



Respondent Summary

Eating Out in Australia 2017

Top Ten Trends

Eating out is an Australian tradition. Australians are going to restaurants, pubs, clubs and fast food outlets more than ever before. Cafés and bars are going upmarket, and it's comparatively easy for new establishments to enter the market.

There are just over 24 million Australians, and they eat out an average of two to three times a week. That's more than 50 million meals out each week, or 2.5 billion in a year. Each Australian household spends an average of \$94 a week eating out. That's a total of \$45 billion a year.

That means eating out is big business. In fact, it is one of the largest industries in Australia. By way of comparison, it is more valuable than Australia's coal exports.

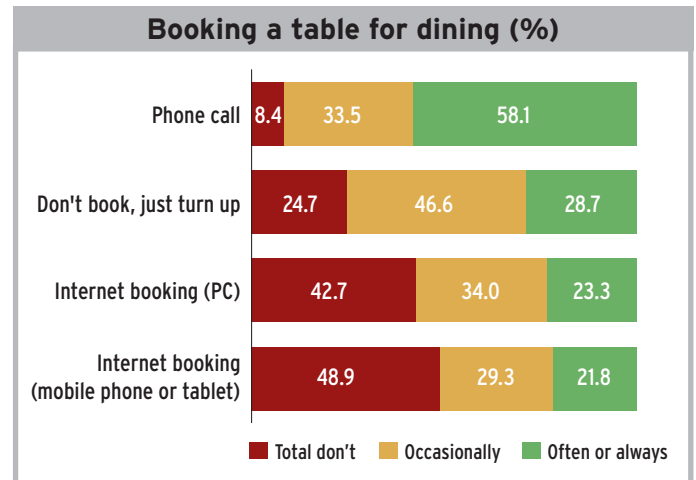
It is a big pie, but it is split into many slices. There are more than 85,000 places for Australians to eat out, including 22,000 restaurants and nearly 7,000 pubs and bars. Their average annual income from meals – eat in and takeaway – is \$480,000 (though cafés average just \$350,000).

It is not easy to make that money. The eating out industry is competitive, has low costs of entry, and comparatively little regulation. There is a high turnover of venues entering and leaving the industry. There are many difficulties – including finding, retaining and paying for good staff.

This report presents the highlights of the findings of two major surveys conducted by Intermedia in August 2016: a survey of 1,009 eating out venues, and a survey of 1,095 consumers. The surveys were conducted by email over a three week period.

The report also drew on detailed analysis of industry and Australian Bureau of Statistics data to determine market sizing and structure. This was supplemented with interviews with leading industry figures to better understand the trends uncovered by the research.

The venues were asked a range of questions about their challenges and concerns, about what they served and consumer behaviour, and about issues such as staffing, marketing and the use of technology. The consumers were asked a range of questions about eating out – likes and dislikes, frequency, expenditure, etc. The combination of the findings of the two surveys gives a unique overview of the state of eating out in Australia in 2017.

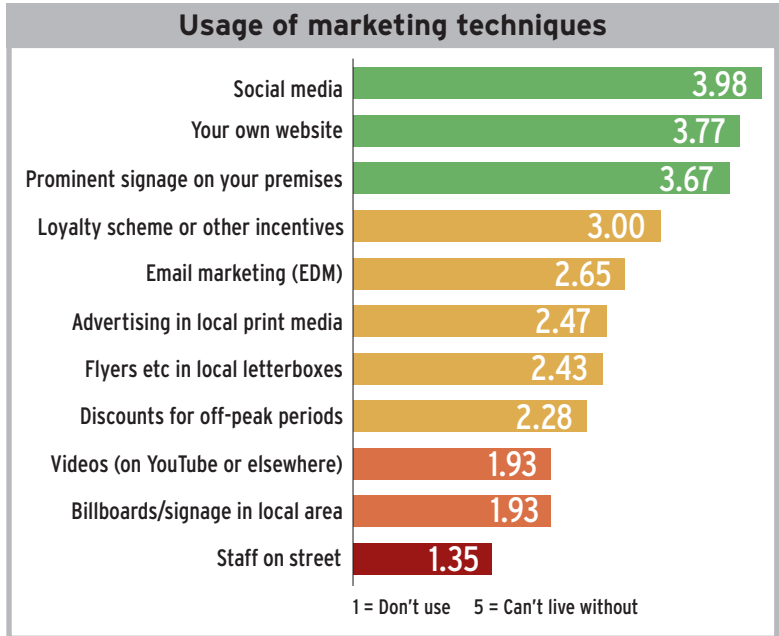


The report is structured around ten key trends highlighted by the research:

