WA eateries in strife as boom and bust cycle starts to bite

Perth's once-bustling hospitality sector is feeling the bite of tough trading conditions, with several prominent eateries forced into external administrations in recent months.

With the casualty list including high-profile establishments Amuse, Fuyu, Matisse Beach Bar and Ku De Ta, experts say that no bar or restaurant is immune to the increasingly cited factors of reduced revenue, smaller margins and increased labour costs.



Jimmy Trpcevski

"Fixed costs such as wages, insurance and lease costs are constants that haven't decreased and in fact have increased," explains Jimmy Trpcevski, Partner of WA Insolvency Solutions, Jirsch Sutherland's WA division, on the pressures faced by the state's hospitality sector.

Interestingly, Jimmy (administrator for the prominent Scarborough Beach Bar, a beachfront venue that went into administration in July this year after the $100-million foreshore redevelopment took a drastic toll on business) believes there has "certainly been a change of mindset by the customer in that they want more bang for their buck".

"People are not wanting to go out and eat as much, and not spending on these luxuries as they did once-upon-a-time. Services like Uber Eats and Deliveroo have also changed the game for eateries and restaurants," says Jimmy.

Seek advice early

Jimmy believes there are some interventions that may possibly help struggling businesses avoid insolvency – at least in the short-term.

For currently trading restaurants and eateries showing signs of being in acute difficulty, Jimmy says "It's vital that owners seek early advice from their accountant rather than let the situation simmer dangerously."

"Put your hand up and seek the advice," he says. "It's about having that ongoing discussion

with their accountant, managing and improving their cash flows and reducing unnecessary costs. It's also important to have a discussion with the bank, the landlord and suppliers for better payment terms. But it's that early intervention with their accountant that's key."