

At a Glance

Revenue \$15.9bn '21-'26 ↑ 5.4 % '26-'31 ↑ 1.4 %	Employees 146k '21-'26 ↑ 2.4 % '26-'31 ↑ 1.7 %	Businesses 28,154 '21-'26 ↑ 4.5 % '26-'31 ↑ 1.6 %
Profit \$412.6m '21-'26 ↓ 4.7 %	Profit Margin 2.6% '21-'26 ↓ 1.7 pp	Wages \$4.0bn '21-'26 ↑ 5.0 % '26-'31 ↑ 3.9 %

Five-year growth rates display historic and forecast CAGRs

→ Major Players

Company	Revenue	Market Share
RFG	\$198.1m	1.3%
Other Companies	\$15.7bn	98.8%

⊕ Products and Services

Item	Revenue	Market Share
Coffee	\$9.8bn	61.5%
Food	\$3.0bn	18.8%
Other beverages	\$3.1bn	19.7%

⊞ Key External Drivers

Key External Drivers	Impact
Real household discretionary income	Positive
Expenditure on recreation and culture	Positive
Demand from restaurants	Negative
Consumer sentiment index	Positive

Key Takeaways

Performance

- Australia's vibrant coffee culture is driving intense competition, pushing cafes to optimise pricing and quality. Many are focusing on premium offerings to attract discerning customers.
- The growing demand for convenience and premium offerings will fuel industry expansion. Businesses will focus on drive-through models and fresh ingredients while adopting automation and sustainability practices to meet consumer expectations and enhance efficiency.

Products and Markets

- A focus on premium quality coffee has boosted the coffee segment's share of revenue. Additionally, some customers view coffee as a necessity, making it less discretionary than spending on food.
- People aged 15 to 34 are more likely to consume coffee at cafes than their older counterparts. This trend, along with their propensity to buy beverages with higher-priced milk alternatives, has boosted this segment's share of revenue contribution.

SWOT

Strengths	<ul style="list-style-type: none"> Low Imports Low Customer Class Concentration Low Capital Requirements
Weaknesses	<ul style="list-style-type: none"> Low & Steady Barriers to Entry Low & Steady Level of Assistance High Competition Low Profit vs. Sector Average High Product/Service Concentration Low Revenue per Employee
Opportunities	<ul style="list-style-type: none"> High Revenue Growth (2020-2025) High Performance Drivers Expenditure on recreation and culture
Threats	<ul style="list-style-type: none"> Low Revenue Growth (2025-2030) Demand from restaurants

Industry Structure

Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	Low	Steady
Regulation and Policy	Moderate	Steady
Life Cycle	Mature	
Revenue Volatility	Moderate	
Assistance	Low	Steady
Competition	High	Increasing
Innovation	Low	

Executive Summary

Liquid gold: Continuous demand for coffee has kept revenue pouring in

Australia's vibrant coffee culture has supported the industry even during difficult trading conditions. Despite coffee and takeaway foods at cafes and coffee shops being considered discretionary, many consumers treat coffee as an affordable luxury, allowing the industry to remain resilient to movements in household income. This trend has provided a steady revenue base for the industry. Given the industry's well-established nature, revenue is bound to rise under most circumstances, either due to increasing consumption or upward price adjustments that businesses have to make to sustain. However, the main pain point for the industry is its thin margins. Overall, industry revenue is expected to rise at an annualised 5.4% over the five years through 2025-26 to total \$15.9 billion. This includes an anticipated 1.3% increase in 2025-26.

Artisan bakeries and patisseries are increasingly repositioning themselves as cafes – partly because brunch culture has been gaining popularity – and entering the industry. These new entrants are selling coffee alongside gourmet pastries and other baked goods, improving the quality of the industry's food offerings and intensifying competition within the industry. With an increasing number of businesses in the highly competitive industry, many cafes and coffee shops have been forced to maintain competitive prices, which has caused some to shut up shop and sell their operations amid high operating costs. Skyrocketing global coffee prices have caused purchase costs to surge, placing downward pressure on industry profit margins. Cafes and coffee shops are reconsidering their pricing strategy to remain afloat.

