

Reference Period: First Quarter 2015

# RESTAURANT OUTLOOK SURVEY



**Restaurants  
Canada**

The voice of foodservice | La voix des services alimentaires

Prepared by  
Chris Elliott, Senior Economist

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2015

## Highlights

Nearly four in 10 operators reported higher same-store sales in Q1 compared to 27% that reported lower sales.

Looking ahead, a record 46% of operators expect their sales to accelerate over the next six months. In contrast, only 14% anticipate their sales will decelerate.

Food costs jumped by 4.7% on a year-over-year basis due to rising prices for meat, fruits and vegetables.

Half of all operators plan to raise their menu prices over the next six months.

Food and labour costs remain the top challenges facing operators. A weak economy is the number one issue for restaurant operators in Alberta.

Despite expectations for weak economic growth in Canada in the first quarter, the restaurant industry began 2015 on a solid note. Nearly four in 10 operators (38%) reported higher same-store sales on a year-over-year basis in Q1. This equals the share of operators that posted higher sales in Q4 2014.

In contrast, 27% of operators saw sales drop. While this share is up slightly from Q4 2014, it is a significant improvement over Q1 2014. At that time, bad winter weather led to a sharp decline in restaurant spending for 38% of respondents.

The share of operators reporting flat same-store sales slipped from 39% in Q4 2014 to 35%.

March was the strongest month in Q1 as 45% of respondents enjoyed higher sales.

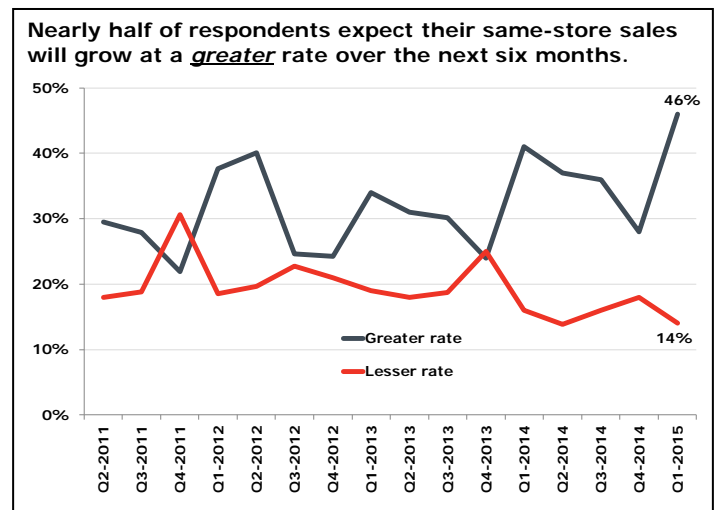
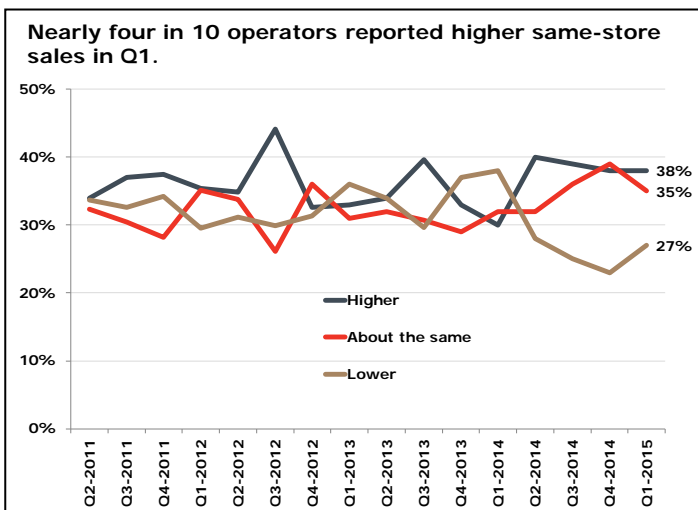
Quick-service restaurants led the industry as 44% of respondents reported higher same-store sales in Q1.

Although 37% of table-service restaurants posted higher same-store sales in Q1, an equal share reported lower sales.