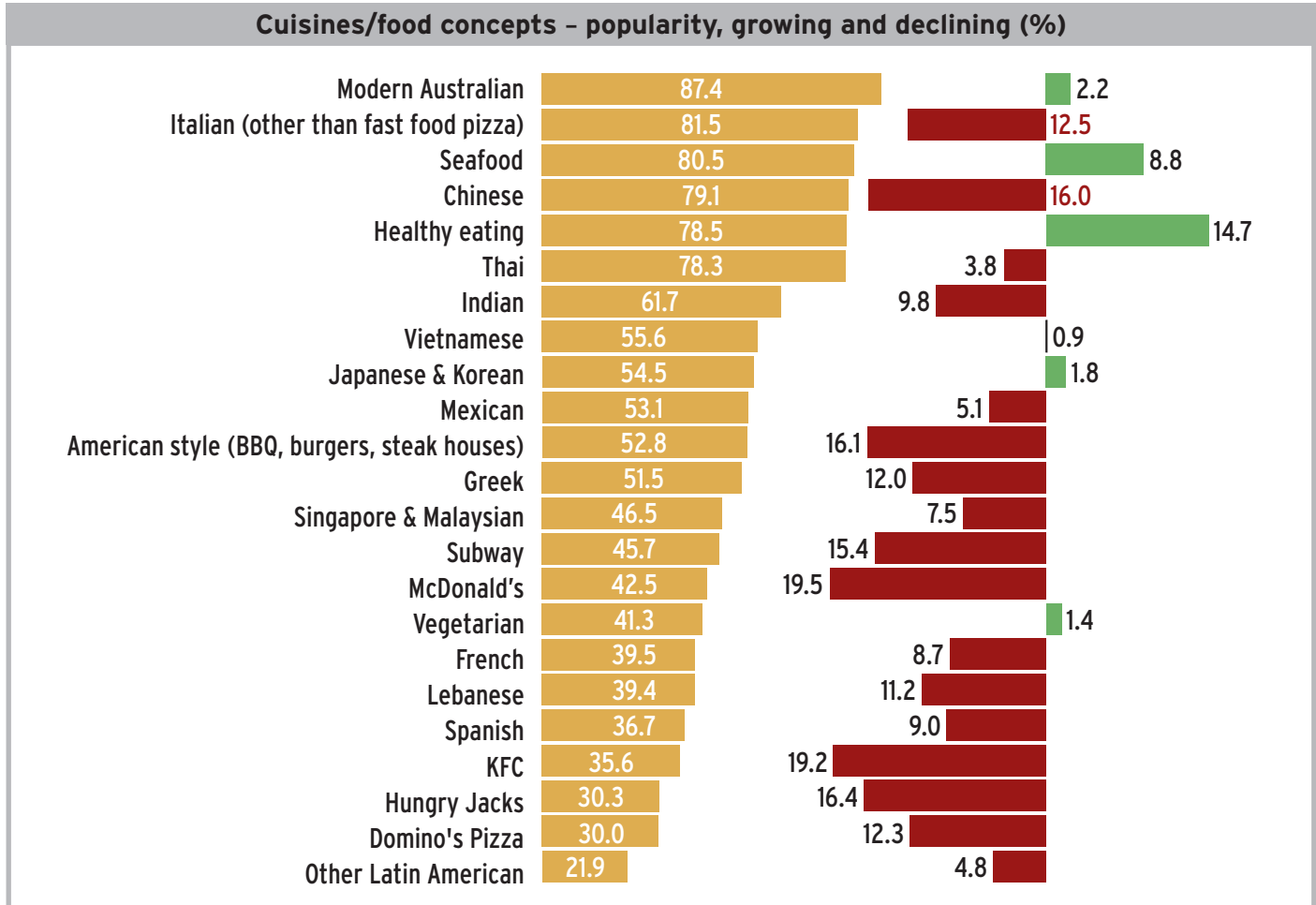
- TREND 1: STAFFING PROBLEMS WILL NOT GO AWAY.** Hospitality is a people industry. But good people are hard to find – and keep. Staffing issues are – by a significant margin – the biggest challenge facing the industry. Concerns over difficulty in finding and retaining staff are widespread, as are complaints about poor work ethic, especially among casual staff, and a lack of skills. A related issue is high wages (especially penalty rates).
- TREND 2: HEALTHIER FOOD IS NO FAD.** People are eating healthier food. Venues are reporting a growing interest in healthy foods and cuisines, with less healthy offerings in decline. Traditional fast food is down, with chains increasingly offering healthier options. Healthier cuisines like Japanese are becoming more popular, while those regarded as less healthy, such as steak houses, are declining.
- TREND 3: CONSUMER TASTES ARE CHANGING.** The low end is moving up-market, while the high end is moving down. Fast food is moving towards fast casual offering something more of a dining experience, while at the same time the upper end of the market – often called 'fine dining' – is becoming less exclusive.
- TREND 4: FINANCIAL PRESSURES ARE INCREASING.** It is not easy running an eating venue. There is no end to the money going out. The survey asked operators to rate a dozen different cost and business pressures as to their effect on profitability. Not surprisingly, wages for casual staff rated highest and wages for full-time staff rated second.
- TREND 5: THE VIRTUAL WORLD MEETS THE PHYSICAL EXPERIENCE.** The world is moving online – but eating out remains a physical experience. Where do the two meet? Consumers are increasingly booking online (though phone calls are still used more often), and they often rely on online recommendations.
- TREND 6: MARKETING IS BECOMING MORE IMPORTANT.** Exposure, mindshare, visibility. Call it what you will. Good marketing can be the difference between success and failure in the dining

