



RESEARCH

Restaurant Outlook Survey

Q4 2020





เปิด
OPEN
Welcome

Executive Summary

- 93% of foodservice operators reported lower sales in December 2020 compared to the previous year, with 80% reporting the sales decline in December was worse than the decline in November.
- There was a modest improvement at the beginning of the year as 88% of respondents reported lower sales in January 2021 compared to January 2020. Still, 83% of those respondents said the decline in January was worse than the decline in December.
- 67% of foodservice operators are operating at a loss at the end of January. Of those, 57% said it would take them 12 months or longer to return to profitability.
- While government programs have been a vital lifeline for foodservice businesses, the majority of respondents felt that the current programs were not sufficient enough to be helpful for their business and they need additional support.
- In order to survive and adapt to the current business climate, the majority of foodservice operators are offering contactless payment, curbside pick-up, and beverage alcohol for take out and delivery. In addition, six in 10 table-service restaurants have simplified or reduced the number of items on their menu.
- A number of operators are offering meal kits and groceries, with most of these expected to remain in the short or long term after the pandemic.

Introduction

The preliminary data are in from Statistics Canada: commercial foodservice sales plummeted by 28% in 2020 compared to 2019. Overall, annual foodservice sales were \$55.3 billion in 2020 compared to \$77 billion in 2019. This represents the lowest annual sales since 2012. While quick-service restaurants reported a relatively modest decline of 13%, sales at drinking places recorded their lowest annual sales since the early 1990s.

With the second wave of coronavirus outbreaks across the country in the fourth quarter, containment measures were put back into place. As a result, the share of operators reporting lower same-store sales began to trend upward again in October and remained at their highest level since the first wave.

Given the devastating impact the pandemic has had on Canada's foodservice industry, government policies have been a much needed lifeline to keep foodservice establishments from closing permanently. This report will discuss some of the government programs that have worked for foodservice operators and how long it will take for the foodservice industry to return back to profitability.

During this crisis, the foodservice industry has been forced to innovate, as it can't rely on government alone. Foodservice businesses have included contactless payments, meal kits and other ideas to try and survive.

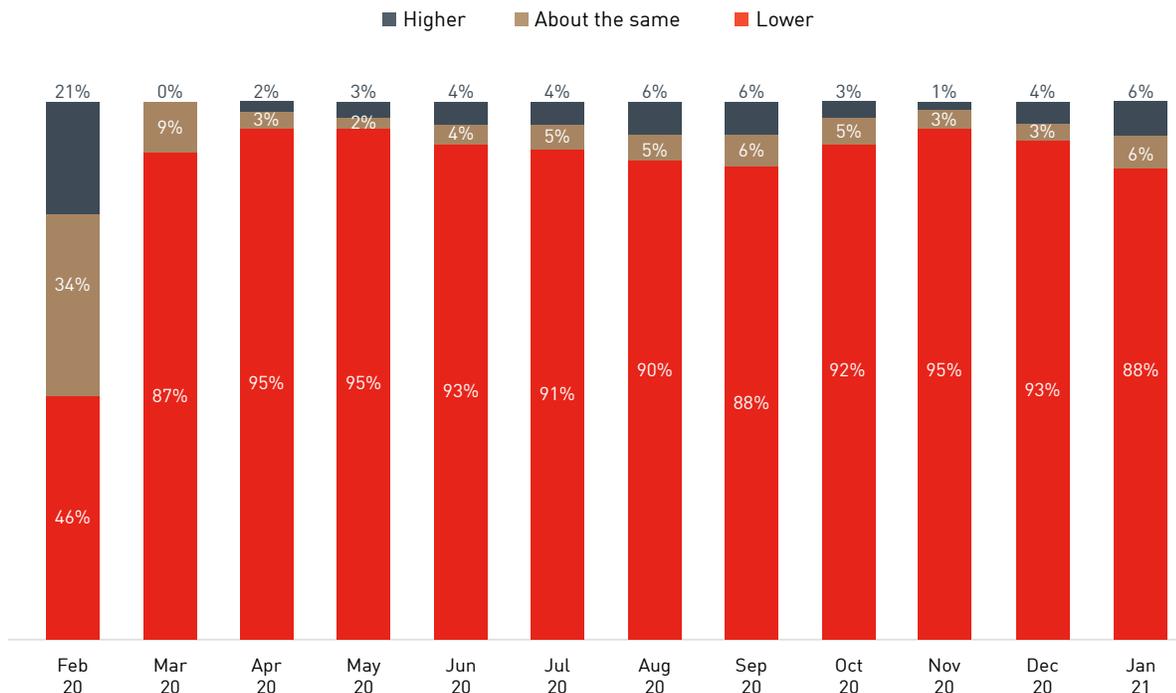
After Struggling in Q4 2020, Restaurants See a Modest Improvement in Sales in January 2021

With the increase in the number of COVID-19 cases at the end of 2020, the share of foodservice operators who reported lower same-store sales on a year-over-year basis increased from 88% in September to 92% in October and 95% in November. In fact, November represents the largest share of respondents reporting lower same-store sales since May 2020.