Nearly four in 10 of 'all other foodservice,' which includes accommodation, caterers and drinking places, saw same-store sales increase.

Looking ahead, restaurant operators are very optimistic about the next six months. The combination of lower gasoline prices and a weaker Canadian dollar could boost restaurant sales and tourism over the summer months. A record 46% of respondents expect their same-store sales to accelerate over the next six months.

Only 14% of respondents expect same-store sales to decelerate over this time, which is the lowest level since Restaurants Canada began the Restaurant Outlook Survey in 2011.



**Q: In the first quarter of 2015, was your total sales volume (on a same-store basis) higher, lower, or about the same versus the same period one year ago?**

**Q: Over the next six months, do you expect your total sales volume (on a same-store basis) will grow at a greater, lesser, or about the same rate as the previous six months?**

The one province not feeling a sense of optimism is Alberta. Thirty-eight per cent of respondents in Alberta believe their sales will decelerate over the next six months while just 25% expect sales to accelerate. The decline in oil prices will have a significant impact on economic activity and job creation in the province in 2015 and 2016.

Nearly half of quick-service restaurants expect their sales to accelerate over the next six months. Nevertheless, 22% anticipate sales will decelerate – the highest share of any segment.

Four in 10 table-service restaurant operators expect sales to accelerate over the next six months and only 11% expect their sales to slow down.

A majority (49%) of accommodation, bar and institution operators expect sales to accelerate over the next six months. This share is up from 39% in Q1 2014.

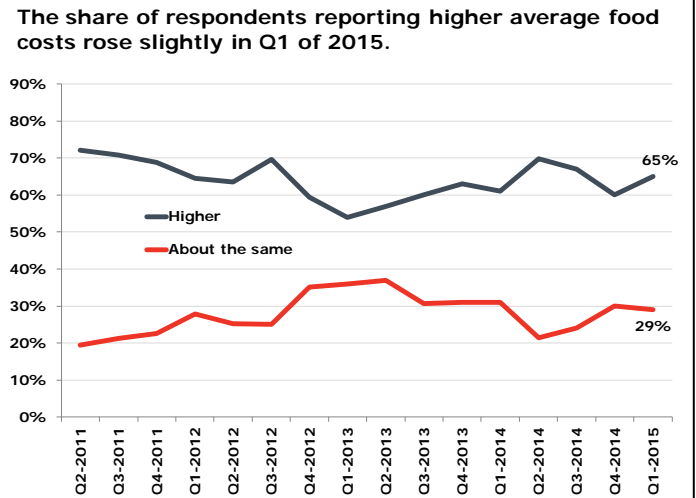
### Food Costs and Menu Prices

Rising prices for beef, pork, vegetables and fruits led to higher food costs for operators. The share of operators reporting greater food costs increased from 60% in Q4 to 65% in Q1. Another 29% of operators said their food costs were about the same.

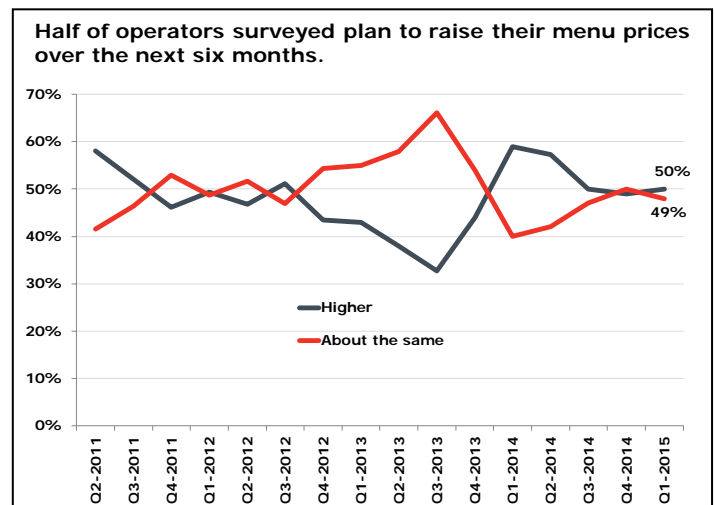
Restaurants reported an average 4.7% year-over-year increase in their food costs in Q1. This is the strongest growth in prices since Q2 2011.