business. Online is important, but there is no substitute for an appealing shopfront.

- TREND 7: CUSTOMERS ARE BECOMING HARDER TO PLEASE.** The customer is always right. The customer is also often demanding, inconsiderate, or downright rude. Venue operators have noticed customers are expecting more and are more likely to complain if they do not get it.
- TREND 8: ALCOHOL CONSUMPTION IS DECLINING:** Australians love a drink. Most restaurants, and a fair proportion of cafes and fast food outlets either serve alcohol or allow their customers to bring their own. BYO restaurants are in the minority, and very few clubs and pubs allow alcohol of any sort to be brought in.
- TREND 9: IS THE DELIVERY BOOM REALLY HAPPENING?** More and more people are eating restaurant meals at home, brought to them by delivery services. But the research shows that the boom may be over-hyped. Operators may be predicting big things, but the actual proportion of meals being delivered remains comparatively small, and consumers have not moved strongly in that direction.
- TREND 10: THE OLD CUISINES ARE DECLINING.** Some cuisines are up, some are down. It's the never ending story. Old favourites like Chinese and Italian are declining (though still popular), and Modern Australian and healthy eating are on the rise.



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Industry size and structure

How big is the eating out industry in Australia? Astonishingly, it seems nobody has ever attempted to measure it. At first glance this seems like a real oversight, but when you examine the existing data it is not hard to see why. There are many challenges to determining accurate numbers.

We can never know the absolute figures, but from the primary research we have done and from analysing data from various sources, we have been able to build a model of the industry which we believe to be very accurate. It is also to our knowledge the first time any such model has ever been constructed.

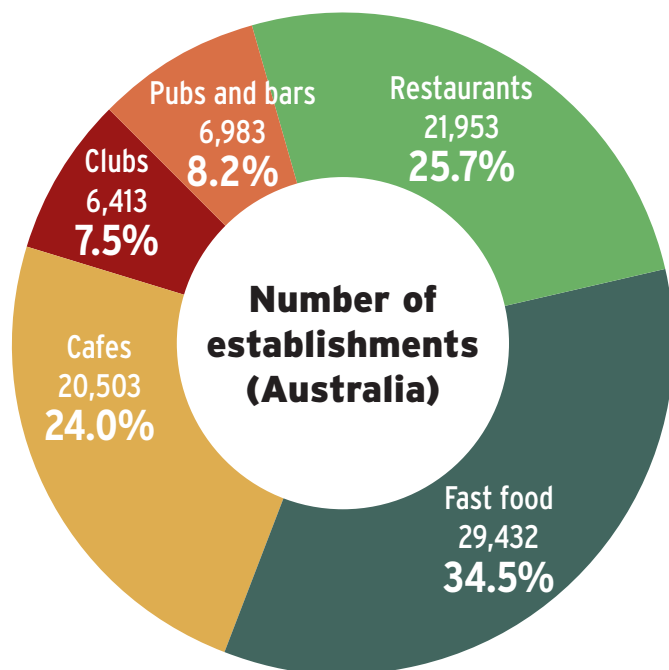
In building such a model, it is important to examine data from all possible sources, to minimise margins of error. An example is the reconciliation of revenue and expenditure data, to compare the revenue of all establishments with the expenditure of all consumers. The two, by definition, should be the same. There is no seller without a buyer.

