

Off the Chain: Food Delivery Services Trouble Chain Restaurants

By James Caldwell

Australia's restaurant chains are struggling due to the rising popularity of online delivery platforms, such as Deliveroo and Uber Eats.

Growing demand for premium food options has supported the rise of online food ordering and delivery services

The growth of online food delivery platforms has negatively affected Australia's restaurant chains over the past five years. Chain restaurants operate on a specialised business model, which is a hybrid between a traditional restaurant and a fast-food chain. Australian restaurant chains have traditionally enjoyed consistent demand from consumers that want a fast and convenient dining experience but want to avoid fast food. Numerous locations, standardised menus and relatively quick food preparation times have encouraged consumers with busy lifestyles to dine in these establishments. However, food delivery platforms, such as UberEats and Deliveroo, have connected time-poor consumers with traditional restaurants that have not traditionally offered delivery services, at the expense of the Chain Restaurants industry.

The Online Food Ordering and Delivery Platform industry is expected to grow at an annualised 42.2% over the five years through 2019-20 to reach \$336.3 million. Growing demand for more premium food has partly driven this increase in demand. Additionally, Australians are leading increasingly busy lifestyles, boosting demand for convenient food options. The growing popularity of online food delivery platforms has benefitted independent operators in the Restaurants industry, particularly those with a reputation for high

quality, while increasing competition for chain restaurants.

Australia's chain restaurants are also facing stiff competition from the Fast Food and Takeaway Food Services industry. Subdued wage growth has encouraged lower income households to cut back on non-essential expenses such as dining out. This trend has encouraged these consumers to either reduce the frequency at which they dine out or to dine at cheaper fast food locations instead. Additionally, operators in the Fast Food and Takeaway Food Services industry have sought to take advantage of rising health consciousness among Australians by offering more healthy foods, further boosting competition. This increase in competition has led to a decline in the revenue of the Chain Restaurant industry over the past five years. Industry revenue is anticipated to fall at an annualised 1.0% over the five years through 2019-20, to a total of \$281.0 million.

Despite the decline in revenue over the past five years, Australia's restaurant chains are having greater success in regional Australia. Operators in the Online Food Ordering and Delivery Platform industry are yet to make an impact outside of Australia's major cities. Consequently, competition for chain restaurants in Australia's country towns and regional centres is substantially lower. This trend has

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limited the decline of the Chain Restaurants industry over the past five years, and allowed some industry operators to expand.

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