In December, the share of respondents with lower same-store sales remained above 90%. However, the devil is in the details, as different segments reported significantly different results and experiences. For quick-service restaurants, 74% of respondents said their same-store sales in December 2020 were lower than December 2019, while 20% said their sales were higher. In contrast, 96% of table-service restaurant respondents said their same-store sales fell. This was due to the closure of on-premise dining in many jurisdictions across Canada. Meanwhile, 92% of “all other foodservice”—which includes foodservice from accommodation, drinking places, institutions (e.g. health care, education) and managed service providers – experienced lower sales.

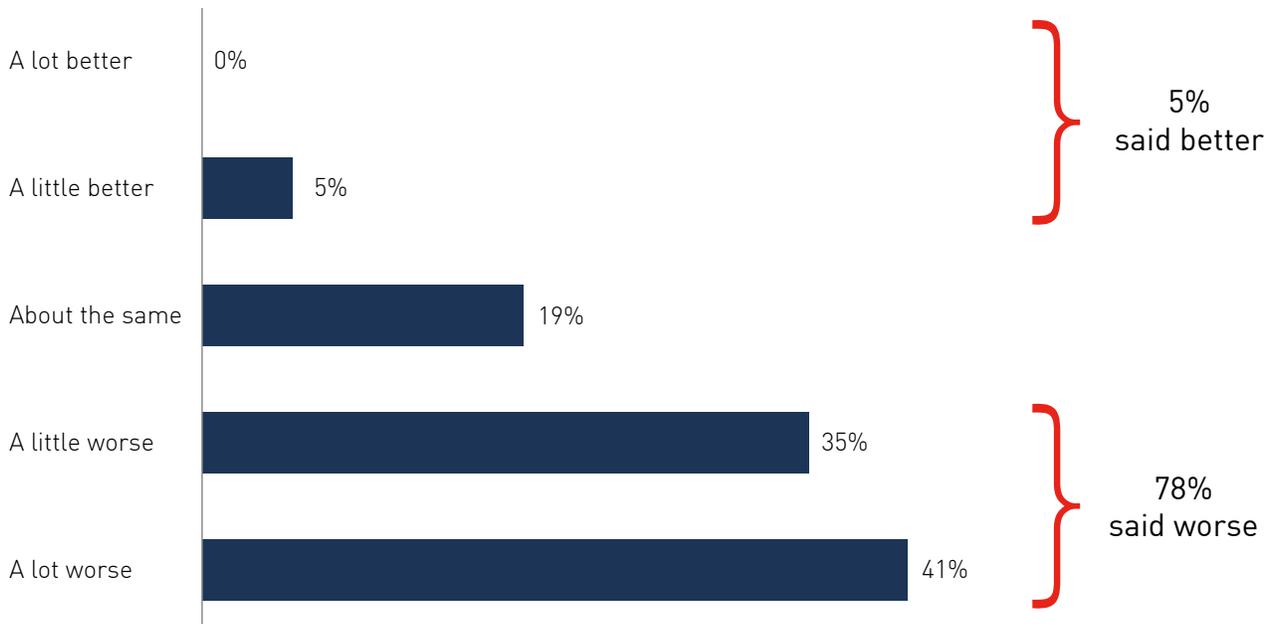
While it was a similar story for quick-service restaurants and all other foodservice in January, the share of table-service restaurants that reported lower sales dipped to 89% in January compared to 96% in December. Still, of those table-service restaurants who reported lower sales in January, 63% said the decline was “a lot worse” than the decline in sales in December.

