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WHERE KNOWLEDGE IS POWER

Freshen up: Consumer health consciousness brings healthier ingredients to the table

IBISWorld Industry Report H4512
Fast Food and Takeaway Food Services in Australia

April 2019

Bao Vuong

About this Industry

Industry Definition

Industry firms primarily provide fast food, such as burgers, pizza, sandwiches and sushi, and takeaway for immediate consumption. Customers order or select items and pay before eating. Food is usually provided in takeaway containers or packaging, and is consumed on the premises, taken away or delivered. The industry also includes fast food sold in food halls and food courts.

Main Activities

The primary activities of this industry are

- Cooked chicken retailing
- Pizza retailing
- Hamburger retailing
- Fish and chips retailing
- Sandwich retailing
- Juice bar operation
- Mobile food van operation
- Sushi retailing
- Takeaway food retailing
- Ice cream retailing

The major products and services in this industry are

- Burgers
- Chicken-based fast food
- Desserts and confectionery
- Other fast food
- Pizza
- Sandwiches, salads and juices

Similar Industries

G4112 Convenience Stores in Australia
Businesses in this industry sell some foods that are intended for immediate consumption.

X0002 Franchising in Australia
Franchising is when a franchise owner is granted, for a fee, the right to offer, sell or distribute goods or services under a business system determined by the business founder.

H4511a Restaurants in Australia
Companies in this industry retail full meals to be eaten on the premises.

H4511b Cafes and Coffee Shops in Australia
Stores in this industry provide meals for immediate consumption on the premises.

About this Industry

Additional Resources

For additional information on this industry

www.ausfoodnews.com.au
Australian Food News

www.hospitalitymagazine.com.au
Hospitality Magazine

www.insideretail.com.au
Inside Retail

www.retailbiz.com.au
Retailbiz

Industry at a Glance

Fast Food and Takeaway Food Services in 2018-19

Key Statistics Snapshot

Revenue	Annual Growth 14–19	Annual Growth 19–24
$20.1bn	3.3%	0.5%
Profit	**Wages**	**Businesses**
$1.4bn	$3.5bn	26,194

Market Share

McDonald's Australia Holdings Pty Limited 25.1%

Competitive Foods Australia Pty Ltd 8.6%

Yum! Restaurants Australia Pty Limited 6.0%

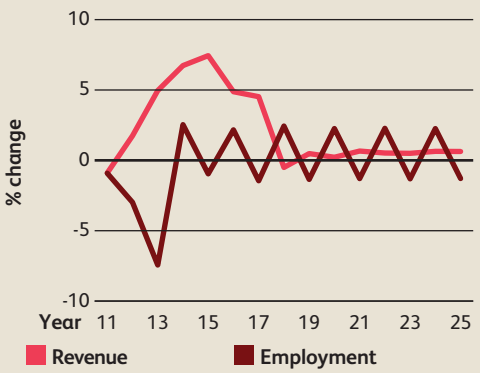
p. 24

Key External Drivers

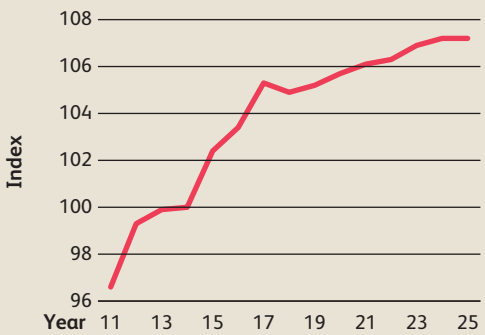
- Health consciousness
- Real household discretionary income
- Demand from restaurants
- Median age of the population

p. 5

Revenue vs. employment growth



Health consciousness



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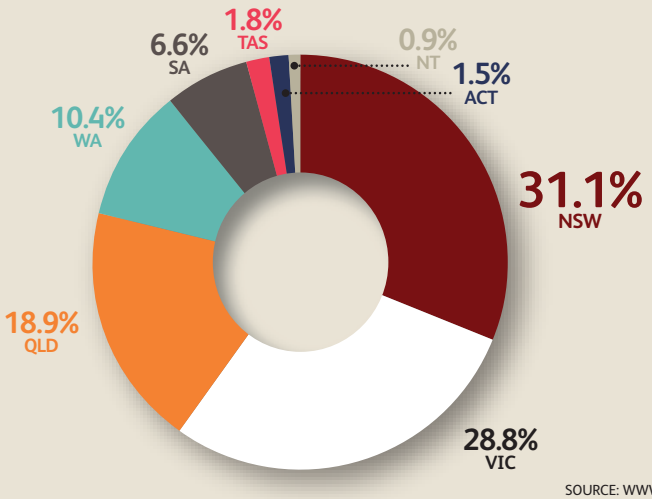
Enterprises



SOURCE: WWW.IBISWORLD.COM.AU

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalisation	Low
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 33

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Consumer health awareness has transformed the Fast Food and Takeaway Food Services industry over the past five years. Increased awareness of fast food's nutritional content and a conscious effort by consumers to choose healthier options have affected industry demand. Industry operators have responded by introducing a range of healthier, premium choices with less fat, sugar and salt. The change in consumer preferences has also prompted an influx of new operators offering higher quality fast food options. Revenue is expected to rise at an annualised 3.3% over the five years through 2018-19, to $20.1 billion. This includes anticipated growth of 0.5% in the current year, as discretionary incomes rise.

The median age of Australia's population has increased slightly over the past five years, shifting demand towards healthier fast food options. Older age groups are typically less likely to consume industry products. As a result, traditional fast food has declined as a share of industry revenue, while revenue from premium and healthy categories has grown. Competition among industry players has been intense over the past five years, as traditional operators have fought for market share while new establishments offering healthier options have reduced demand for existing players. External competition has also risen, with growth in the range of pre-cooked meals offered by supermarkets and significant competition from restaurants and cafes.

Industry revenue is forecast to grow at an annualised 0.5% over the five years through 2023-24, to $20.7 billion. Greater convenience and improved nutritional content of industry products are projected to drive revenue growth. Operators will likely provide consumers with an evolving and adaptable product selection to gain market share. Traditional fast food operators are anticipated to further adjust their ranges, adding new healthy options and catering to changing consumer tastes. The industry is also projected to continue changing as a result of new online and mobile app ordering systems, making ordering and delivery more appealing to younger demographics. However, intensifying external competition from operators such as pubs, cafes and restaurants over the next five years are anticipated to limit demand and therefore constrain industry revenue growth. As a result, industry growth is forecast to be slower over the next five-year period compared with the previous five-year period.

Key External Drivers

Health consciousness

The perceived health and nutritional value of fast food affects industry demand. Increasing health consciousness reduces demand for traditional fast food, such as pizzas and hamburgers, which are perceived to be unhealthy. Traditional fast food still accounts for most of industry revenue. However, rising health consciousness can encourage consumers to spend on healthier industry options, offsetting the downturn in demand for less healthy fast food. Health consciousness is expected to increase in 2018-19.

Real household discretionary income

Changes in household discretionary incomes affect industry demand. An increase in discretionary income enables consumers to allocate more money towards takeaway meals and fast food. This factor provides industry firms with an opportunity to boost revenue. Conversely, a decline in discretionary income prompts households to cook more meals at home rather than eating out, reducing industry demand. Real household discretionary income is expected to increase in 2018-19.

Industry Performance

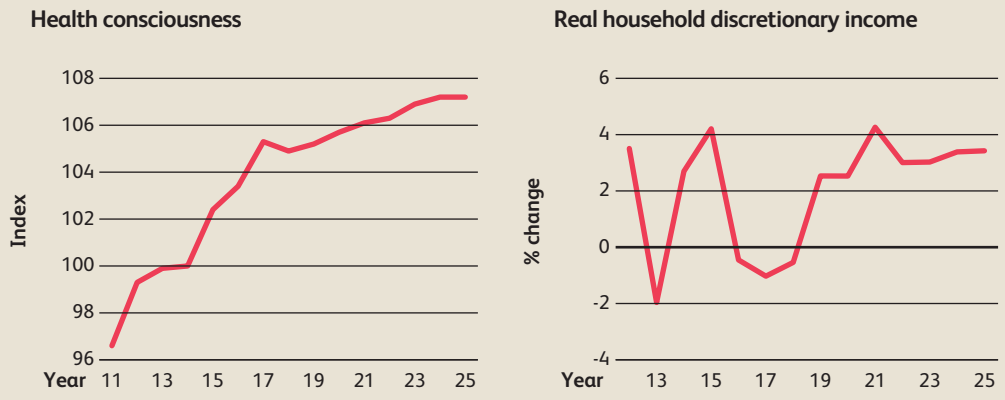
Key External Drivers continued

Demand from restaurants

Restaurants compete with industry establishments for consumer expenditure. As consumers spend more at restaurants, they are likely to spend less on fast food services. Competition from restaurants is anticipated to grow over the next five years as they expand their takeaway ranges, threatening industry revenue growth. In 2018-19, demand for restaurants is expected to increase.

Median age of the population

The age of consumers partly drives demand for fast food. Older age groups are less likely to consume traditional fast food. As the median age increases, demand for fast food tends to decline. However, older age groups often substitute traditional fast food for healthier fast food options offered by the industry, offsetting the negative effect of an ageing population. The median age of the population is expected to increase marginally in 2018-19.



SOURCE: WWW.IBISWORLD.COM.AU

Current Performance

Revenue growth for the Fast Food and Takeaway Food Services industry has been solid over the past five years. Industry revenue is expected to increase at an annualised 3.3% over the five years through 2018-19, to $20.1 billion. This includes anticipated growth of 0.5% in the current year, as rising discretionary incomes support consumer spending on industry products. Increasing public awareness of the importance of a balanced diet has contained traditional fast food outlets' revenue growth over the past five years. However, a range of healthier fast food options has provided some expansion opportunities. Consumers have revised their fast food eating habits and operators have responded by expanding healthy ranges and introducing new products. Trends in household discretionary income, combined with competition from restaurants, cafes, convenience stores and supermarkets, have also affected demand for fast food over the period.

