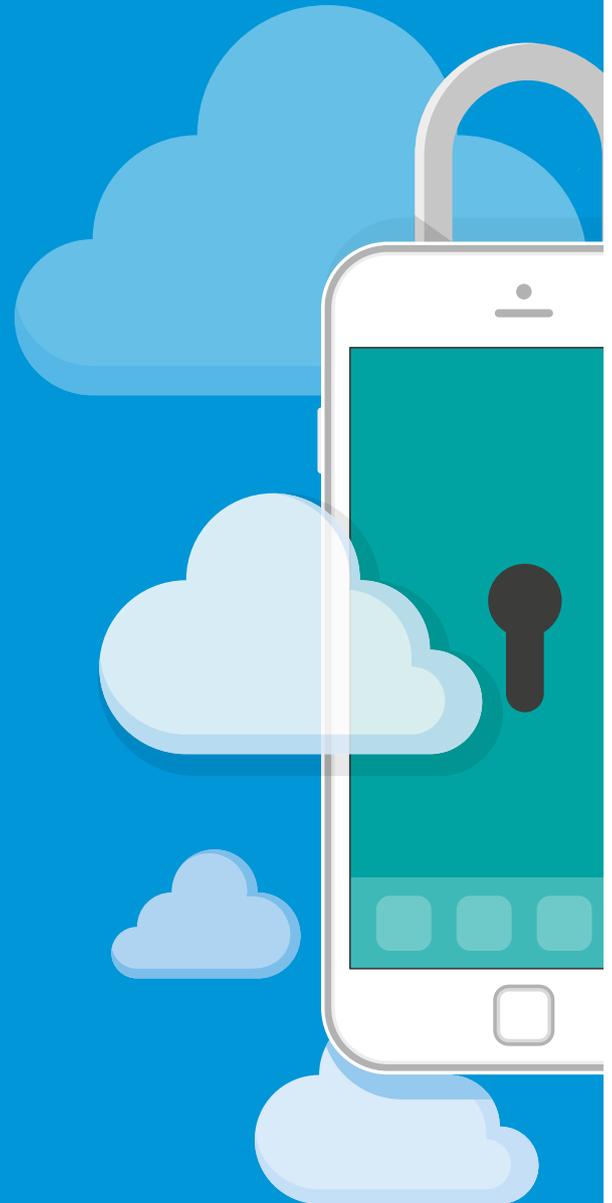
4

Understand the current state and set desired state – conduct a gap analysis against GDPR to understand where your organisation is exposed to risk and determine what the risk appetite is.

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5

Plan and implement – create a detailed plan to enable the desired risk appetite to be reached and undertake a privacy improvement programme to deliver against this plan.



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