The share of respondents reporting lower same-store sales dipped slightly in January 2021



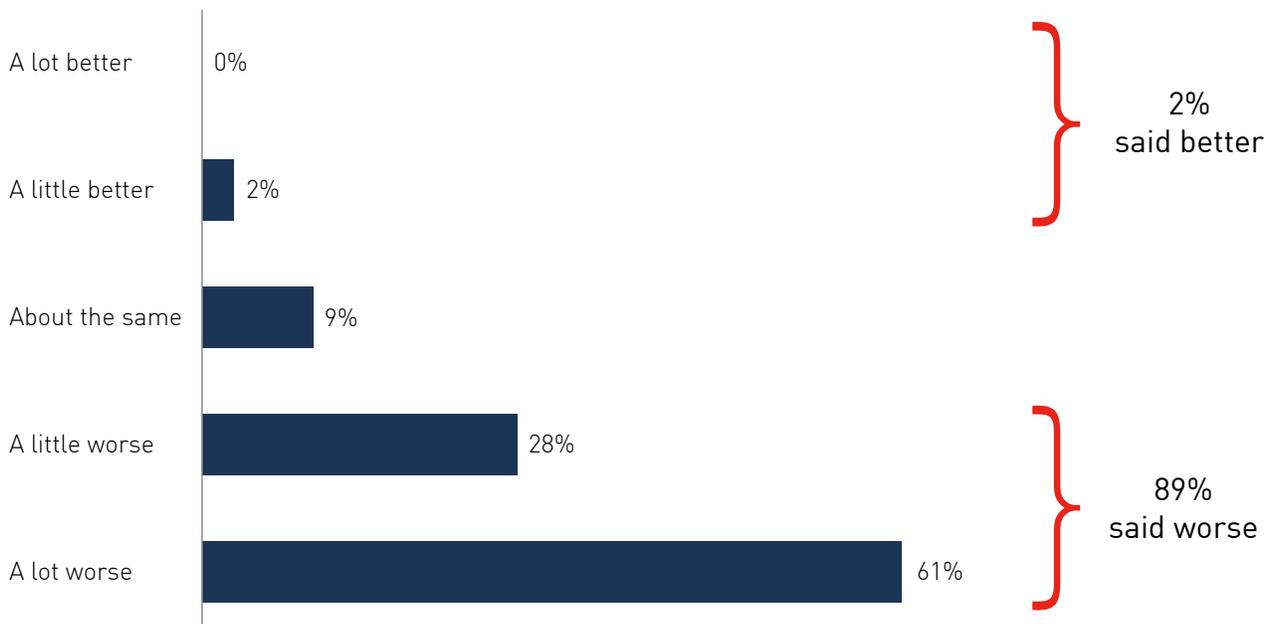
Q: Was your total sales volume, higher, lower, or about the same as it was compared to the same month a year ago?

Of those that reported lower sales in October, 78% said the drop in sales was worse in October compared to the decline in September 2020



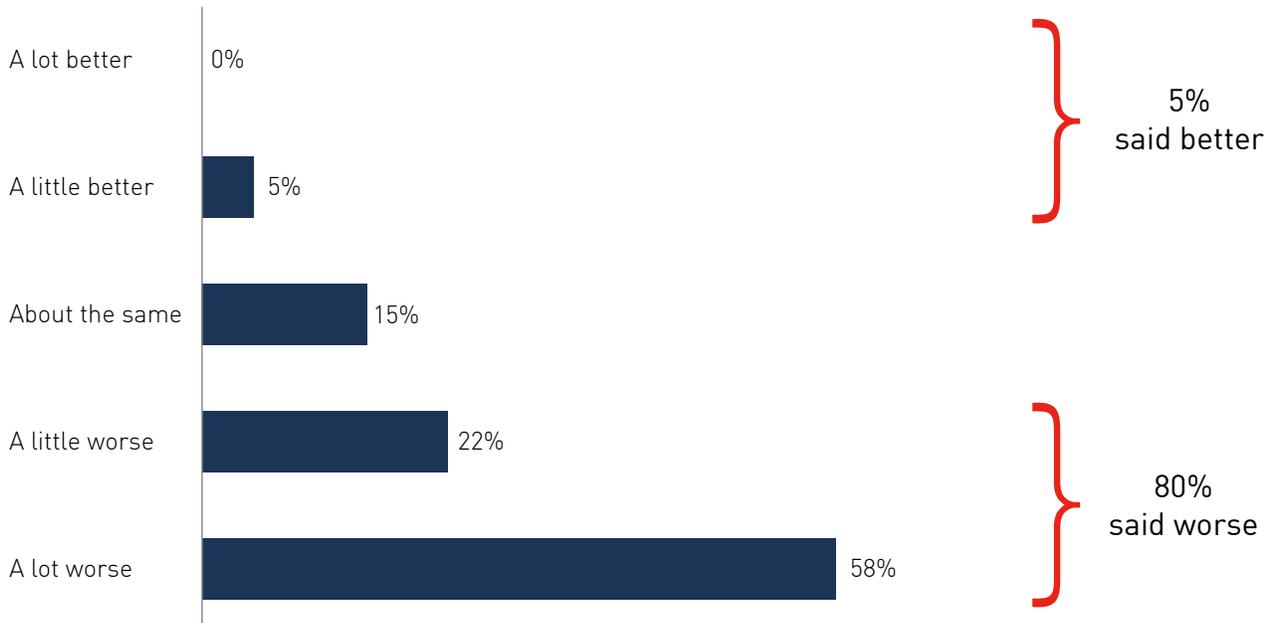
Q: How did your decline in total sales volume this month compare to the last month?

