

Venue Engineering: The Hidden Science of a Better-Performing Restaurant  
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## The Real Backbone of Hospitality: How SMEs Are Quietly Shaping the Future of Australia's Restaurant Industry

In Australia, the heartbeat of hospitality isn't found in the glitz of flagship venues or the buzz of multinational chains. It's pulsing through the kitchens, dining rooms and delivery bags of thousands of small and medium-sized enterprises (SMEs)—businesses that serve their local communities, employ local talent, and form the bedrock of our national restaurant sector.

SMEs account for more than **80% of all foodservice businesses** in the country. From suburban favourites to regional gems, they are as diverse as the communities they feed. But while their scale may be small, their influence is anything but.

### The Numbers Behind the Impact

Let's break it down.

An SME in the restaurant industry is typically defined as a business earning **less than \$10 million in annual revenue**. Most fall well under that, with the average SME generating just over **\$543,000 a year**, often from a single site. These include independent restaurants, bistros, cafés, caterers, and emerging fast-casual concepts. Together, they contribute **\$16.1 billion in industry revenue (2023–24)**.

SMEs generating **\$200,000 to \$2 million** in annual revenue make up the largest share—about **62%** of all SME operators—and drive over half of SME revenue. Though they may lack the buying power or brand recognition of large chains, these businesses are making strategic, incremental changes that matter: investing in better quality food, building strong customer loyalty, and carving out niche offerings that reflect the tastes of their communities.

## Changing Tastes, Growing Opportunity

One of the defining traits of Australia's SME foodservice sector is its agility. These businesses are often the first to adopt new cuisines, tweak service models, and cater to the ever-changing dining preferences of Australian consumers.

The rise in foodie culture—fanned by television shows, social media, and an increasingly adventurous public—has created fertile ground for growth. It's no coincidence that SME numbers have increased over the past five years. What's changed is the *why* behind the boom.

Consumers are looking for more than just a meal. They want value, personal service, flavour, authenticity, and flexibility. And that's exactly what many SMEs deliver. From plant-based menus to culturally rich dining experiences, SMEs are leading innovation not with flash, but with heart.

## Challenges on the Plate

Of course, it hasn't been without setbacks.

The pandemic hit SMEs hard—particularly in 2019–20 and 2020–21, when in-person dining all but vanished. Many businesses pivoted to takeaway or delivery overnight, often without the infrastructure or capital of larger competitors. Even now, profit margins remain tight. Rising food costs, increasing wages, and utilities have put pressure on operations.

Unlike larger groups, SMEs don't benefit from economies of scale. But many have found ways to trade smarter—not just harder—by leveraging lower-cost digital marketing, streamlining menus, investing in automation where possible, and using data to shape customer loyalty strategies.

The result? A sector that's leaner, wiser, and more connected to its customer base than ever before.

## Looking Ahead: Modest Growth, Big Potential

SME restaurant revenue is forecast to grow modestly over the next five years, reaching **\$16.6 billion by 2028–29**. That might not sound like a huge jump, but it's the story underneath that counts.

Rising household discretionary income, renewed tourism, and interest in dining experiences over material goods will support demand. And with every small business that launches—or survives—comes employment, skills development, and cultural value for our communities.

But these businesses can't do it alone. They need fit-for-purpose regulation, access to workforce solutions, and a fair go when it comes to procurement, leasing, and competition with larger players.

## **R&CA's Commitment to SMEs**

At the Restaurant & Catering Association, we know that Australia's hospitality future is powered by SMEs. That's why we continue to advocate for policies that recognise their challenges and support their growth.

Whether through workplace resources, marketing toolkits, business mentoring, or government advocacy, we're committed to helping small and medium businesses not just survive—but succeed on their own terms.

Because the future of hospitality won't be built by the biggest. It will be built by the most committed.

### ***Disclaimer:***

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