Industry Performance

External competition

Fast food operators have faced increasingly strong competition from external sources over the past five years. Supermarkets have expanded their ranges of home-cooked meal replacements and heat-and-serve products such as pastas and pre-packaged mini meals. These retailers have emerged as one-stop shops that provide consumers with fast, affordable and high-quality food. Many of these products are substitutes for traditional fast food. Traditional convenience stores have also attempted to access this market by expanding their fast food options, such as pre-made sandwiches, salads and baked goods.

Restaurants have become a growing source of external competition for the industry over the past five years. Over the period, restaurants have expanded their product offerings to include a range of foods that were once mainly provided by fast-food operators. While traditional fast food segments, such as burgers and pizza, have struggled, their gourmet restaurant equivalents have grown strongly. As a result, some consumers have moved away from the industry, favouring restaurants instead. Restaurants have also been capturing a larger share of takeaway sales, with many now providing family deals and takeaway options.

Health and quality

Growing consumer awareness of the importance of healthy eating has transformed the industry over the past five years. Australians have become increasingly health conscious due to public campaigns discouraging unhealthy lifestyles. This trend has encouraged consumers to purchase healthier alternatives, affecting demand for industry products. This trend has boosted the number of fast food options available to consumers. Industry operators have increasingly offered healthier eating options, including salad and juice bars, and sushi stores. These new fast food options were initially viewed as passing trends. However, these new retailers have now cemented their position in the fast food market, increasing competition in an already saturated and competitive market.

Australia's food culture has significantly changed over the past five years. Food service outlets have been increasingly emphasising premium meals and quality ingredients. This shift, combined with foodie culture, has increased the number of smaller operators differentiating themselves based on quality. This trend has prompted more gourmet options in the fast food market and new food options that were previously considered restaurant meals. While a shift towards premium products has provided support for fast food operators, many competing restaurants and cafes have also embraced the trend, which has limited growth in industry demand. Major players have sought to benefit from the food culture shift, introducing premium menus with higher quality ingredients. However, some operators have found it hard to change their image. Consequently, major players such as McDonald's have struggled to keep up with the strong growth of smaller premium operators such as Grill'd.

Profit

Increasing demand for premium industry products has boosted profit margins over the past five years, especially for certain gourmet operators, such as Grill'd, which offer higher quality products that attract higher prices. Tighter cost controls and a growing focus on controlling food waste have further supported profit growth. However, weaker demand for traditional fast food has limited growth in profitability over the period. Some operators have turned to marketing and

Industry Performance

Profit continued

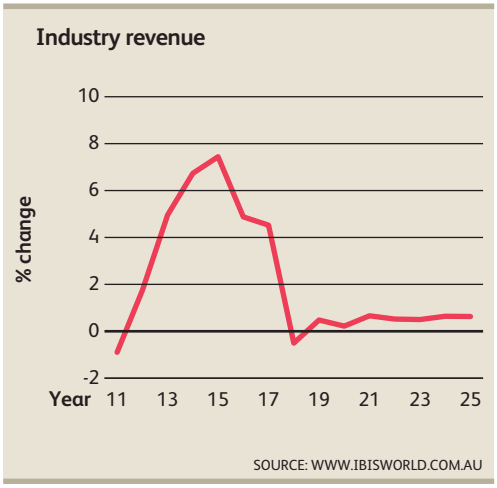
promotional deals, limiting profit margins to encourage sales and maintain market share. For example, operators have offered buy-one-get-one-free offers and incentive deals. These offers and deals ultimately affect industry profit margins, with many operators introducing loss-leading deals to attract consumers.

Industry structure

Enterprise numbers have increased over the past five years, due to the entry of healthier and premium fast food players. However, intense competition has made the trading landscape difficult for smaller operators, limiting new entrants. Growth in store numbers has varied considerably among operators due to differing corporate strategies, limited suitable locations and rental costs. Industry employment has trended upwards over the past five years, largely driven by growing demand for casual staff and more flexible working arrangements.

Industry Outlook

Rising consumer demand for nutritious fast food is projected to drive revenue growth for the Fast Food and Takeaway Food Services industry over the next five years. However, continuing health consciousness trends will also hinder industry performance, especially for traditional operators, as consumers limit consumption of unhealthy food. Revenue is forecast to grow at an annualised 0.5% over the five years through 2023-24, to $20.7 billion. The addition of premium menu options is anticipated to support industry revenue growth. Increasing household discretionary income is also projected to boost sales. However, strong competition from restaurants and cafes, and concerns about the fat content of traditional fast foods are likely to constrain revenue growth. Industry profitability is forecast to remain relatively steady over the next five years, as ongoing competition offsets gains from premium sales due to downward price pressure on longstanding industry products.



Consumer trends

Increasing consumer demand for premium and healthy fast food is projected to drive revenue growth over the next five years. Consumer concerns about the fat content of traditional fast foods are likely to limit growth in these segments, while premium products are anticipated to become more widely available. This trend is anticipated to boost profitability for premium operators, as premium products often carry higher margins.

Operators embracing healthy eating trends are projected to take market share from well-established fast food chains, which are traditionally associated with unhealthy food. These traditional operators will find it harder to improve their perception among consumers. Menu innovation will be key to success over the next five years, with operators likely to expand low-fat or low-sugar ranges to meet shifting consumer demand.

Industry Performance

Industry participation

Enterprise numbers are projected to rise over the next five years. Competitive pressures will likely force some smaller players to exit the industry, but this is projected to be offset by an influx of new players in niche markets. Growth in operator numbers will be driven by consumers shifting away from traditional fast food options towards healthier and higher quality alternatives. Establishment numbers are also forecast to increase, fuelled by well-established industry operators expanding their store networks. New players are anticipated to push employment numbers upwards over the next five years. However, competitive pressures in some segments will prompt operators to restructure and reduce operating costs, rein in wage expenses and close underperforming stores. In an attempt to improve profit margins, larger players are forecast to undertake refranchising, selling licences for corporate-owned stores to new or existing franchisees. Refranchising stores is a trade-off for franchisors, as it decreases marginal costs significantly but also loosens the franchisor's control over the store network. Without direct control, the franchisor risks declines in product and service quality. The franchisor may also have difficulty adjusting prices in response to shifts in trading conditions.

> Larger players are anticipated to undertake refranchising to improve profit margins

Mobile food vans are projected to be a growing industry segment over the next five years. With lower barriers to entry and higher demand, many new players are forecast to enter the industry through this segment. Food vans serve food in convenient locations, such as the beach or near major events, and often operate late at night. Benefits for operators include lower rental expenses, and greater freedom to experiment with food offerings and locations.

Competition

External competition from supermarket chains and other hospitality industries is anticipated to pose the greatest threat to fast food retailers over the next five years. Supermarkets will likely expand their prepared meal ranges, while restaurants and cafes are set to capture a growing share of the quality-conscious consumer market. Cafes will continue to target the lunchtime market with a selection of healthy and convenient meal options. Many consumers view sandwiches and wraps made in cafes as higher quality than fast food products, many of which are sold at similar prices. Restaurants are anticipated to continue reducing demand for traditional industry markets, providing more takeaway options to maximise sales. Industry operators will likely benefit from reviewing the quality and price of menu items to differentiate themselves from competition and appeal to consumers.

Innovation

Smartphone apps are projected to continue changing the way many fast food operators and customers interact. Previously, apps mainly focused on made-to-order meals such as pizza, where ordering ahead of time or choosing different delivery options provided increased convenience. However, in June 2017, McDonald's launched McDelivery, a delivery service in partnership with UberEATS. Other fast food operators have started to follow suit and tap into demand for online ordering. For example, Hungry Jack's signed an exclusive partnership with Menulog in November 2018. This trend is forecast to benefit traditional fast food operators with extensive store networks and

Industry Performance

Innovation continued

significant capital resources. Online ordering can provide a competitive edge by increasing convenience for established players that are struggling to change their image to meet increased demand for healthy and premium products. New smaller enterprises will likely struggle to establish online ordering options due to limited geographic reaches and resources to invest in online operations.

Other websites, such as Menulog and EatNow, have been changing the way people order fast food. Menulog is an online takeaway ordering portal that allows customers to browse a range of fast food operators, view menus and place orders using the website or app. The orders are then relayed to the operator for processing and delivery. These websites provide a key sales avenue for smaller fast food providers, giving them access to an online ordering platform with significant customer traffic without investing in a website, ordering system and promotional activity. These platforms are anticipated to become more commonplace, with smaller players that do not use them likely to endure declining demand as consumers shift to ordering online.