Of those that reported lower sales in November, 89% said the drop in sales was worse in November compared to the decline in October 2020



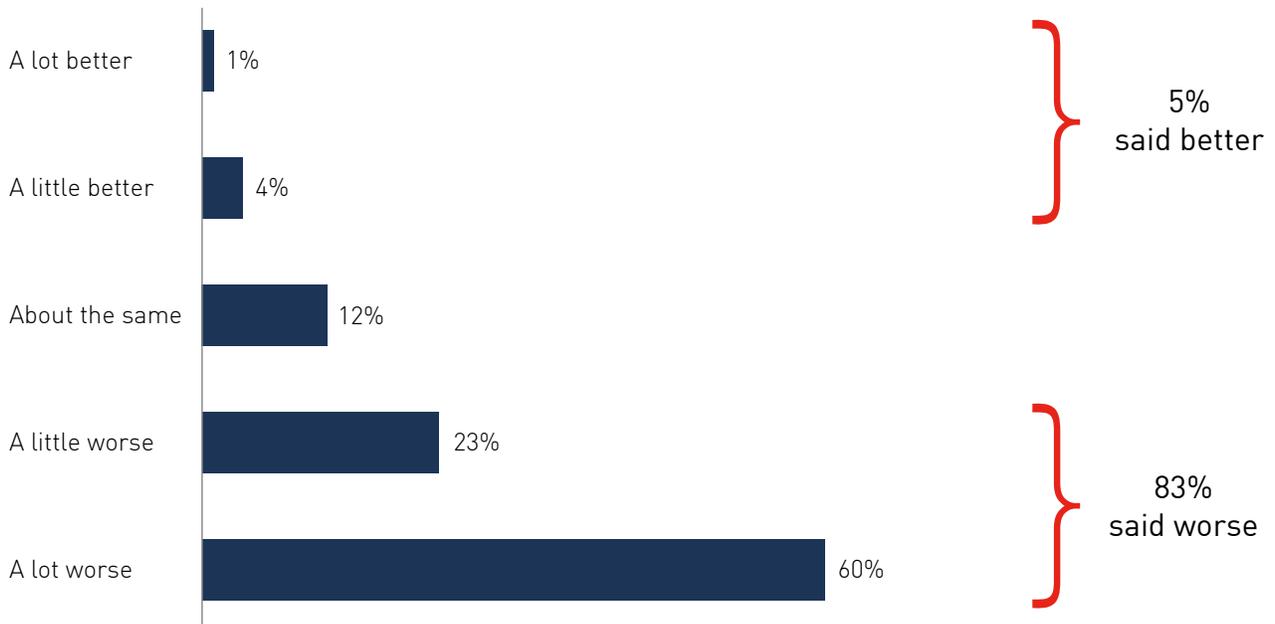
Q: How did your decline in total sales volume this month compare to the last month?

Of those that reported lower sales in December, 80% said the drop in sales was worse in December compared to the decline in November 2020



Q: How did your decline in total sales volume this month compare to the last month?

Of those that reported lower sales in January, 83% said the drop in sales was worse in January compared to the decline in December 2020



