



Restaurant
& Catering

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Online Delivery Gobbles Up Profits as Restaurants Find Themselves Forced Into Partnering With Them

Digital Disruptors Are Skimming The Profits of Small Business Owners

Digital disruptors are damaging the restaurant industry by encouraging patrons to stay home and eating into profits. As Part of Restaurants and Catering Australia's (R&CA) 2019 annual Benchmarking Report, one of the areas of greatest concern indicated by restaurant, café and catering business owners was the negative impact of digital disruption.

R&CA's CEO, Wes Lambert, said, "High streets are falling silent and neighbourhood restaurants are push to their limit as delivery services discourages bums on seats. There is only one winner between the platform and the restaurant, the platform wins due to the exorbitantly high fees charged and the restaurants lose as they see their profits decline even as their revenue increases.

"Some restaurants are finding themselves pushed to the brink of closing – a bad outcome for our social precincts, restaurants patrons and, ultimately, home delivery consumers. Others are ditching the platforms altogether." says Mr Lambert.

"Under the Online Delivery platforms, where under the 'partner' model, the platform is profitable, and the restaurant is not. Restaurants have been forced into taking on an unwanted business partner they didn't ask for and who takes a 35% cut. At that rate, meals become unprofitable for the restaurant.

This year's survey revealed ongoing and significant growth in penetration of online food delivery platforms - 53.8% of restaurants surveyed use online delivery platforms. That is more than triple the number (15.4%) from the same survey in 2017. In 2018, the percentage using delivery platforms was 31.2%.

Of the restaurants surveyed, 46.2% said they didn't use delivery platforms, compared to 68.8% in 2018 and 84.6% in 2017.

When asked which delivery platforms they prefer, 26.2% said UberEats, 22.3% said Menulog, and 3.8% said Deliveroo. Of those surveyed, 32.3% use combination of platforms and 7.7% use all three delivery platforms.

63.3% said their primary reason for signing up to a delivery platform was to increase their customer base. Others (32.03%) said they were forced to participate because their competitors were using these platforms.



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Respondents overwhelmingly said that they had experienced an increase in revenue but a decrease in profit (53.9%) and 32.8% said they experienced an increase in revenue and profit and 13.3% indicated no change.

More than half (55.5%) said that fees associated with online food delivery were so high that it was impossible to make a profit using the platforms. Only a quarter of businesses (25%) said that platforms provide a convenient service that allows restaurants to increase their revenue and 19.5% indicated they encourage customers not to go out and buy directly from the business.

These answers indicate that more than 70% of businesses surveyed believe that online food delivery is negatively impacting the hospitality industry.

50.7% of businesses said they currently used an online booking provider within their business, down slightly from 55.6% in 2018. This remained up from the 41.7% identified in the 2017 survey.

The Fork was the number one response (36.4%) when asked which online booking provider restaurants used. It was the online booking provider of choice among businesses surveyed. Now book it was preferred by 17% of respondents. Others (13.6%) preferred other online booking providers (13.6%). While 10.2% named Dimi as their favourite, 9.3% preferred Quandoo 9.3%, 7.6% preferred Opentable, 4.2% preferred Obee, and 1.7% said BookBook was their choice.

ONLINE BOOKING PROVIDERS

Just over half (50.7%) respondents said they used an online booking provider within their business, down slightly from (55.6%) in 2018. This is still up from 41.7% per cent in 2017. When asked which online booking provider they used, the top response (36.4%) was The Fork. This was followed by Now Book It (17%), Dimmi (10.2%), Quandoo (9.3%) and Opentable (7.6%).

SOCIAL AND DIGITAL MARKETING CHANNELS

Mr Lambert says, "This is the first year we asked businesses how they use social and digital marketing channels and the impact this has had on their businesses. This is clearly an important tool for their businesses because a significant number (65.56%) indicated that they spend money in this area. Facebook was most popular with half of our respondents naming it as their most used marketing tool."

PAYMENT SYSTEMS



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An overwhelming number of businesses (92.3%) indicated that card payment – either credit or debit card, was the most common payment method, followed by cash (2.56%), then phone touch payment (0.9%).

When asked about payment processing methods, the most common form of card payment was PayPass or Tap & Go, with 79.83% indicating it was the method of choice for customers. This was followed by 12.88% using PIN input, 2.2% using smart phone payment, and 3.9% use online payments (through booking platforms).

For More Information:

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About Restaurant and Catering Australia

Restaurant & Catering Australia (R&CA) is the national industry association representing the interests of over 47,000 restaurants, cafés and catering businesses across Australia. The café, restaurant and catering sector is vitally important to the national economy, generating over \$37 billion in retail turnover each year as well as employing 450,000 people. Critically, over 92 per cent of businesses in the café, restaurant and catering sector are small businesses, employing 19 people or less.

R&CA delivers tangible outcomes to small businesses within the hospitality industry by influencing the policy decisions and regulations that impact the sector's operating environment. R&CA is committed to ensuring the industry is recognised as one of excellence, professionalism, profitability and sustainability. This includes advocating the broader social and economic contribution of the sector to industry and government stakeholders, as well as highlighting the value of the restaurant experience to the public.

About the Industry Benchmarking Survey

R&CA's *Industry Benchmarking Survey* is an industry-based survey of business conditions in the restaurant, café and catering industry. The survey monitors key trends in business costs, profitability, labour and skills shortages, as well as the general business environment. The survey is distributed to café, restaurant and catering business owners and senior managers across Australia.

R&CA's 2019 Industry Benchmarking Survey was distributed to over 15,000 individual restaurant, cafe and catering business owners and senior managers across Australia, with 656 completing the survey. The Survey was open during August and September of 2019 and contained 70 questions relating to the 2018-19 financial year.

As part of the 2019 survey, multiple new questions were posed to respondents in order to better understand some of the emerging issues facing the restaurant, café and catering industry in areas such as online delivery, wage compliance, overall economic sentiment and responses to rising business costs.