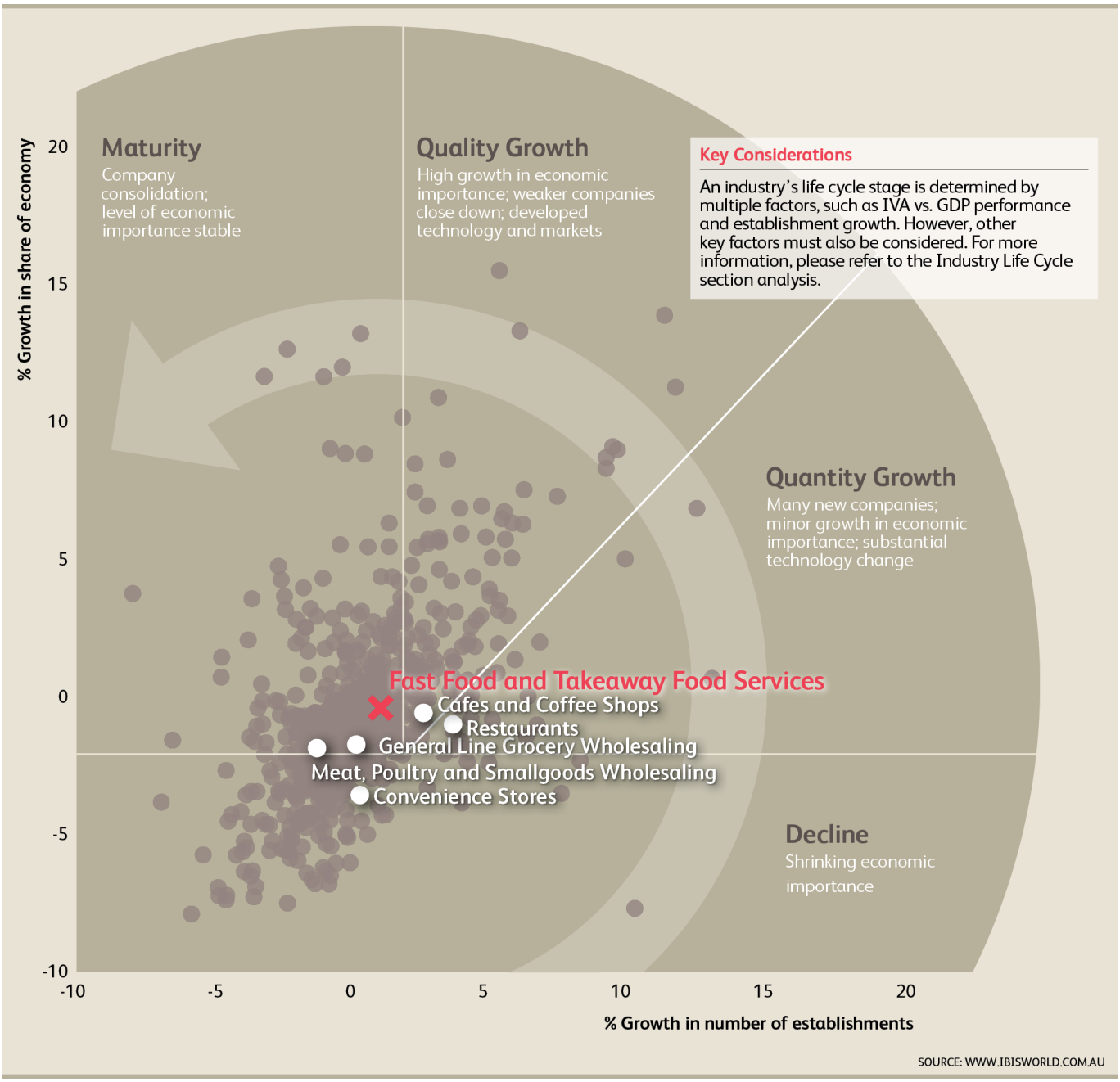
Industry Performance

Life Cycle Stage

Establishment numbers have exhibited growth

Technology improvements are improving efficiency

The industry is growing slower than the overall economy



Industry Performance

Industry Life Cycle

This industry is **Mature**

The Fast Food and Takeaway Food Services industry is currently in the mature phase of its life cycle. Industry value added, a measure of the industry's contribution to the overall economy, is forecast to grow at an annualised 2.3% over the 10 years through 2023-24. This represents an underperformance relative to the economy, with GDP projected to grow by an annualised 2.7% over the same period. The industry's relatively slower growth is typical of a mature industry.

Industry establishment numbers are forecast to grow over the 10 years through 2023-24. Competition among players and a softer retail economy have had a minimal effect on establishment numbers. Demand for new healthier food retailers and entrants at the premium end of the market have supported establishment numbers. However, the market is becoming saturated as valuable locations become harder to come by and competition intensifies. Nonetheless, the industry has benefited from rapidly expanding healthy foods segments.

A slow rate of technological change has also supported the industry's mature life cycle status. Technological advances in the industry have focused on efficiency gains from point-of-sale systems or improved online ordering systems. However, some smaller operators such as food trucks have not taken up such systems due to installation costs.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

Z9901 **Consumers in Australia**
Consumers demand a range of fast food items as part of their weekly expenditure.

KEY SELLING INDUSTRIES

F3601 **General Line Grocery Wholesaling in Australia**
Wholesalers in the industry supply fast food stores with canned goods, coffee, condiments, cooking oils and fats, eggs, salt and tea.

F3602 **Meat, Poultry and Smallgoods Wholesaling in Australia**
Fast food stores purchase meat such as beef, pork and lamb from meat wholesalers.

F3603 **Dairy Produce Wholesaling in Australia**
Wholesalers in this industry supply fast food operators with milk, cheese and cream produce.

F3605 **Fruit and Vegetable Wholesaling in Australia**
Operators in this industry supply a range of fruit and vegetables to fast food stores.

F3609 **Soft Drink and Pre-Packaged Food Wholesaling in Australia**
Fast food stores purchase confectionery, nuts, potato chips and soft drinks from wholesalers.

Products and Services

Growing public awareness of the importance of healthy eating has led to growth in the range of products offered by the Fast Food and Takeaway Food Services industry over the past decade. Consumers have become increasingly concerned about fat and salt content. As a result, fast food operators have expanded their menus to include healthier options such as salads, yoghurt and wraps. New operators with a premium or healthy focus have also entered the industry to benefit from shifting consumer demand.

Burgers

Traditional hamburgers account for the largest share of industry revenue. Chicken burgers are not included in this segment. Unsurprisingly, industry heavyweights McDonald's and Hungry Jack's support the hamburger segment's dominance. However, this segment's share of industry revenue has fallen over the past five years. This fall is due to increased competition across the industry, together with growth in fast food ranges and healthy eating trends. To maintain demand for this segment, some burger vendors have expanded product ranges to include healthier, leaner burger varieties and offered increased customisation and options for higher quality ingredients. The number of premium burger retailers, such as Grill'd, have increased. This segment has also faced rising competition from restaurants, with an influx of new restaurants providing gourmet burgers.

Chicken-based fast food

Chicken-based fast food includes fried and grilled chicken products, including chicken burgers. KFC is the key player in this segment. Other notable operators include Red Rooster, Nando's and Oporto. This segment has increased as a portion of industry revenue over the past five years, supported by the perceived healthiness of some chicken products.

Pizza

The pizza segment has declined as a proportion of industry revenue over the past five years, due to growth in segments involving healthier fast foods. While demand has benefited from new operators entering this segment, strong price competition among key players has decreased revenue. For example, Pizza Hut has reduced prices over the past five years to compete with the low-cost offerings of Domino's. This segment is also subject to rising competition from pizza restaurants, with consumers increasingly demanding higher quality

Products & Markets

Products and Services continued

woodfired pizzas. Most pizza restaurants also provide takeaway options, which has further decreased demand for this segment.

Sandwiches, salads and juices

Demand for sandwich, salad and juice bar products has grown significantly over the past five years, increasing this segment's share of industry revenue. Growth has been due to consumers increasingly favouring healthier fast food and industry operators progressively expanding their product ranges. US-based Subway has been a key player in the sandwich segment, having entered the industry in 1988 with the launch of its first Australian store in Perth. Sumo Salad and Healthy Habits are other notable players in this segment.

Desserts and confectionery

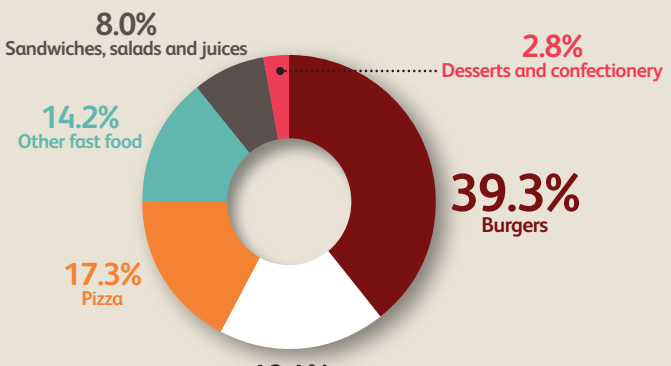
Desserts and confectionery products include ice creams, pastries, yoghurt and fruit. Despite rising health concerns regarding the fat and sugar content of some products, this segment has increased as a proportion of revenue over the past five years. Revenue has benefited from the increasing popularity of options perceived as healthy, such as yoghurt and fruit. Increased demand for premium products among consumers has also benefited this segment, as consumers have increasingly sought out gourmet dessert options.

Other fast food

Other fast foods include pies, sausage rolls, pasties, battered fish and hot chips. Collectively, these products have declined as a portion of industry revenue over the past five years. Growing social awareness regarding the benefits of healthy lifestyles and balanced food choices has reduced consumer demand for fattier foods, such as pies and chips.

This segment also includes Thai, Japanese, Indian, Chinese, Mexican and other cuisines. International fast food has gained popularity and these products have increased as a share of industry revenue over the past five years. Wider awareness of foreign cuisines and consumer receptiveness to trying new foods have supported this growth. Many products in this segment also benefit from consumers viewing them as value for money.

Products and services segmentation (2018-19)



Total $20.1bn

SOURCE: WWW.IBISWORLD.COM.AU

Products & Markets

Demand Determinants

Consumer demand for fast food is driven by trends in household discretionary income, convenience and health consciousness among consumers. Growth in discretionary income has heavily influenced consumer demand for fast food over the past five years, as consumers have spent more on premium items. Higher incomes have allowed consumers who are pressed for time to allocate more spending towards fast food and save time that would otherwise be spent cooking. This effect was partially offset by increased spending on premium products outside the industry, such as restaurant meals, as higher discretionary income can lead consumers to substitute away from low-quality fast food products.