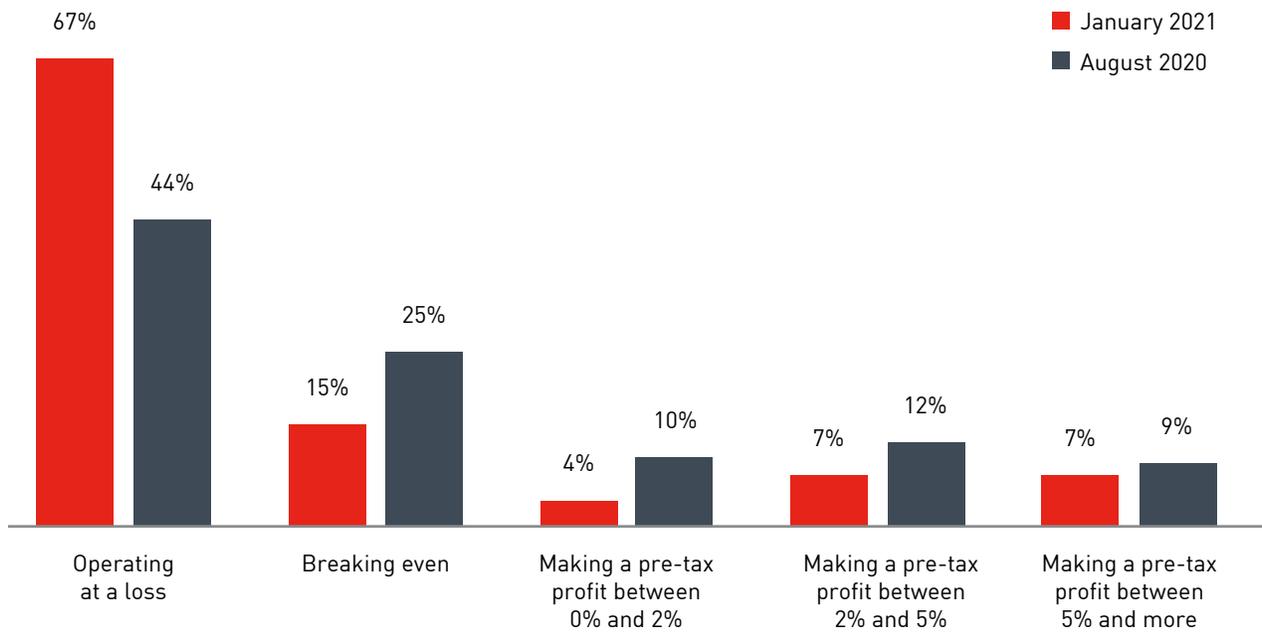
Q: How did your decline in total sales volume this month compare to the last month?

More Foodservice Businesses Operating at a Loss

Given the rising COVID-19 numbers and despite subsequent government restrictions, 67% of all respondents said they were operating at a loss in January 2021. Another 15% said they were just breaking even.

Once again, these results varied significantly by segment. 37% of quick-service restaurants were operating at a loss in January 2021 while 40% were earning a profit of 2% or more. By comparison, 71% of table-service restaurants and 72% of all other foodservice were operating at a loss in January 2021. Given the recent challenges, four in 10 independent restaurants said they would be forced to close down permanently within the next six months if current conditions continue. Meanwhile, nearly half of chain respondents said they would have to close down at least one of their locations in the next six months if current conditions continue.

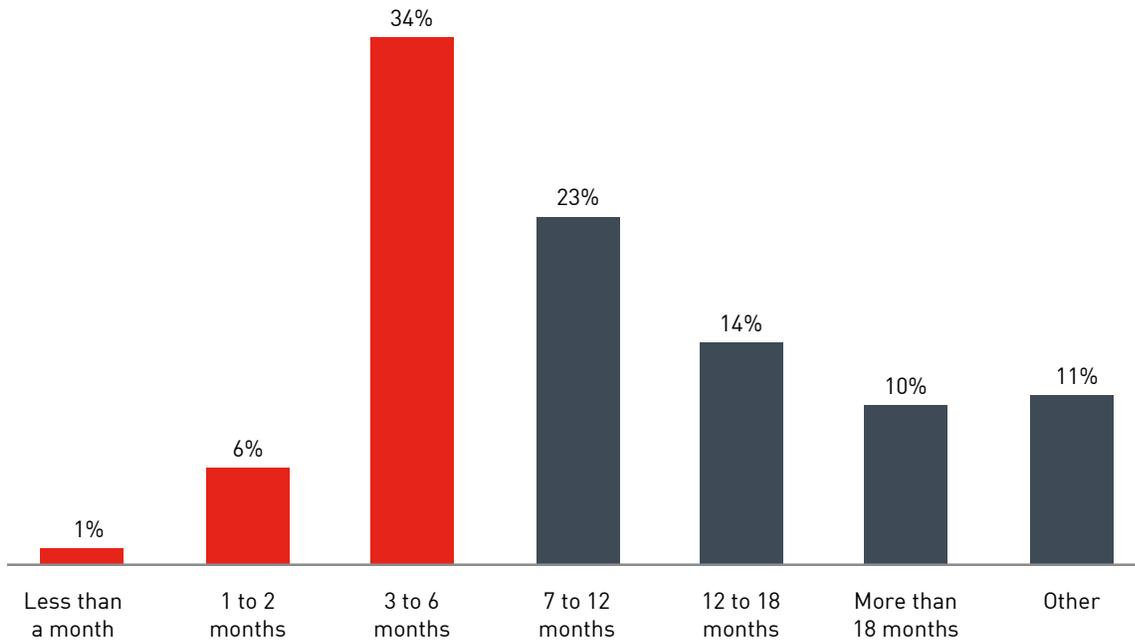
Two-thirds of foodservice operators were operating at a loss in January 2021 compared to 44% in August 2020