Higher food costs were reported by 78% of quick-service restaurants and 68% of table-service restaurants.

Over the next six months, half of operators plan to raise their menu prices, while 48% expect to maintain their current menu prices. These results have been consistent over the past three quarters.



**Q: In the first quarter, were your average food costs higher, lower or about the same as the fourth quarter of 2014?**



**Q: Over the next six months, do you expect your menu prices to be higher, lower, or the same as the previous six months?**

Fifty-seven per cent of table-service restaurants plan to raise their menu prices over the next six months, the highest of any segment.

Despite the great share of quick-service restaurant operators experiencing rising food costs, only 37% plan to raise their menu prices.

## Employment

A majority (65%) of operators will maintain their employment levels over the next six months. Another 24% expect to raise their staffing levels compared to 28% in Q1 2014. On a positive note, only 10% expect to reduce their payrolls – the lowest level on record.

The outlook for restaurant jobs in Alberta has weakened, but not drastically. Seven in 10 operators plan to maintain their current workforce. Nineteen per cent of respondents expect to hire more workers while 13% will reduce their staffing levels.

Historically, the hiring outlook is positive in Q1 and Q2 due to an increase in seasonal workers during the summer months, and turns negative in Q3 and Q4.

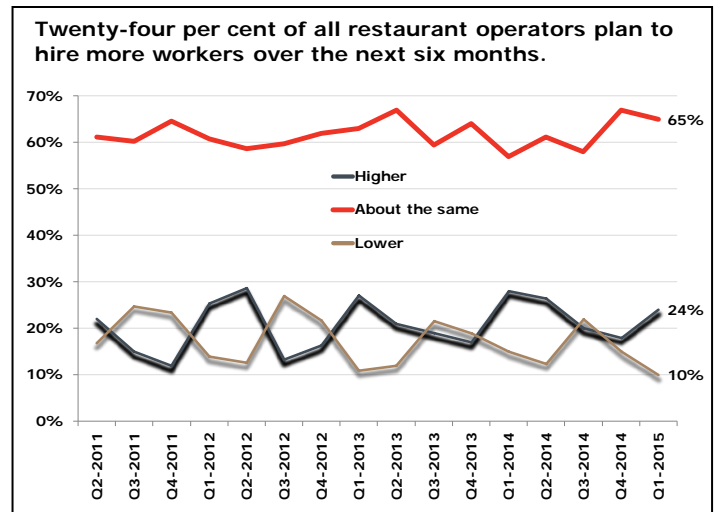
## Factors Impacting Business

Food costs are the number one issue facing the restaurant industry. Food costs had a negative impact on 63% of quick- and table-service restaurants and 52% of accommodation, bar and institution operators. This is not surprising given the large increase in food costs in Q1.

Labour costs had a negative impact on 72% of table-service restaurants compared to 56% of quick-service restaurants.

Bad weather was the third biggest issue for restaurant operators, impacting 42% of respondents in Q1. In Q1 2014, bad winter weather had a negative impact on a stunning six in 10 operators.

The share of operators that said the weak economy had a negative impact on their business rose from 30% in Q4 to 37% in Q1. In Alberta, the weak economy is the top issue for 63% of operators.