Changing consumer attitudes towards fast food and the importance of maintaining a healthy lifestyle affect demand for a range of fast food. As fast food is not usually associated with healthy eating, increased health consciousness has negatively affected industry revenue over the past five years. Operators have therefore tried to provide a broader selection of healthy food options to maintain demand. This trend has opened up opportunities for new operators to enter the industry and offer healthier options, expanding the range of healthy fast food on offer. Industry operators have also increasingly focused on premium meals, with consumers demanding higher quality, restaurant-style food. This trend has encouraged operators to highlight the freshness and quality of their ingredients to gain a competitive edge. Operators that produce restaurant-quality meals at competitive prices have been particularly successful, by combining demand for quality with the convenience of fast food service.

Convenience is a key factor in determining demand for fast food. By preparing food in advance and storing at the desired temperature, fast food retailers have been better equipped to cater to consumers with busy lifestyles. Convenience varies depending on the type of fast food being purchased (pre-made sandwiches versus pizza, which can only be prepared when ordered).

Major Markets

Consumers are the primary market for fast food. Trends in household discretionary income, and consumer tastes and preferences drive fast food expenditure. Many industry operators have added health-conscious choices to their menus, broadening the appeal of fast food. For consumers under the age of 15, consumption of fast food is considered part of their parent's or guardian's spending. This factor inflates the spending of consumers in higher age brackets.

Consumers aged 15 to 24

Consumers aged 15 to 24 comprise high school and university students, and individuals that have recently entered the workforce. This market has declined as a share of revenue over the past five years. These consumers tend to be less health conscious than older demographics and likely to prefer fast food over home-cooked meals for its convenience. However, health consciousness has increased among this demographic over the past five years, leading to substitution with products outside the industry, such as home-cooked meals. Increased demand for premium products among this demographic has also constrained demand for industry products, with younger consumers increasingly choosing to eat at cafes or restaurants.

Consumers aged 25 to 34

Consumers aged 25 to 34 are the industry's largest market. This market comprises young professionals, tradespeople and young parents. This market has increased as a portion of revenue over the past five years, largely due to a rise in discretionary income among this age segment. Furthermore, consumers in this age segment are more health conscious than their younger counterparts, and are therefore attracted

Products & Markets

Major Markets continued

to healthier eating options offered by some fast food operators.

Consumers aged 35 to 44

Spending on fast food by this age group is strong and is driven by families with young children. Fast food offers a quick and easy alternative to home-cooked meals, which makes it appealing to time-poor consumers. The industry's major players promote family value packs that target consumers in this market. This age segment has fallen as a proportion of industry revenue, due to stronger growth in other markets.

Consumers aged 45 to 54

Consumers aged 45 to 54 account for a significant share of industry revenue. This market mainly includes health-conscious but often time-poor parents with children. This market has declined as a portion of industry revenue over the past five years, largely constrained by growth in demand for restaurants among this demographic.

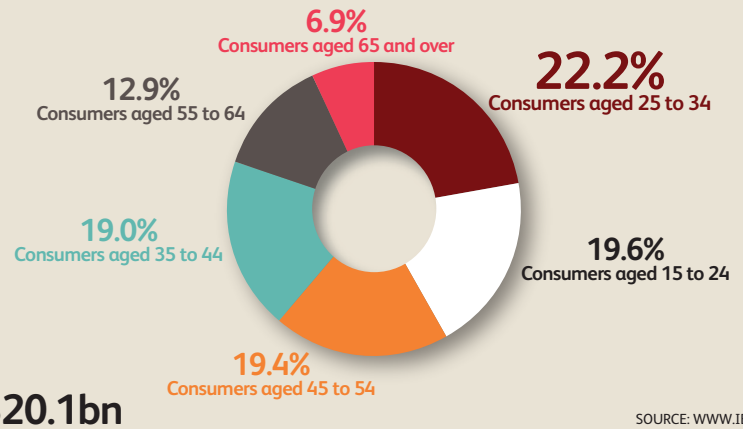
Consumers aged 55 to 64

Consumers aged 55 to 64 include adults near or at retirement age, and these customers tend to be more health-conscious. Traditional fast food (hamburgers, pizza and chicken) purchases by this market are likely to be viewed as a treat. These consumers are more inclined to purchase healthier alternatives such as rolls, focaccias, salads and soups. Increased offerings of these healthier options have supported growth in this market over the past five years. This market has also increased as a share of industry revenue as it has grown in relative size due to Australia's ageing population and rising discretionary incomes among this demographic.

Consumers aged 65 and over

Consumers aged 65 and over are mainly retirees and account for the smallest share of industry revenue. Consumers in this market are more likely to make home-cooked meals than purchase fast food. This age group purchases fast food as a treat rather than as a diet staple. Although this market is not traditionally a major consumer of fast food, it has grown as a proportion of industry revenue over the past five years. An ageing population has significantly increased the relative size of this demographic, which has supported growth in its proportion of industry revenue.

Major market segmentation (2018-19)



Total $20.1bn

SOURCE: WWW.IBISWORLD.COM.AU

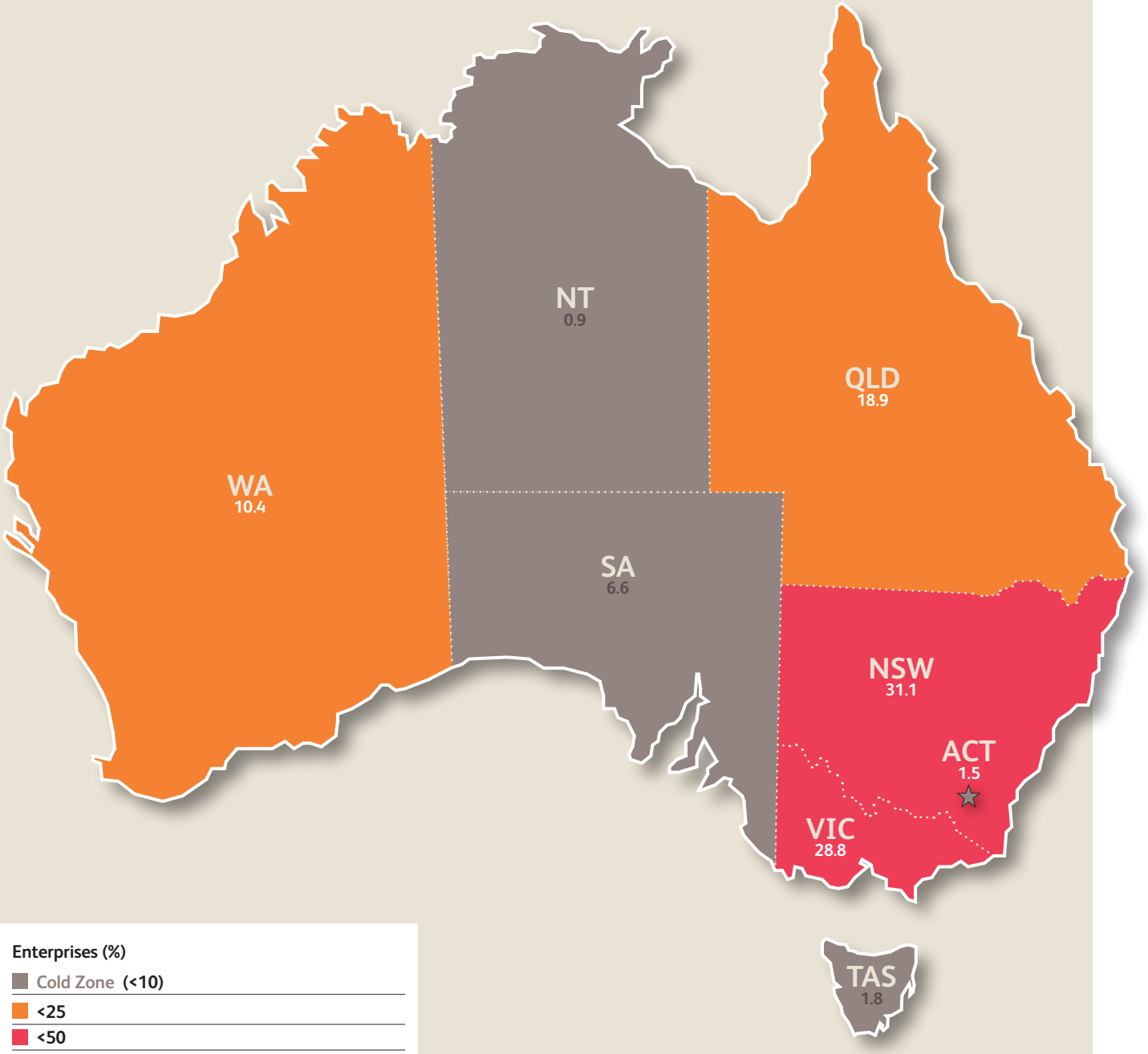
Products & Markets

International Trade

Industry operators do not import or export goods. As a result, international trade does not occur in the Fast Food and Takeaway Food Services industry. However, the industry does benefit from international tourists that frequent Australian fast food operators. The vast majority of visitors arriving into Australia purchase fast food at least once during their stay. The popularity of fast food among tourists is largely due to lower access to cooking facilities and the ready availability of fast food at popular tourist locations.

Products & Markets

Business Locations 2018-19



Enterprises (%)

- Cold Zone (<10)
- <25
- <50
- Hot Zone (<100)
- Not applicable

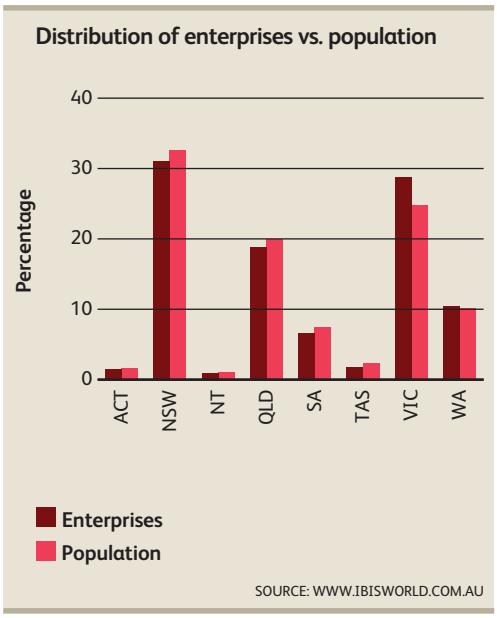
SOURCE: WWW.IBISWORLD.COM.AU

Products & Markets

Business Locations

The geographic spread of industry enterprises is closely correlated with the population's distribution throughout Australia. High population densities support the dominance of fast food operators in the eastern states. The number of establishments operating in the Northern Territory and the Australian Capital Territory is considerably lower, due to the more dispersed population of these states. This factor is particularly relevant to the industry as convenience is a key factor in demand, and consumers are unlikely to travel long distances to visit industry establishments.

