Restaurant visitors on the move: loss of customers and switch to fast food restaurants due to the VAT increase

Dear reader,

Over six months ago, the VAT for on-site consumed food in the hospitality industry was raised back to 19%. However, the discussion about price increases in the out-of-home market has been ongoing for much longer due to various cost increases, making the VAT hike just the tip of the iceberg. Many consumers have been angered by the steep price increases, but there was also criticism from restaurateurs regarding the VAT hike decision.

A neutral assessment always takes some time, so CPS GfK has now drawn a qualified conclusion based on out-of-home market data from the first five months – and the results are quite controversial.

At first glance, there is little cause for concern, as out-of-home market spending has developed positively in the first five months of 2024 with a growth of 6%. The growth in fast-food restaurants, with an expenditure increase of 9%, is somewhat stronger than in full-service restaurants, which still show a growth of 6%. The number of purchase transactions is also in positive territory for both full-service and fast-food restaurants, with fast-food restaurants performing better on this metric as well. However, the more expensive cost structure of restaurants forces operators to implement higher price increases than in fast-food restaurants, which is why the average bill in restaurants rose by 5% in the period from January to May 2024 compared to the previous year, whereas it remained almost unchanged in fast-food restaurants. This is significant because price increases tend to drive price-sensitive visitors to cheaper outlets within the out-of-home market.

This behaviour can be observed in many restaurant visitors from the previous year. 16% of the buyer group that had at least one restaurant visit between January and May 2023 did not visit a restaurant at all in the same period a year later. This resulted in full-service restaurants losing 6 million buyers in this segment. In the lowest income bracket, with a household net income of up to €2,000 per month, even 24% of buyers did not visit a restaurant. The remaining 84% of buyers had on average one more restaurant visit this spring, but they could not compensate for the visits of the lost buyers, leading to a 3% decline in visits in this buyer segment.

In addition to the development in full-service restaurants, the shift in buyer behaviour is also worth examining. The previously used segment of full-service restaurant buyers provides interesting insights for this as well. Notably, almost all buyers lost in restaurants continue to consume in other areas of the out-of-home market. Selected fast-food restaurants have benefited, increasing both their number of buyers and the frequency of visits.

Do you find these developments as fascinating as we do?
Further information on the impact of the increased VAT in restaurants can be found in our current VAT study package, which you can obtain from us in a modular and customized format according to your needs.

> **PLEASE GET IN TOUCH WITH US**

With kind regards

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