Q: Which best describes the current profitability of your overall operations?

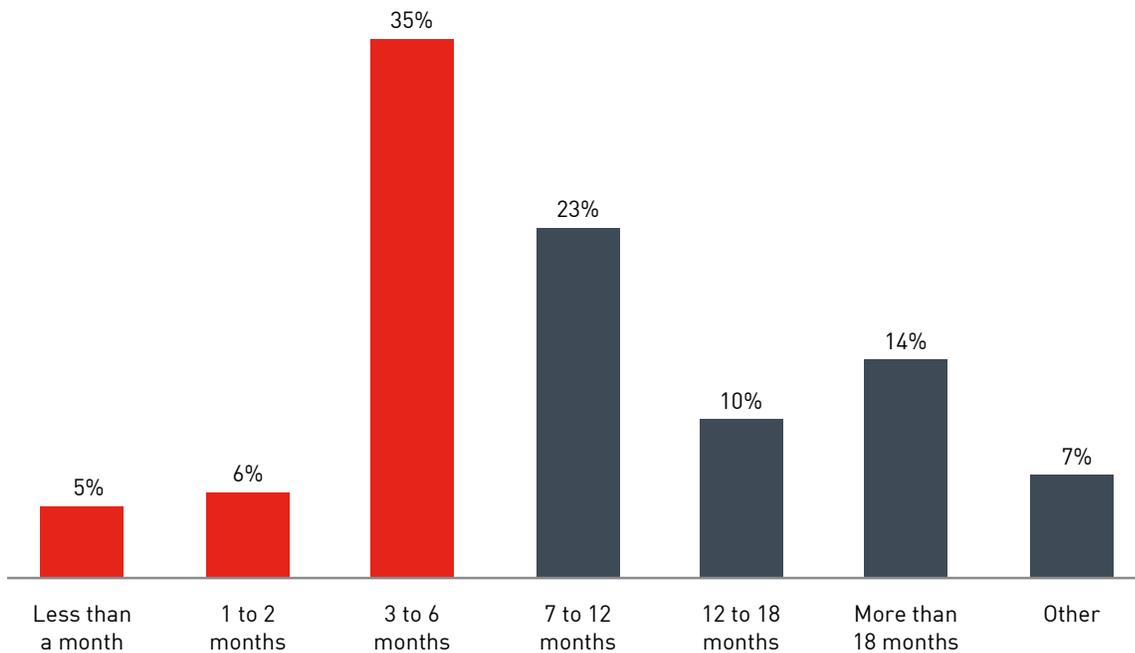


41% of independent restaurants said they will have to close down permanently within the next six months if current conditions continue



Q: If current conditions continue, how long do you expect your business to survive before you will have to close down permanently?

46% of chain restaurants said they will have to permanently close down at least one of their locations within the next six months if current conditions continue



Q: If current conditions continue, how long do you expect your business to survive before you will have to permanently close down at least one of your locations?

Government Programs to Help Foodservice Businesses

Given the dramatic decline in revenues due to the pandemic, government support programs have provided many foodservice operators with a critical lifeline to help them pay rent and other fixed costs, employees, business taxes and other operating expenses.

The federal government introduced several programs in order to help businesses. In a previous member survey at the end of 2020, Restaurants Canada found the Canada Emergency Wage Subsidy (CEWS) was the most beneficial. Overall, 82% of respondents said that CEWS was “extremely helpful” or “very helpful” to their business. Only 7% did not apply or were unable to qualify for the subsidy. Meanwhile, 56% of respondents said the Canada Emergency Business Account (CEBA) was helpful to their business. By comparison, only 38% said the previous Canada Emergency Commercial Rent Assistance (CECRA) was extremely or very helpful. While the old CECRA program responded to one of the greatest challenges for restaurants, many were unable to secure assistance because their landlords did not apply or because they did not meet the qualifying threshold.