Greater consumer demand for high-quality and convenient food and beverages will expand industry revenue. Cafes and coffee shops will focus on premium ingredients and gourmet cafe-style meals, like acai and smoothie bowls with artisan coffee blends, to boost sales of higher-margin products. Although competition will heighten, premiumisation trends and ongoing consumer interest in health and ethical consumerism will support profitability as people demand ethically sourced, fair trade coffee in environmentally friendly packaging. More coffee shops will offer discounts for customers carrying their own cups. Overall, industry revenue is forecast to grow at an annualised 1.4% over the five years through 2030-31 to total \$17.1 billion.

Call Preparation Questions

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Sales & Marketing

How are changing consumer purchase habits affecting your business?

- Consumers are increasingly demanding rarer types of coffee, such as fair trade and organic coffee beans.
- Rapid consumer uptake of fair trade and organic coffees over the past five years has provided a strong area of growth for the industry, which is forecast to continue over the next five years.

How does your company market itself to customers?

- Food and beverage ranges and quality among cafes and coffee shops have traditionally been key competition factors.
- Locations with greater traffic volumes can generate substantially higher revenue, but will significantly increase rent costs.

Strategy & Operations

How close is your business located to significant foot traffic?

- Most coffee shops are located across the three most populous states: New South Wales, Victoria and Queensland.
- As a retail industry, cafes and coffee shops need to be located close to consumers.

How does your business minimise input costs?

- Purchase costs significant affect industry performance.
- The world price of coffee has increased over the past five years, causing purchase costs to rise as a share of industry revenue.

Technology

How does your company keep up to date with the latest ordering systems?

- Most technological advancements in the industry aim to improve systems and procedures, providing better quality service and reducing customer wait times.
- Wireless electronic ordering systems that link front-of-house orders to the kitchen are an example of such innovation.

How does your company keep up to date with the latest coffee machines?

- Improvements in coffee machine technology are aimed at increasing their operational capacity and efficiency, while minimising any detrimental effects to coffee quality.

Compliance

How are coffee shops expected to comply with major regulations?

- The most important regulations for coffee shops are those relating

to food hygiene and preparation.

- Food Standards Australia New Zealand (FSANZ) is the regulatory body for food safety standards in Australia.

How are industry operators expected to comply with other regulations?

- Other regulations for operators include council regulations pertaining to business licensing, outdoor seating and street advertising.
- Operators must also adhere to regulations regarding playing recorded music in establishments.

Finance

How does your company's profitability compare with that of its competitors?

- Operators that focus on high-margin premium food products tend to yield better profit margins in the industry.

How have wage costs affected your company's profit margins?

- Several industry workers are employed on a part-time or casual basis.
- A rise in minimum wages can place upward pressure on wage costs.

External Impacts

Demand from restaurants

How vulnerable is your shop to competition from restaurants?

- Restaurants represent a significant source of competition for cafes and coffee shops.

Expenditure on recreation and culture

How has increased consumer expenditure on recreation activities affected your business?

- Cafes are becoming increasingly popular places for consumers to spend their leisure time or to enjoy as part of other leisure activities.
- Therefore, increased expenditure on recreation and culture supports industry revenue growth.

Real household discretionary income

How have trends in real household discretionary income affected your business?

- Changes in real household discretionary income directly affect the industry.
- Any contraction in discretionary income limits consumer spending capacity, especially for food but less for coffee.

Internal Issues

Effective cost controls

How does your business use cost control measures to maximise profitability?

- Successful cafes and coffee shops have effective cost controls to minimise expenses and maximise profit margins.

Effective quality control

How does your company measure the quality of its coffee?

- High quality is required to prepare, present and serve coffee that satisfies customer expectations and maintains positive word-of-mouth referrals.

Access to multiskilled and flexible workforce

How difficult is it for your business to access skilled baristas?

