

# MEDIA RELEASE

## **New Study into the Airport F&B Industry in Australia & New Zealand Released**

### **Airport Retail Enterprises Ranked No. 1 Operator, Long Overdue Consolidation Predicted**

Leading airport, investor and travel retail advisory firm, The Mercurius Group, in partnership with The Moodie Davitt Report, has released the inaugural 2021 edition of the Airport Food & Beverage Study (AFABS).

The AFABS 2021 focuses on the Australian and New Zealand airport F&B markets, covering all 27 airports in Australia and New Zealand with annual passenger volumes exceeding 0.5 million.

The AFABS 2021 also features The Mercurius Group's Top 12 F&B Operators League Table. The Top 12 F&B operators are responsible for 75% of the outlets within the region.

The other key features of the AFABS AU+NZ include:

- An estimate of overall airport F&B sales in the Australian and New Zealand market;
- F&B PSRs by country, terminal type and airport size;
- F&B PSRs by outlet type, outlet location and operator size;
- The number and type of F&B outlets in the market;
- A ranking of the Top 12 F&B operators by sales and a profile of their outlet portfolio; and
- A profile of the F&B program for each airport (and for each terminal where applicable).

Other special features of the AFABS AU+NZ include a commentary on:

- How airports build an F&B program; and
- The potential for F&B operator consolidation (mergers and acquisition activity) in the Australian and New Zealand airport F&B market.

Commenting on the AFABS' release, The Mercurius Group's Managing Director Ivo Favotto said: "While duty free is often the most prominent segment of focus within travel retail, F&B has grown in importance to airports, accounting for around 22.5% of their total retail income – up from just 7% twenty years ago."

“Not only does F&B have the highest level of penetration of any segment within airport retail, but it also contributes importantly to sales, delivering a critical contribution to an airport’s amenity, its ambiance, sense of place, sense of taste and the enduring impressions travellers form of the airport experience, and destination visited.” Favotto said.

Commenting on the AFABS’ release, The Moodie Davitt Report’s Chairman Martin Moodie said: “The AFABS AU+NZ is ground-breaking work. There are league tables for duty free but to our knowledge, this is the first league table published for airport F&B. It is a vital sector, integral to both the passenger experience and airport revenues, and one where we aim to provide unique insights and a depth of advisory expertise which doesn’t exist today.”

The market size estimates for the AFABS AU+NZ are based on calendar year 2019 (i.e. pre COVID19) although the impact of COVID-19 in 2020 and beyond will have had a material effect on both the overall market size and the ranking of individual operators.

Favotto said, “Some operators have run into difficulties and others have walked away from contracts that COVID-19 turned onerous. The Mercurius Group’s monthly tracking of the travel retail sectors recovery from COVID-19 has shown that as of May 2021, only 64% of the pre-COVID19 F&B outlets had re-opened.”

In what is understood to be a first for the region and potentially globally, the AFABS includes a ranking of the Top 12 operators based on sales. The methodology for the rankings are drawn from various published and unpublished sources, research, interviews with key industry participants, site visits and audits. It includes top-down PSR based benchmarks and bottom-up, site-by-site, outlet-type-by-outlet-type estimates.

“Airport Retail Enterprises (ARE) – an Australian based operator with more than 50 outlets across six airports – has emerged with the No. 1 ranking,” Favotto said.

“ARE have built an impressive portfolio of concepts in Australia and have outgunned bigger international players such as Delaware North, SSP, HMSHost and Emirates Leisure Retail amongst others,” he continued.

A key conclusion of the AFABS is that the F&B market in Australia and New Zealand looks set for consolidation as local operators, international operators, brand operators, new entrants and private equity investors seeks security and/or opportunities.

While the Top 12 operators account for around 75% of all F&B sales on-airport, the Top 6 account for 60% – a relatively low level of concentration by typical Australian industry standards.

While this is a favourable scenario for many airports – which typically receive multiple, competitive bids for F&B space – most of the top F&B operators would prefer some level of consolidation.

“Historically, I would describe the airport F&B operator market in Australia and New Zealand as a seller’s market. Most major operators have previously declared themselves as natural buyers rather than sellers. The traditional model where large, international corporate players gobble-up smaller, local operators has not materialised in Australasia, for a variety of reasons. But a year-long (and perhaps longer) pandemic may be draining cash resources and converting buyers into sellers,” Favotto said.

Ends. 17 June 2021.

For further comment and to purchase a copy of the AFABS, please contact:

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