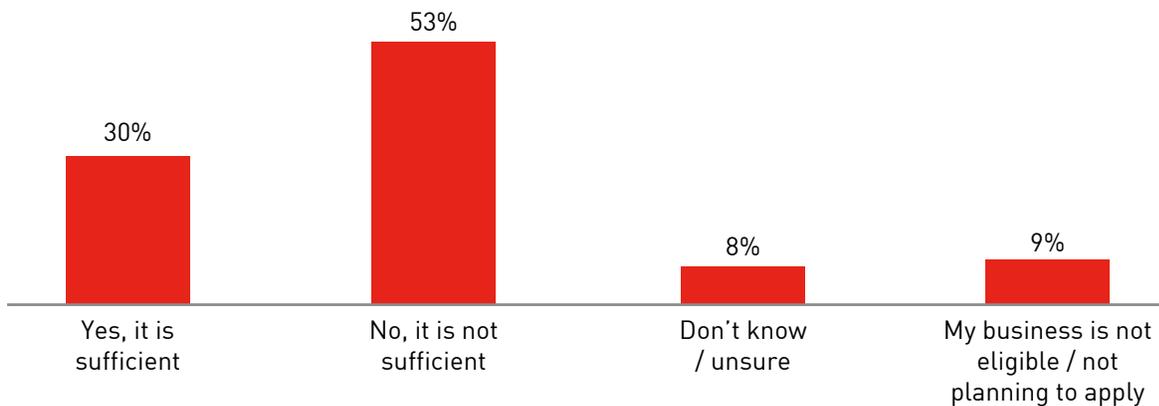
While these and other programs may be helpful to many, the overwhelming response from our members is that currently they are not sufficient.

Canada Emergency Wage Subsidy

For many, the wage subsidy has been a vital lifeline to keep their business operating. While helpful, only 30% of respondents to our latest survey reported that the program is sufficient, while 53% said that the subsidy is not enough. Another 17% were not sure, or their business was unable to qualify.

As one operator explained, their recent declines in sales were similar to the declines they experienced in June 2020, but the wage subsidy they received in June was double what they are receiving now. The consensus from many is that the wage subsidy needs to be raised from its current level of 0.8 times their percentage decline in sales.

Over half of respondents said the Canada Emergency Wage Subsidy is not sufficient enough to be helpful for their businesses



Q: Is the Canada Emergency Wage Subsidy (CEWS) currently sufficient enough to be helpful for your business?

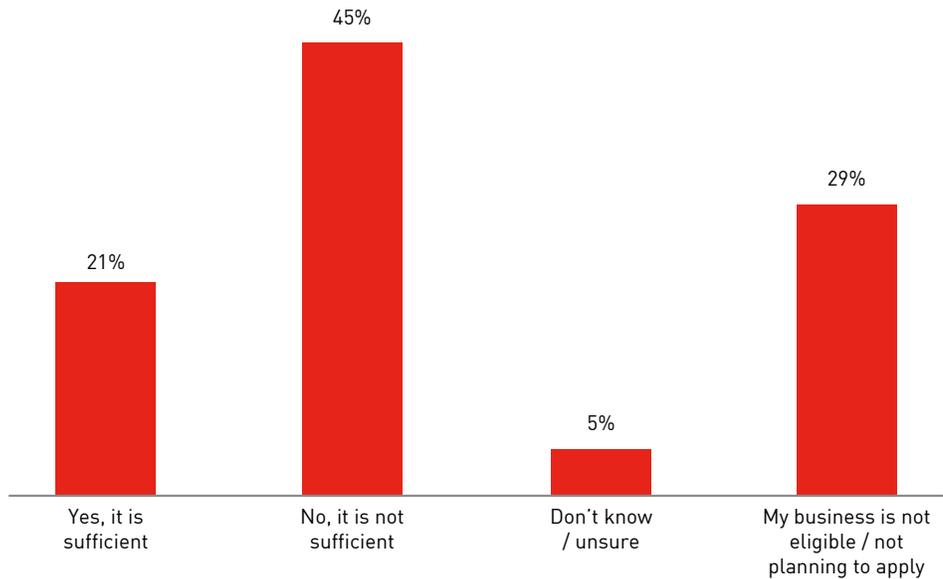
Canada Emergency Rent Subsidy (CERS)

Restaurant operator feedback to the new rent subsidy program was similar to the wage subsidy: the program helps, but businesses need more.

