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Out of Foodies: Food Providers Struggling Amid New Dining Trends

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Lockdown restrictions and social distancing measures in the wake of COVID-19 have disrupted consumer food trends, adversely affecting the food services sector.

> Closure of all non-essential businesses during COVID-19 has significantly affected the food services sector

COVID-19 social distancing measures have significantly disrupted consumer trends for dining out. Revenue for the Restaurants industry is expected to decline by 25.1 % in 2019-20, before partially rebounding by an anticipated 16.1 % in 2020-21 as social distancing restrictions are eased. Similarly, the Fast Food and Takeaway Food Services industry is expected to decline by 16.1 % in the current year, before recovering by a forecast 11.1 % in 2020-21.

Lockdown and social distancing measures have had a severe effect on both industries:

- Trading restrictions have limited many restaurants and fast food chains to takeaway and delivery services only.
- However, rising demand for online food delivery platforms over the duration of the pandemic has provided some relief for both industries.
- Homemade meals have become a new normal for most consumers, posing a threat to restaurants and fast food providers.

The Restaurants industry has benefited from a trend towards dining out over much of the past five years. The growing popularity of food review platforms such as Zomato among technologically savvy consumers has sparked interest in foodie culture, with many Australians relying on word-of-mouth and social media mentions to decide on their latest restaurant destination. However, industry revenue is expected to decline at an annualised 2.2 % over the five years through 2020-21, to $17.4 billion. The government-enforced closure of all non-essential businesses has reduced industry demand significantly.

These restrictions have also had a similar effect on the Fast Food and Takeaway Food Services industry, with revenue anticipated to decline at an annualised 0.8 % over the five years through 2020-21, to $18.8 billion. Fast food providers have relied heavily on online food delivery platforms as a source of revenue amid the pandemic. Consequently, commission rates of up to 35 % charged by these delivery companies have restricted industry profitability. Unlike their fast food counterparts, many restaurant operators have launched their own delivery services, bypassing online platforms and avoiding high commission rates.

Employment numbers in the Restaurants industry are forecast to increase by 7.1 % in 2020-21, while employment in the Fast Food and Takeaway Food Services industry is anticipated to rise by 2.8 % in 2020-21. More cleaners and maintenance staff will likely be required to ensure restaurants are thoroughly sanitised, and meet revised health and safety requirements. More delivery drivers and riders will likely

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be hired to satisfy the ongoing demand for delivery services.

As trading restrictions ease and businesses reopen, a new challenge for many food providers is the willingness of patrons to eat on premises. Many consumers are forecast to continue ordering takeaway food services to satisfy their cravings for restaurant-style meals while still practising social distancing. Additionally, a projected fall in real household discretionary income in 2020-21 will likely discourage consumers from allocating more money towards dining out and instead, opt for homemade meals.

Healthy eating and nutritional diets have become less of a priority during the COVID-19 outbreak, driving demand towards processed food once perceived as unhealthy. A variety of premade simmer sauces, marinades and packaged vegetables made available by operators in the Fruit and Vegetable Processing industry has made cooking at home easier. This trend is likely to continue even as lockdown restrictions ease.

Nevertheless, rising demand for food delivery services will continue to be a key driver for the Fast Food and Takeaway Food Services industry, with revenue projected to rise at an annualised 1.5 % over the five years through 2025-26, to $20.2 billion. A projected increase in discretionary income over the next five years will likely regenerate demand for fashionable restaurants and interest in new eating trends, reviving foodie culture. As a result, the Restaurants industry is forecast to grow at an annualised 2.7 % over the five years through 2025-26, to $19.8 billion.

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