- Industry operators need skilled baristas to maintain the high quality of coffee that consumers expect from niche operators.

At a Glance

Revenue \$26.2bn '21-'26 ↑ 8.2 % '26-'31 ↑ 2.0 %	Employees 184k '21-'26 ↑ 2.8 % '26-'31 ↑ 1.8 %	Businesses 29,765 '21-'26 ↑ 2.1 % '26-'31 ↑ 2.0 %
Profit \$733.0m '21-'26 ↓ 2.9 %	Profit Margin 2.8% '21-'26 ↓ 2.0 pp	Wages \$6.8bn '21-'26 ↑ 3.3 % '26-'31 ↑ 4.7 %

Five-year growth rates display historic and forecast CAGRs

➔ Major Players

Company	Revenue	Market Share
Hunter St. Hospitality	\$299.2m	1.1%
The Lucas Group	\$71.7m	0.3%
Other Companies	\$25.8bn	98.6%

⊕ Products and Services

Item	Revenue	Market Share
Mid-range dining	\$13.8bn	52.7%
Low-cost dining	\$6.6bn	25.3%
Premium dining	\$5.8bn	22%

🗄️ Key External Drivers

Key External Drivers	Impact
Real household discretionary income	Positive
Health consciousness	Positive
Demand from fast food and takeaway food services	Negative
Average weekly hours worked	Positive
Consumer sentiment index	Positive

Key Takeaways

Performance

- Despite cost-of-living pressures, Australians view dining out as an affordable indulgence, with younger generations, especially Generation Z, driving increased restaurant patronage. Restaurants are capitalising on this trend by offering diverse options and loyalty programs to attract and retain these consumers.
- Restaurants are diversifying their revenue streams by adopting dynamic pricing, expanding their service offerings and forming strategic partnerships to enhance customer loyalty. Regional dining and personalised loyalty programs present opportunities to attract and retain consumers in a competitive market.

Products and Markets

- Demand for low-cost dining has risen amid significant economic volatility. Due to affordability concerns, consumers have been reining in their spending at expensive restaurants, with their preferences shifting to low-cost dining.
- Demand for restaurants from the fourth income quintile has expanded. Consumers in this segment enjoy having many choices and are making the most of better quality options as foodie culture grows.

SWOT

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Threats	<ul style="list-style-type: none"> Low Revenue Growth (2025-2030) Consumer sentiment index

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Innovation	Moderate	

Executive Summary

Bill, please: Even amid cost-of-living pressures, Australians have viewed restaurant meals as an affordable indulgence, heating up restaurant spending

Shifting social trends have significantly influenced the Restaurants industry's performance over recent years. Consumers' busy lifestyles and high workloads have driven demand for restaurant meals, as well as takeaway and delivery services. Restaurants allow consumers to combine dining with leisure and avoid spending time on food preparation. Rising demand for food delivery platforms like Uber Eats, which enable time-poor consumers to purchase home-delivered, restaurant-quality food, has also supported industry revenue.

Despite tight discretionary incomes and recent cost-of-living pressures, Australian consumers have continued to prioritise eating restaurant meals, as they view them as affordable indulgences. However, industry businesses are struggling with elevated operational costs, including high input, rent and energy expenses. Labour shortages have also plagued the industry, with restaurants facing significant retention gaps. These challenges, along with intense competitive pressures, have eroded the industry's profitability, compelling some businesses to exit the industry. Nonetheless, the total number of enterprises in the industry has increased over the past five years as dynamic consumer preferences have created several niches for restaurants to cater to. Overall, industry revenue is expected to have soared at an annualised 8.2% over the five years through 2025-26 to \$26.2 billion. This includes a moderate anticipated rise of 0.4% in 2025-26.

Reeling from the economic challenges of the past five years, restaurants are set to diversify their revenue streams by expanding their service offerings to include merchandise and live events over the coming years. Restaurants are forecast to focus on improving operational efficiencies to limit costs and boost their profit margins. This includes adopting integrated technological advancements that will enhance the overall dining experience for customers. There will also be a focus on sustainability efforts as Australian consumers become more discerning about their environmental choices. Overall, industry revenue is projected to increase at an annualised 2.0% over the five years through 2030-31 to reach \$28.9 billion.