We believe this methodology, which has never previously been applied to the industry, has resulted in a model that contains data of a high degree of accuracy and credibility.

Number of establishments

As at 30 June 2016 there were 85,284 eating out establishments in Australia. The highest number (29,432) were fast food outlets, comprising 34.5% of the national total. There were approximately equal numbers of restaurants (21,953) and cafés (20,502) – though there is often difficulty in distinguishing between the two.

There are many fewer pubs and bars (6,983) and clubs (6,413). Unlike the other venue types, these do not have the sale of food as their primary activity, but their average revenue from food per venue is higher, generally because they are bigger.

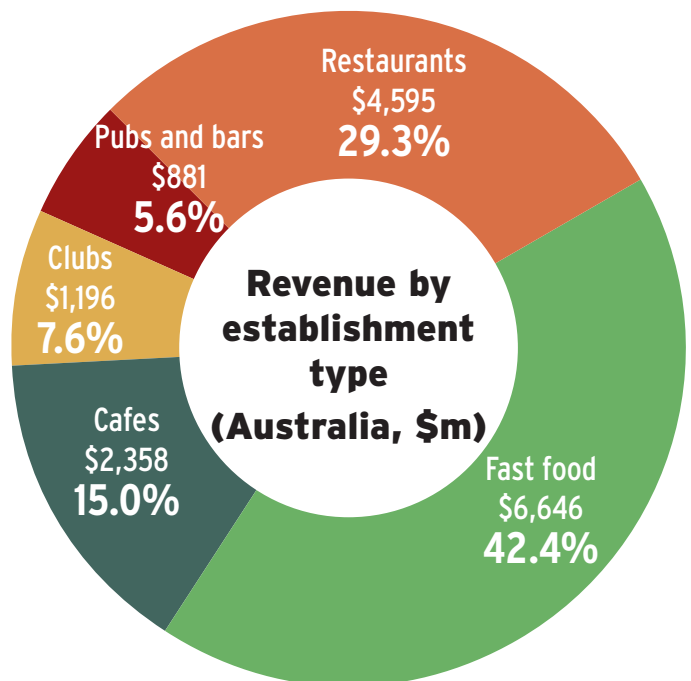


Revenue

The total revenue of the eating out industry in Australia, as defined above, for the 12 months ending 30 June 2016, was \$45.3 billion. As with venue numbers, the highest proportion of revenues (42.4%) is fast food outlets, with a total revenue nationally of \$6.6 billion.

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The table below shows total revenues for each establishment type in each state. For fast food outlets, cafés and restaurants the figure shown is 100% of the establishments' revenues. For clubs, the figure is 20.1% of total revenues for this sector, and for pubs and bars the figure is 16.2% of total revenues for this sector. These percentages are derived from figures from Clubs Australia and the Australian Hotels Association respectively, and are equal to the percentage of total revenue from food for these sectors, plus 50% as a nominal figure for added value of beverage sales with each meal.



As at 30 June 2016 there were 81,991 eating out establishments in Australia. The highest number (29,432) were fast food outlets, comprising 35.9% of the national total.