Industry establishment numbers have grown over the past five years due to an increase in store networks and franchised sites. Larger and more populated states are popular launching sites for new players entering the industry. With a greater number of consumers to target, new entrants to the industry have benefited from opening stores in more populated states to better gauge public perception and market acceptance. Larger states are better equipped to support franchised fast food operators, and benefit from mass advertising and growth in market acceptance.



Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalisation

Market Share Concentration

Level
Concentration in this industry is **Medium**

The industry is characterised by moderate market share concentration, with the industry's four largest players accounting for just under 45% of industry revenue in 2018-19. Many of the major players, such as McDonald's, operate as franchise networks. While larger operators account for a significant portion of industry revenue, the industry is highly fragmented beyond these major players.

Concentration in the industry has declined over the past five years. As demand has shifted from traditional fast food towards healthier options, many smaller players have entered the industry and have been a strong source of competition for larger players. Increased demand for premium fast food products among consumers has also contributed to a decline in market share concentration, with many new entrants providing higher quality food. Moderate barriers to entry and capital requirements have supported the entry of new operators.

Over the next five years, major players will look to strengthen their positions by growing their store networks. Larger operators will look to maintain market share by reviewing their menus and implementing new products to meet demand for healthier, premium fast food options.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Easy access for clients
Industry players benefit from offering ample parking and easy store access, making the fast food experience as convenient as possible.

Proximity to key markets
Fast food operators benefit from being located in high-volume traffic areas, maximising exposure to impulse shoppers.

Ability to control stock on hand
Operators require tight stock-control systems to minimise operating costs and keep produce fresh.

Ability to alter goods and services produced in favour of market conditions
Operators need to be flexible, and adjust to changing food trends to maintain market share.

Cost Structure Benchmarks

Players in the Fast Food and Takeaway Food Services industry have operated in a competitive environment over the past five years. Consumers seeking convenient and healthy options have driven industry profitability, while increases in rent, advertising and wage costs have affected operating expenses.

Profit
Industry profitability has increased over the past five years. Profit margins have varied among industry segments. Operators selling food such as sushi, wraps and noodles have exhibited strong profit growth, reflecting the increasing popularity of these products. However, companies selling traditional fast food such as pizzas, hamburgers and chicken have reviewed and expanded their product ranges to maintain profit margins and generate new sales. As the range of premium fast food has increased, some traditional operators have sacrificed margins to compete on price.

Purchases
Purchase costs represent the industry's largest expense. Purchase costs have decreased as a share of revenue over the past five years as industry operators, especially larger players, have negotiated better supply terms with wholesalers to avoid mark-ups and support profitability. However, the rising cost of fresh produce and a growing focus on quality over the period have limited declines in purchase

Competitive Landscape

Cost Structure Benchmarks continued

costs. As consumers have increasingly demanded higher quality fast food, operators have shifted purchases towards premium ingredients, seeking to replicate restaurant trends. These factors have affected the final price paid by consumers. Volatile weather across Australia has also influenced purchases over the past five years, due to limited availability of livestock and fresh produce.

Wages

The industry's labour-intensive nature results in wage costs accounting for a significant share of revenue. The number of casual staff employed by the industry has increased compared with part-time or full-time staff over the period. This has ensured greater flexibility in working conditions and meet seasonal staffing needs. Minimum wages have grown at a faster pace than prices charged to consumers over the past five years, causing wages to rise as a share of revenue and placing pressure on profit for industry operators.

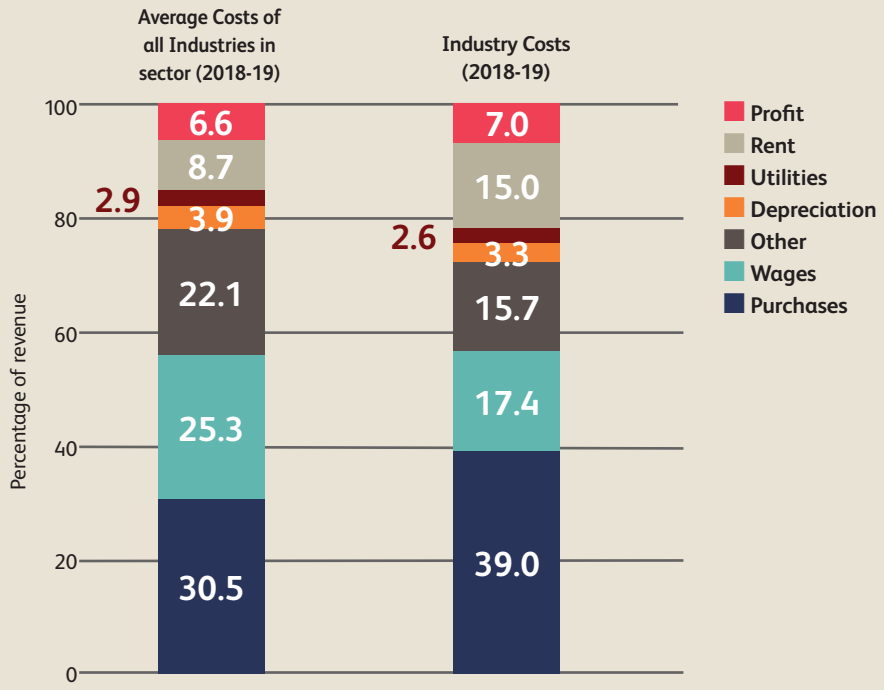
Rent

Rent reflects the cost of leasing premises for a business. Rental costs have increased as a portion of revenue over the past five years, due to strong competition for prime locations. Industry operators require prime real estate in locations with high population density and passing traffic, as consumers require convenient access to industry stores. These requirements result in high industry rent costs. The proliferation of cafes and coffee shops has also contributed to rental costs increasing over the period, as many of these businesses compete for the same locations and customers. Competition for better locations is projected to drive further rent increases over the next five years.

Other

The industry also incurs expenses related to advertising, depreciation and utilities. Advertising costs vary greatly depending on the operator's size. In general, smaller operators cannot afford TV advertising and rely on cheaper mediums such as fliers and local newspaper ads. The major players, such as McDonald's and Subway, regularly use TV advertising for mass

Sector vs. Industry Costs



SOURCE: WWW.IBISWORLD.COM.AU

Competitive Landscape

Cost Structure Benchmarks continued

exposure. Advertising expenditure has increased as a proportion of industry revenue over the past five years, particularly as major brands have adjusted their branding in response to increasing health consciousness.

Depreciation costs have risen as a share of revenue over the past five years, due to store upgrades, and greater investment in technology and systems. Utility costs have also increased as a portion of revenue, in line with rising energy costs. Other industry expenses include insurance, administrative and bookkeeping costs, and vehicle and maintenance expenses. Overall, these costs have remained fairly steady as a proportion of industry revenue over the past five years.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Fast food retailers have faced high levels of competition over the past five years, and this trend is intensifying. Retailers have been affected by changing consumer tastes and preferences, and growing consumer awareness about the fat content of fast food.

Internal competition

Traditionally, price has been the main basis of competition. As a result, the industry has focused on upsizing, where larger quantities are offered at little cost to the operator. An emphasis on value for money has resulted in many promotions centred on providing meal deals or dinner packs. However, consumers looking to avoid unhealthy products are often happy to pay a premium for healthier options. Consequently, competition based on the perceived health benefits has increased.

Convenience is also an important basis of competition, with consumers demanding speed and a minimum level of service from operators. Convenience has been particularly important for operators offering drive-through services. However, this competition has been limited to the traditional fast food market. Consumers are generally willing to wait for freshly prepared healthier foods, with products often more time-effective than home cooking.

Convenience in online ordering and delivery has also been a growing source of internal competition in the industry. Industry operators compete based on delivery times, the convenience of ordering and access across devices. Over the past five years, major players in the industry have created apps for ordering online through mobile devices, including Apple Smart Watch compatible ordering, and streamlined their websites. These companies have also introduced one-click ordering systems and delivery time guarantees. For example, Domino's has rolled out a 20-minute delivery guarantee in its stores in Australia.

External competition

Fast food retailers have faced strong competition from supermarkets, which stock a range of ready-to-eat options that are direct substitutes for fast food. These meals are often healthier than fast food alternatives. Fast food operators have also faced increasing competition from convenience stores, which have expanded their product ranges to include healthier items such as yoghurts and fresh fruit. Consumers seeking quick and easy alternatives to fast food, with the added convenience of purchasing household staples such as milk and bread at the same time, have driven demand for fast food from convenience stores.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Steady**

The Fast Food and Takeaway Food Services industry is subject to moderate barriers to entry. While operators are able to enter the industry with relative ease, gaining a sustainable market share is more difficult. Capital intensity is moderate and the rate of technological change in the industry is low, which is an incentive for new entrants. Ongoing investment in equipment is minimal for the industry compared with the daily labour input and associated wage costs.