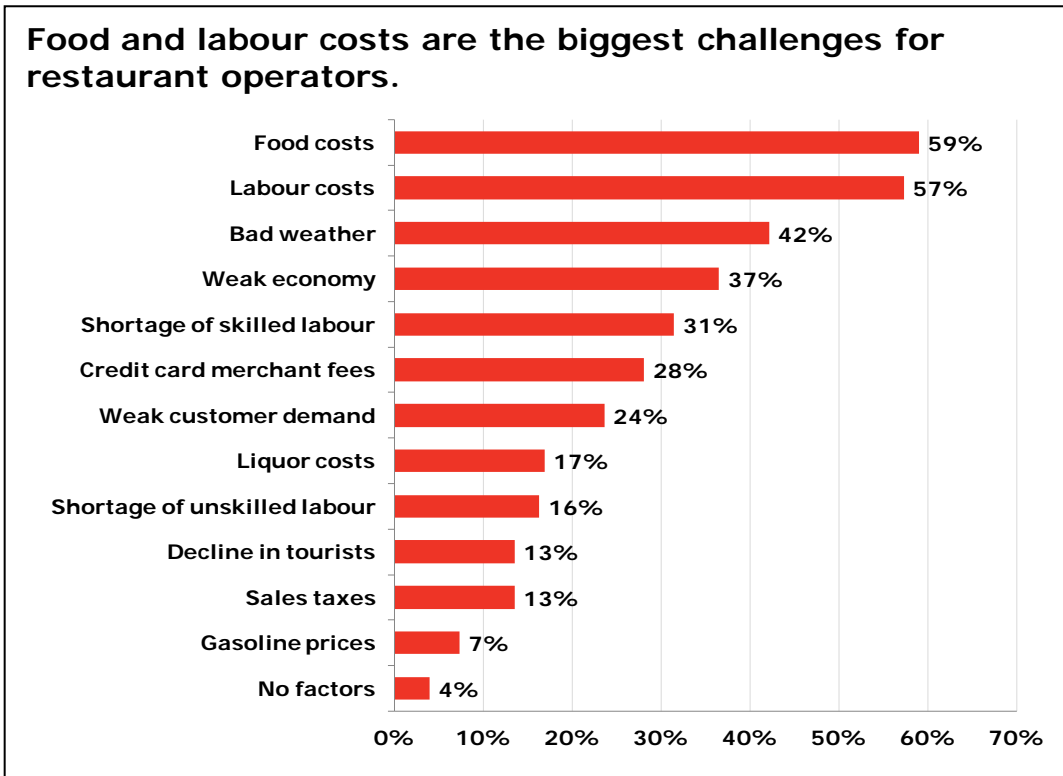
**Q: Over the next six months, is your company's level of employment expected to be higher, lower, or about the same as the previous six months?**

The share of operators reporting a shortage of skilled labour slipped from 45% in Q4 to 31% in Q1. Nevertheless, it remains a challenge for 40% of table-service restaurants.

Credit card merchant fees impacted 28% of operators. This issue hurt 41% of table-service restaurants and 15% of quick-service restaurants.

Gasoline prices had a negative impact on just 7% of operators in Q1, the lowest level since Restaurants Canada began the Restaurant Outlook Survey. Even though the decline in gasoline prices is having a dramatic impact on Alberta's economy, it was not a significant issue for operators in the province.

A growing number of operators are telling Restaurants Canada that unit expansion and growing competition from new restaurants is having a negative impact on their business. In recent years, Statistics Canada has reported a sharp increase in the number of new restaurants.



Q: What factors, if any, are currently having a negative impact on your business?

## About the Restaurant Outlook Survey

The responses for the first quarter are compiled from a monthly e-mail to restaurant operators inviting them to take an online survey. The survey covers the reference periods January, February and March 2015.

In total, 178 completed surveys were submitted for the first quarter, representing 5,363 establishments.

Results of the survey are considered accurate within +/- 7.3 percentage points 19 times out of 20. The margin of error will be larger within sub-groupings of the survey.

Future editions will provide an ongoing index of business performance and expectations that will help restaurant owners, suppliers and policy makers in their business planning and analysis. We encourage restaurant operators to participate in the Restaurant Outlook Survey to ensure results continue to be representative of our industry.

## About Restaurants Canada

Since its founding in 1944, Restaurants Canada has grown to represent 30,000 businesses in every segment of the foodservice industry, including restaurants, bars, clubs, cafeterias, and contract and social caterers. Through advocacy, research, member savings and industry events, we help our members in every Canadian community grow and prosper.

### Contact:

**Restaurants Canada**  
**1155 Queen Street West, Toronto, Ontario**  
**M6J 1J4**  
**Tel: (416) 923-8416 or 1-800-387-5649**  
**Fax: (416) 923-1450**  
**E-mail: [info@restaurantscanada.org](mailto:info@restaurantscanada.org)**  
**Web Site: [www.restaurantscanada.org](http://www.restaurantscanada.org)**