Total annual eating out revenue by establishment type by state (\$m)

| State | Fast food | Cafes | Clubs | Pubs and bars | Restaurants | Total |
|------------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|
| NSW | \$6,646 | \$2,358 | \$1,196 | \$881 | \$4,595 | \$15,675 |
| Victoria | \$4,707 | \$1,785 | \$273 | \$711 | \$3,838 | \$11,313 |
| Queensland | \$4,048 | \$1,581 | \$500 | \$420 | \$1,972 | \$8,520 |
| SA | \$1,250 | \$409 | \$149 | \$300 | \$717 | \$2,824 |
| WA | \$2,289 | \$693 | \$191 | \$305 | \$1,215 | \$4,693 |
| Tasmania | \$417 | \$135 | \$72 | \$116 | \$236 | \$976 |
| NT | \$270 | \$37 | \$33 | \$36 | \$65 | \$441 |
| ACT | \$334 | \$172 | \$36 | \$44 | \$302 | \$886 |
| Australia | \$19,960 | \$7,169 | \$2,448 | \$2,811 | \$12,940 | \$45,328 |

Household expenditure

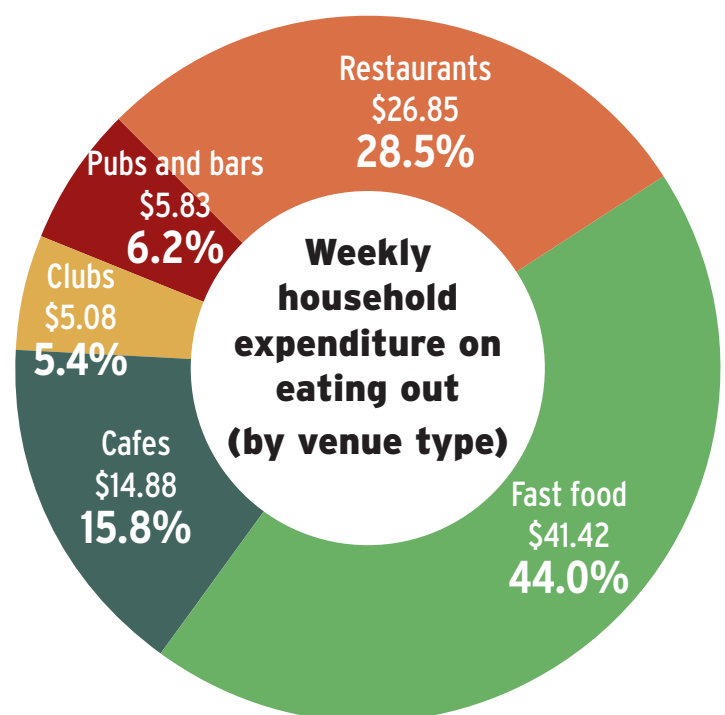
The table below shows average annual expenditure on eating out, broken down by establishment type and state (derived from dividing total revenues by the number of households). The average Australian household spends \$4,905 a year eating out, or around \$94 a week. The figure is highest in the ACT (\$5,768), the Northern Territory (\$5,642) and NSW (\$5,424), and lowest in South Australia (\$4,026).

Average annual eating out expenditure per household, by establishment type and state

| State | Fast food | Cafes | Clubs | Pubs and bars | Restaurants | Total |
|------------------|----------------|--------------|--------------|---------------|----------------|----------------|
| NSW | \$2,300 | \$816 | \$414 | \$305 | \$1,590 | \$5,424 |
| Victoria | \$2,037 | \$773 | \$118 | \$307 | \$1,661 | \$4,896 |
| Queensland | \$2,167 | \$846 | \$267 | \$225 | \$1,056 | \$4,561 |
| SA | \$1,781 | \$583 | \$212 | \$428 | \$1,022 | \$4,026 |
| WA | \$2,237 | \$677 | \$186 | \$298 | \$1,188 | \$4,587 |
| Tasmania | \$1,932 | \$625 | \$332 | \$540 | \$1,095 | \$4,524 |
| NT | \$3,460 | \$471 | \$420 | \$455 | \$836 | \$5,642 |
| ACT | \$2,171 | \$1,116 | \$232 | \$286 | \$1,963 | \$5,768 |
| Australia | \$2,160 | \$776 | \$265 | \$304 | \$1,400 | \$4,905 |

The chart right shows the weekly breakdown of average household expenditure, averaged across all states, by establishment type (annual figure divided by the number of weeks in a year).

The highest concentration of fast food outlets is in the Northern Territory, where they comprise 45.0% of all establishments.



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