Prime locations for fast food operators are becoming more difficult to find as the industry moves towards saturation. High competition for locations has led to increasing rental costs over the past five years, making it difficult for new entrants to locate themselves close to customers. Most major business districts with high passing traffic are relatively saturated, meaning that new entrants will have to compete with incumbent businesses, posing a significant barrier to entry. While urban sprawl in major cities across Australia provides opportunities for new operators to set up in developing areas, this strategy may require sustaining significant losses in the short-to-medium term and can carry significant risk.

New entrants may be deterred from joining due to the industry's mature life cycle, moderate level of market share concentration and high competition. The industry's well-defined product market and established consumer markets suggest that new players face strong competition trying to differentiate themselves from existing operators. This factor is particularly relevant as familiar brands make the decision-making process easier for consumers that value convenience. New entrants in growth product segments such as sushi may be encouraged to compete in terms of product freshness and perceived health benefits.

Barriers to Entry checklist

Competition	High
Concentration	Medium
Life Cycle Stage	Mature
Capital Intensity	Medium
Technology Change	Low
Regulation and Policy	Light
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM.AU

Industry Globalisation

Level & Trend
Globalisation in this industry is **Low** and the trend is **Steady**

Globalisation in the industry is low and has remained steady over the past five years. Most operators are Australian-owned, deriving their revenue from domestic operations. However, globalisation is present to a degree due to several large internationally-based operators in the Australian fast food market. Key examples include McDonald's Australia Holdings Limited, which is owned by McDonald's Corporation, and Yum! Restaurants Australia Pty Limited, which operates KFC in Australia and is owned by Yum! Brands, Inc. Both companies are based in the United States.

Globalisation is also influenced by growth in the number of Australian-based operators expanding into the international market. While some brands have succeeded in expanding abroad, such as Oporto, fast food retailers tend to face a challenging environment when trying to establish global operations.

Major Companies

McDonald's Australia Holdings Pty Limited | Competitive Foods Australia Pty Ltd
Yum! Restaurants Australia Pty Limited | Domino's Pizza Enterprises Limited | Other Companies

Player Performance

McDonald's Australia Holdings Pty Limited
Market Share: 25.1 %
Industry Brand Names
McDonald's

McDonald's Australia Holdings Pty Limited entered the Australian market in 1971. Since then, McDonald's Australia has expanded rapidly to over 970 stores and over 100,000 employees (including management and head office employees). Globally, McDonald's operates over 36,000 restaurants in more than 120 countries.

The company's product range has changed significantly since the early 2000s, with the addition of cafe-style items including coffee, muffins, salads and wraps. Growth in the company's product range reflects a concerted effort to provide healthier fast food. Key initiatives include reducing the sugar and salt content of foods, including nutritional labelling on packaging and adding kilojoule labelling to menu boards.

Despite these improvements, McDonald's is projected to face increased competition as the number of companies selling healthier and premium fast food continues to grow over the next five years. This trend will likely increase pressure on McDonald's to promote and expand its healthier meal options and improve the nutritional content of its food.

In the burgers segment, McDonald's is also projected to lose market share to premium providers such as Grill'd, which are becoming more popular. Premium burger restaurants are placing extra pressure on McDonald's, as consumers are seeking higher quality products. In response to competition from popular boutique burger chains, McDonald's rolled out its new Create Your Taste touchscreen kiosks in late 2014, where consumers could design and order custom gourmet burgers. However, McDonald's discontinued its Create Your Taste range in March 2017, replacing it with a similar range of burgers using many of the same ingredients, called Gourmet Creations. Unlike Create Your Taste, customers cannot customise the burgers in the Gourmet Creations range. In June 2017, the company launched McDelivery, a delivery service in partnership with UberEATS, aiming to provide more convenience for consumers.

McDonald's Australia Holdings Pty Limited - financial performance*

Year**	Revenue ($ billion)	(% change)
2014	5.13	N/C
2015	5.15	0.4
2016	5.00	-2.9
2017	5.08	1.6
2018	4.98	-2.0
2019	5.06	1.6

*Estimated income from all stores, excluding franchise fees **Year end December

SOURCE: IBISWORLD

Financial performance

McDonald's Australia's revenue is expected to fall at an annualised 0.3% over the five years through December 2019, to total $5.1 billion. This decline represents an underperformance of the industry over the period. McDonald's has faced strong competition over the past five years from premium fast food burger operators such as Grill'd, which has reduced the company's market share. Rising health consciousness has also constrained sales growth for McDonald's, while a range of cheaper options has decreased profitability.

Major Companies

Player Performance

Competitive Foods Australia Pty Ltd
Market Share: 8.6 %
Industry Brand Names
Hungry Jack's

Competitive Foods Australia Pty Ltd operates in the industry through its Hungry Jack's brand. Hungry Jack's stores are operated through a master franchise agreement with the Burger King Corporation. Competitive Foods also previously operated a chain of KFC stores in Western Australia and the Northern Territory, but sold them to Collins Foods Limited in 2014. Hungry Jack's has operated in Australia since 1971, when it opened its first store in Perth. Hungry Jack's currently has more than 400 stores nationally.

The company operates as a traditional fast-food chain, focusing mainly on burgers. Hungry Jack's has largely ignored healthier menu trends, contrary to its main competitor McDonald's. The company instead provides fast food targeting the price-conscious consumer. Hungry Jack's has differentiated itself from competition through advertisements highlighting its flame grilled burgers. The company has also made use of digital marketing initiatives, such as its Shake & Win smartphone app, which involves consumers using their smartphones to win free meals. This initiative has helped boost customer numbers.

Financial performance

Competitive Foods' industry-specific revenue is expected to grow at an annualised 7.6% over the five years through 2018-19, to reach $1.7 billion. This growth represents an outperformance of the industry over the period. The company's industry-specific revenue has benefited from strong marketing efforts to increase its brand exposure through different media forms. Hungry Jack's has also supported revenue growth through regular discounting and voucher use, which few industry competitors have embraced. However, rising health consciousness and increased competition from premium burger shops will likely affect demand for the company's offerings over the next five years. Increasing industry competition has prompted company profitability to fluctuate over the past five years.

Competitive Foods Australia Pty Ltd - industry segment performance*

Year	Revenue ($ billion)	(% change)
2013-14	1.20	N/C
2014-15	1.35	12.5
2015-16	1.45	7.4
2016-17	1.58	9.0
2017-18	1.63	3.2
2018-19	1.73	6.1

*Estimate based on all franchised stores, excluding franchise fees
SOURCE: IBISWORLD

Major Companies

Player Performance

Yum! Restaurants Australia Pty Limited
Market Share: 6.0 %
Industry Brand Names
KFC

Yum! Restaurants Australia Pty Limited operates in the industry through its KFC brand. The company is a subsidiary of the US-based Yum! Brands Inc., which operates over 45,000 restaurants in more than 140 countries. Yum! Restaurants Australia previously also operated Pizza Hut in the industry until it sold its master franchise agreement for Australia's Pizza Hut restaurants to private equity firm Allegro in September 2016.

KFC commenced operations in Australia in 1968. The company currently operates over 430 stores in Australia. In addition to the KFC stores that Yum! Restaurants Australia owns and operates, over 220 KFC stores are owned and operated by Collins Foods Limited. Collins Foods acquired another 28 KFC stores from Yum! Restaurants Australia in June 2017 for $110.2 million. In August 2017, Yum! Restaurants Australia sold another 10 of its KFC sites to New Zealand's Restaurant Brands for $27.5 million.

Financial performance

Yum! Restaurants Australia Pty Limited's revenue is expected to increase at an annualised 0.5% over the five years through December 2019, to reach $1.2 billion. This growth represents an underperformance of the industry over the period. The 2017 revenue decline reflects the company's sale of stores to Collins Foods and Restaurant Brands that year. Over the past five years, consumer demand has shifted towards healthier fast food, restricting the company's growth. Due to a lack of financial information, no relevant profit figures are available.

Yum! Restaurants Australia Pty Limited - financial performance*

Year**	Revenue ($ billion)	(% change)
2014	1.17	N/C
2015	1.19	1.7
2016	1.25	5.0
2017	1.16	-7.2
2018	1.16	0.0
2019	1.20	3.4

*Estimated income from all stores, excluding franchise fees **Year end December

SOURCE: IBISWORLD

Player Performance

Domino's Pizza Enterprises Limited
Market Share: 5.1 %
Industry Brand Names
Domino's

Domino's Pizza Enterprises Limited is an Australian company that operates as a franchisor and operator of Domino's Pizza fast food outlets. The company operates in Australia, New Zealand, France, Germany, Belgium, the Netherlands and Japan through a network of over 2,400 Domino's Pizza stores, with close to 700 located in Australia. The company's business model relies on high product turnover at the lower end of the market.

In Australia and New Zealand, the company increased its store network from 585 in 2012-13 to 819 in 2017-18, through a combination of new store establishments, acquisitions, and sales of licences to new franchisees. The Domino's Pizza store network in Australia and New Zealand is made up of 733 franchised stores, 86 corporate-owned stores and 10 stadium outlets, as of June 2018 (latest available data).

The company has sought to improve its worldwide store network sales by adopting new digital ordering methods and improving its delivery service.

Domino's Pizza Enterprises Limited – industry segment performance*

Year	Revenue ($ million)	(% change)
2013-14	560.9	N/C
2014-15	623.6	11.2
2015-16	775.9	24.4
2016-17	894.4	15.3
2017-18	945.2	5.7
2018-19	1,024.9	8.4

*Estimate based on all franchised stores, excluding franchise fees

SOURCE: IBISWORLD

Major Companies

Player Performance continued

Several programs were rolled out in 2015 to improve the quality of delivery services, including GPS driver-tracking technology, SMS ordering systems, online ordering services compatible with the Apple Smart Watch, and a 20-minute delivery guarantee. Domino's Pizza Enterprises also launched its first 10-minute delivery guarantee store in New Farm, Brisbane. Over the past five years, the company has broadened its menu range and refurbished many stores in Australia and New Zealand in an effort to boost sales.