Call Preparation Questions

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Sales & Marketing

What are the major markets your restaurant targets?

- The highest income quintile accounts for over 35% of all expenditure in the industry.
- Consumers in the lowest income quintile are less likely to visit restaurants than other consumers, with less than 7% of revenue generated by this segment.

What are the main competition factors your company can focus marketing on to attract more customers?

- Price and quality are the primary elements of internal competition in the industry.
- Menu offerings, customer service and the location of a restaurant are also significant factors.

Strategy & Operations

How close to customers is your business located?

- Most restaurants are located in the three most populous states: New South Wales, Victoria and Queensland.
- As a retail industry, restaurants need to be located close to consumers.

How does your business minimise input costs?

- Purchase costs are expected to account for over 35% of revenue in the current year, and have a significant influence on the industry's performance.
- Purchase expenses have risen as a share of industry revenue over the past five years. Meanwhile, many restaurants have implemented stricter cost controls to minimise purchase expenses.

Technology

How does your company keep up to date with the latest ordering systems?

- The introduction of ordering systems linking waiters directly to the kitchen have become common over the past decade in mid-to-premium restaurants.
- This trend has been followed by the introduction of tablet menus and ordering, which provide customers with more information such as wine matching and photos.

What technologies and processes have been implemented to reduce your restaurant's reliance on labour?

- Labour-saving processes have become integral to restaurant success, with cook-chill methods becoming widespread.
- Large premium operators use the cook-chill method to increase food preservation time by cooking, heating, bagging, sealing and snap-freezing foods to the required temperature with minimum

handling.

Compliance

What industry groups is your business aligned with?

- Industry groups provide information and advice that supports industry players.
- Restaurant & Catering Australia is the national association that represents restaurants, cafes and catering businesses. The association represents the industry's interest in areas such as tax, workplace relations and employment laws.

What type of base regulations are restaurants expected to comply with?

- The most important regulations for restaurants are those relating to food safety and health. Food Standards Australia New Zealand (FSANZ) is the regulatory body for food safety standards in Australia.
- Operators are required to adhere to relevant legislation and maintain required documentation regarding food safety and health.

Finance

How do your restaurant's profit margins compare with those of your competitors? How has this changed over the past five years?

- Industry profit margins have fallen over the past five years, due to strong competition, and rising purchase costs.
- Additionally, extended periods of COVID-19 lockdown restrictions have limited customer volumes while fixed costs have continued to mount. This has constrained profitability.

What initiatives has your business taken to improve profitability?

- Restaurants have implemented stricter cost controls to improve profitability. Many industry players have kept waste to a minimum by managing stock on hand to avoid large inventories and expired food.

External Impacts

Consumer sentiment index

How do changes in consumer sentiment affect demand for your restaurant?

- Consumer sentiment influences consumers' purchasing decisions.
- When consumer sentiment is negative, it may indicate lower spending on luxuries such as restaurant dining.

Real household discretionary income

How have fluctuations in household income affected demand for your restaurant over the past five years?

- When incomes fall, spending on discretionary items such as dining out at restaurants may be restricted as consumers become more cautious with their finances.

Health consciousness

How is your restaurant catering to health-conscious consumers?

- An increase in health consciousness gives restaurants that provide high-quality and healthy menu options an opportunity to boost revenue.

Internal Issues

Ability to alter goods and services produced in favour of market conditions

What is the cost of altering your restaurant's menus to adjust to changing food trends?

- Restaurants require flexibility to alter menus and adjust to

changing food trends.

Access to niche markets

What niche markets are available to your business?

- Industry operators that provide differentiated products can reduce direct competition. This can help maintain market share and increase revenue.

Effective cost controls

What cost-control measures does your restaurant use to maximise profit?

- Successful restaurants must have effective cost controls to minimise costs and maximise profit.