Financial performance

Domino's Pizza Enterprises Limited's industry-specific revenue is expected to increase at an annualised 12.8% over the five years through 2018-19, to reach $1.0 billion. This represents a significant outperformance of the overall industry over the past five years. The company's strong revenue growth has been largely due to its aggressive store expansion and improved delivery services, which have encouraged a rising number of consumers to purchase pizza from Domino's. The company's focus on innovation and convenience in its delivery services, combined with effective cost controls, has improved profit margins over the past five years.

Other Companies

The industry exhibits significant fragmentation outside of the major players. While prominent large and small chains dominate the industry, many sole traders and small businesses also operate in the industry.

Player Performance

Craveable Brands Pty Ltd
Market Share:
4.0 % - 5.0 %

Industry Brand Names
Red Rooster
Chicken Treat
Oporto

Craveable Brands Limited is an Australian company that is majority-owned by Archer Capital. In June 2011, the company was acquired by Archer Capital from Quadrant Private Equity for approximately $450.0 million. Craveable Brands operates in the industry through three fast food restaurants brands: Red Rooster, Chicken Treat and Oporto.

Player Performance

Collins Foods Limited
Market Share:
3.0 % - 4.0 %

Industry Brand Names
KFC
Taco Bell

Collins Foods Limited is a locally owned company that participates in the industry through the operation of over 220 KFC restaurants throughout Australia. Collins Foods has expanded its market share over the past decade through multiple acquisitions. The most noteworthy of those acquisitions was in March 2014, when the company purchased 44 KFC restaurants across Western Australia and the Northern Territory from Competitive Foods for $55.6 million. Other notable acquisitions over the last five years have included 13 KFC restaurants in 2016 for $25.3 million, and another 28 stores from Yum! Brands for $110.2 million in 2017.

As at November 2018, the company also participates in the industry through the operation of four Taco Bell fast food restaurants in Queensland. Following the success of a test store in Brisbane in 2017, Collins Foods has announced plans to launch 50 new Taco Bell restaurants between January 2019 and December 2021. This expansion is anticipated to boost the company's industry revenue and market share over the next five years.

Major Companies

Player Performance

Subway Systems Australia Pty Limited
Market Share:
3.0 % - 4.0 %
Industry Brand Names
Subway

Subway Systems Australia Pty Limited operates in the industry as a submarine sandwich retailer. The company owns the Subway brand, acts as the franchisor and assists with restaurant design and local marketing. Subway entered the Australian market in 1988 with its first store in Perth. Since then, Australia has become one of Subway's largest markets outside the United States. Over 1,400 Subway stores operate in Australia. Globally, Subway has over 44,000 stores in over 110 countries.

Operating Conditions

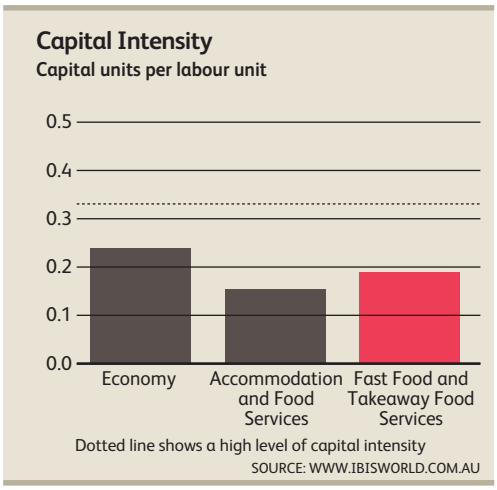
Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

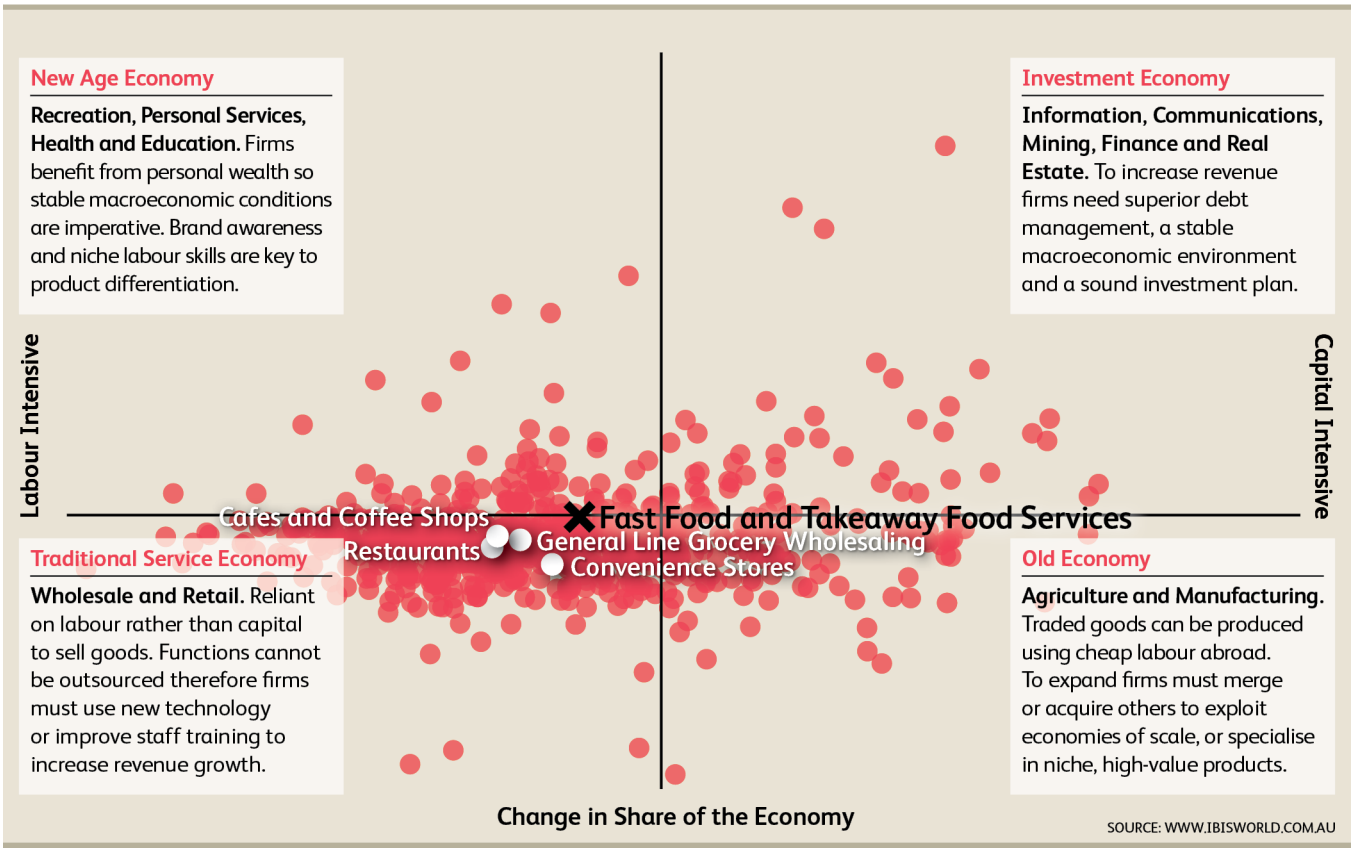
Level
The level of capital intensity is **Medium**

The Fast Food and Takeaway Food Services industry exhibits moderate capital intensity. For every dollar spent on capital costs, an estimated $5.27 is spent on wages. Labour costs are a significant part of daily operations. Players require employees to undertake a range of tasks including customer service, food production and assembly, inventory control, clearing tables, and handling and storing food in accordance with health and safety regulations. Wage costs are influenced by employee numbers, the minimum wage and the company's trading hours.

The majority of capital investment is required to initially establish and fit-out a new store. Capital requirements for ongoing businesses are minimal and include the cost of depreciable assets such as refrigerators, freezers, ovens, food warmers and display cabinets. Despite some increased automation, particularly among larger players such as McDonald's, the industry remains largely labour-intensive. However, depreciation costs have increased among major players that have sought to improve the quality of their online ordering facilities. Updated POS systems, GPS trackers and servers for data storage are capital expenditure requirements associated with setting up advanced online ordering systems.



Tools of the Trade: Growth Strategies for Success



Operating Conditions

Technology and Systems

Level
The level of technology change is **Low**

Industry retailers exhibit a low level of technological change. Advances in technology and systems have had varying effects on the industry. While fast food giants such as McDonald's and KFC use computerised systems to process customer orders, the use of technology is virtually non-existent among smaller retailers such as charcoal chicken establishments. Unlike industries in the Retail Trade division, fast food has not been affected by the growing popularity and domination of scanning technology, as most food is prepared on the spot and does not require exterior packaging and barcoding.

Larger industry players have employed more sophisticated technology at the point-of-sale. Major players use these systems to facilitate transactions with clients and transmit information for analytical purposes. Tracking sales in this manner allows companies to improve business through targeted marketing. Operators such as McDonald's have introduced discounts and differing menus based on the time of day. Detailed sales information also allows operators to monitor staff and ensure that staffing levels respond to demand during different periods.

The internet is a future growth area for the industry. Many fast food outlets have established websites for online ordering over the past five years. More recently, fast food outlets with established delivery operations have sought to improve the convenience of delivery by using new technology. For example, Domino's Pizza has established an ordering app for smartphone users, made its ordering website compatible with the new Apple Smart Watch and employed GPS technology to provide real-time driver tracking.

Smaller retailers have increasingly embraced online ordering through services such as Menulog and EatNow, which allow consumers to choose a small takeaway store nearby and order online. This technology has allowed smaller businesses in the industry that cannot afford a website and ordering system, to provide consumers with the convenience of online ordering. The importance of online ordering platforms will be driven by the increasingly widespread use of smartphones and consumers' desire for greater convenience.

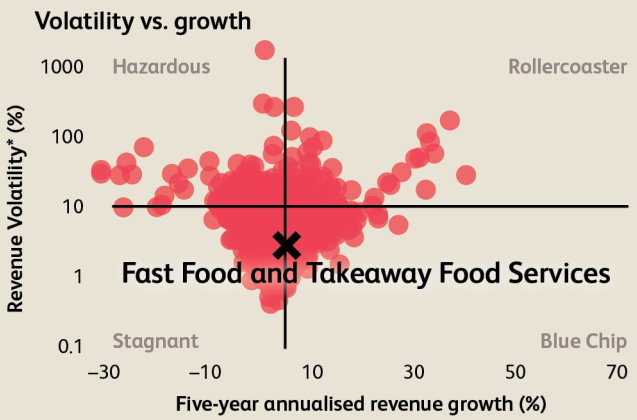
Revenue Volatility

Level
The level of volatility is **Low**

The industry exhibits a low level of revenue volatility. Growing competition from cafes and restaurants has contributed to volatility over the past five years. Consumers are becoming increasingly discerning regarding their

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilised capacity if demand suddenly falls, or capacity constraints if it rises quickly.



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM.AU

Operating Conditions

Revenue Volatility continued

food choices, with many turning away from fast food in favour of more gourmet options. Burgers from some fast food operators are becoming less popular, while gourmet equivalents at restaurants are in high demand. This pressure is expected to continue as other hospitality industries benefit from increased demand. The expanding range of takeaway options at restaurants has also contributed to volatility. In an effort to retain customers, fast food operators are altering their menus to reflect restaurant trends.

Fluctuations in revenue are affected by trends in household discretionary income, consumer sentiment and competition among players. Fast food is largely discretionary, as consumers can choose cheaper home-cooked meals when economic conditions are tighter. Movements in discretionary income have caused demand for fast food to change over the past five years.

Regulation and Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

The industry is subject to a low level of regulation. The key regulation affecting the industry is the Competition and Consumer Act 2010, which regulates trading standards, including pricing and deceptive conduct. Operators are also required to comply with the Fast Food Industry Award 2010, which sets minimum wage requirements across the industry. This award has encouraged many operators to focus on employing younger workers, due to lower award wages for younger age groups.

Fast food operators require a food business licence to operate. These licences are generally issued by the local council in the area where the operator plans to open the store. Operators are also required to adhere to appropriate food safety standards, as stipulated by Food Standards Australia and New Zealand (FSANZ). These relate to food poisoning, personal hygiene, cross-contamination, receiving food, storing food, preparing food, transporting food, cleaning and sanitation, displaying food for sale and serving food safely. FSANZ is an organisation established to protect the health and safety of the people in Australia and New Zealand by maintaining a safe food supply. FSANZ is an independent statutory authority that develops food standards for composition, labelling and contaminants, including microbiological limits.

Over the past decade, the industry has faced significant criticism about the poor health content of many products. As childhood obesity has risen, health groups and media outlets have called for bans on fast food advertising targeting children. While no regulation has been passed at this point, the issue will likely receive more regulatory attention as the prevalence and cost of obesity rises. The Australian Food and Grocery Council has sought to establish a voluntary code under which quick service restaurants would self-regulate their marketing activities. However, the establishment of the Quick Service Restaurant Initiative for Responsible Advertising and Marketing to Children (QSRI) in 2009 has been labelled unsuccessful. Some operators have turned to other ways to reach younger consumers, such as social media, to bypass the code, while others such as Competitive Foods have been accused of consistently breaching the rules.

The focus on obesity has encouraged greater regulation regarding the labelling of fast food in Australia. Over the past five years, several states, including Victoria, have passed laws that require large chain fast food restaurants to provide nutritional information on their menus. This regulation has not been evenly legislated across Australia, as Western Australia, Tasmania and the Northern Territory are yet to introduce kilojoule labelling.

Operating Conditions

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

The level of assistance in the industry is low. Tariffs are not applicable to the industry as it does not compete directly with imported products. The industry receives some assistance from the National Retail Association, which provides advice and research various retailers, and The Franchise Council of Australia, which provides advice and legislative advocacy for franchisees and franchisors in the industry.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establishments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand
2009-10	15,142.5	4,637.1	34,121	23,228	205,212	--	--	2,885.2	N/A
2010-11	15,006.7	4,504.2	34,552	23,603	203,333	--	--	2,810.1	N/A
2011-12	15,268.3	4,442.1	34,401	23,654	197,268	--	--	2,777.9	N/A
2012-13	16,025.2	4,496.4	32,652	22,641	182,595	--	--	2,760.0	N/A
2013-14	17,104.4	4,545.1	34,220	24,035	187,228	--	--	2,907.8	N/A
2014-15	18,377.2	5,215.6	34,834	24,675	185,429	--	--	3,216.1	N/A
2015-16	19,273.4	5,373.0	36,670	25,210	189,449	--	--	3,372.9	N/A
2016-17	20,145.4	5,519.7	37,185	25,583	186,697	--	--	3,449.9	N/A
2017-18	20,043.7	5,532.6	37,287	25,739	191,249	--	--	3,463.8	N/A
2018-19	20,139.9	5,576.1	37,984	26,194	188,655	--	--	3,494.6	N/A
2019-20	20,184.2	5,597.0	37,606	26,048	192,920	--	--	3,494.8	N/A
2020-21	20,317.4	5,615.6	37,894	26,132	190,415	--	--	3,508.4	N/A
2021-22	20,423.1	5,643.2	38,191	26,353	194,751	--	--	3,534.0	N/A
2022-23	20,525.2	5,672.7	38,405	26,516	192,187	--	--	3,552.8	N/A
2023-24	20,656.6	5,710.5	38,584	26,641	196,527	--	--	3,573.4	N/A
Sector Rank	**1/11**	**4/11**	**1/11**	**1/11**	**1/11**	**N/A**	**N/A**	**5/11**	**N/A**
Economy Rank	**63/501**	**74/501**	**28/501**	**28/501**	**18/501**	**N/A**	**N/A**	**66/501**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2010-11	-0.9	-2.9	1.3	1.6	-0.9	N/A	N/A	-2.6	N/A
2011-12	1.7	-1.4	-0.4	0.2	-3.0	N/A	N/A	-1.1	N/A
2012-13	5.0	1.2	-5.1	-4.3	-7.4	N/A	N/A	-0.6	N/A
2013-14	6.7	1.1	4.8	6.2	2.5	N/A	N/A	5.4	N/A
2014-15	7.4	14.8	1.8	2.7	-1.0	N/A	N/A	10.6	N/A
2015-16	4.9	3.0	5.3	2.2	2.2	N/A	N/A	4.9	N/A
2016-17	4.5	2.7	1.4	1.5	-1.5	N/A	N/A	2.3	N/A
2017-18	-0.5	0.2	0.3	0.6	2.4	N/A	N/A	0.4	N/A
2018-19	0.5	0.8	1.9	1.8	-1.4	N/A	N/A	0.9	N/A
2019-20	0.2	0.4	-1.0	-0.6	2.3	N/A	N/A	0.0	N/A
2020-21	0.7	0.3	0.8	0.3	-1.3	N/A	N/A	0.4	N/A
2021-22	0.5	0.5	0.8	0.8	2.3	N/A	N/A	0.7	N/A
2022-23	0.5	0.5	0.6	0.6	-1.3	N/A	N/A	0.5	N/A
2023-24	0.6	0.7	0.5	0.5	2.3	N/A	N/A	0.6	N/A
Sector Rank	**10/11**	**6/11**	**4/11**	**3/11**	**11/11**	**N/A**	**N/A**	**6/11**	**N/A**
Economy Rank	**262/501**	**239/501**	**93/501**	**96/501**	**350/501**	**N/A**	**N/A**	**199/501**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2009-10	30.62	N/A	N/A	73.79	19.05	6.01	14,059.61	0.33
2010-11	30.01	N/A	N/A	73.80	18.73	5.88	13,820.19	0.31
2011-12	29.09	N/A	N/A	77.40	18.19	5.73	14,081.86	0.30
2012-13	28.06	N/A	N/A	87.76	17.22	5.59	15,115.42	0.29
2013-14	26.57	N/A	N/A	91.36	17.00	5.47	15,530.80	0.29
2014-15	28.38	N/A	N/A	99.11	17.50	5.32	17,344.10	0.32
2015-16	27.88	N/A	N/A	101.73	17.50	5.17	17,803.74	0.32
2016-17	27.40	N/A	N/A	107.90	17.13	5.02	18,478.60	0.33
2017-18	27.60	N/A	N/A	104.80	17.28	5.13	18,111.47	0.32
2018-19	27.69	N/A	N/A	106.76	17.35	4.97	18,523.76	0.31
2019-20	27.73	N/A	N/A	104.62	17.31	5.13	18,115.28	0.31
2020-21	27.64	N/A	N/A	106.70	17.27	5.02	18,425.02	0.30
2021-22	27.63	N/A	N/A	104.87	17.30	5.10	18,146.25	0.29
2022-23	27.64	N/A	N/A	106.80	17.31	5.00	18,486.16	0.28
2023-24	27.64	N/A	N/A	105.11	17.30	5.09	18,182.74	0.28
Sector Rank	**11/11**	**N/A**	**N/A**	**8/11**	**11/11**	**10/11**	**10/11**	**4/11**
Economy Rank	**308/501**	**N/A**	**N/A**	**472/501**	**271/501**	**296/501**	**488/501**	**74/501**

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM.AU

Jargon & Glossary

Industry Jargon

FOOD VAN A mobile food establishment that sells food at events or in high consumer traffic areas.

FRANCHISE Permission granted by a brand owner to a franchisee to sell the brand's products.

POINT-OF-SALE SYSTEMS Computerised systems used in retail sales to complete transactions.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labour; medium is $0.125 to $0.333 of capital to $1 of labour; low is less than $0.125 of capital for every $1 of labour.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

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