A few challenges were pointed out. First, the program does not cover arms-length rent. Furthermore, multi-unit operations are at a disadvantage and capped on the subsidy they can apply for. In addition, many respondents said the 65% maximum of rent coverage is not enough, and should be significantly higher. Finally, a number of foodservice business operators pointed out that the application for the subsidy is far too convoluted and needs to be simplified.

Just one in five respondents said the new Canada Emergency Rent Subsidy (CERS) was sufficient for their business

Q: Is the new Canada Emergency Rent Subsidy (CERS) sufficient enough to be helpful for your business?



Canada Emergency Business Account (CEBA)

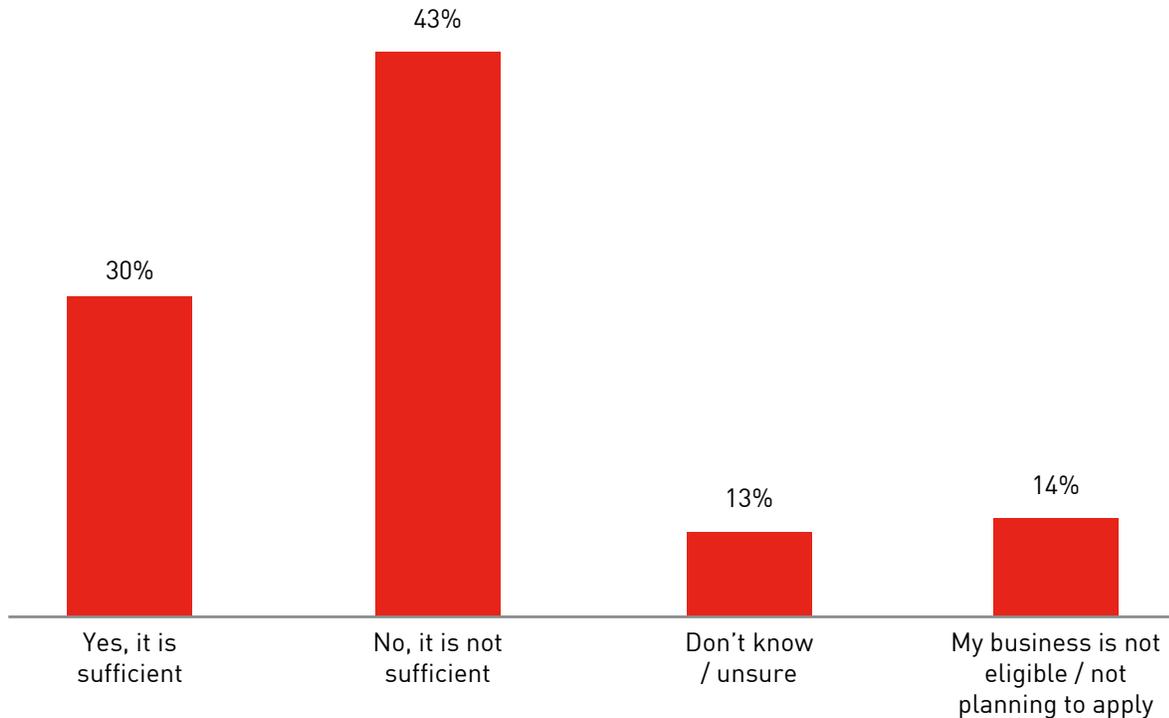
The Canada Emergency Business Account (CEBA) support is being expanded from \$40,000 to \$60,000, of which a total of \$20,000 will be forgiven if the balance of the loan is repaid before Dec. 31, 2022. This expansion will be available to eligible existing and new CEBA applicants who provide an attestation of the impact of COVID-19 on their business.

While 30% of respondents stated that the loan was sufficient, another 43% stated it was not. For many restaurant operators, the loan is helpful, but adding more debt is of great concern. Given the most recent lockdowns, many are not sure how they will earn enough revenue to repay the loan.

As stated by one restaurant owner: “All the loan is doing for us is digging a deeper hole. The more we use the more we have to pay back. It should be a 50% rebate.”

Ultimately, the industry needs more grants and fewer loans. Many operators have been taking out personal loans because CEBA was not enough to keep them open.

Just three in 10 respondents reported that the Canada Emergency Business Account (CEBA) was sufficient enough to be helpful for their business



Q: Is the Canada Emergency Business Account (CEBA) currently sufficient enough to be helpful for your business?

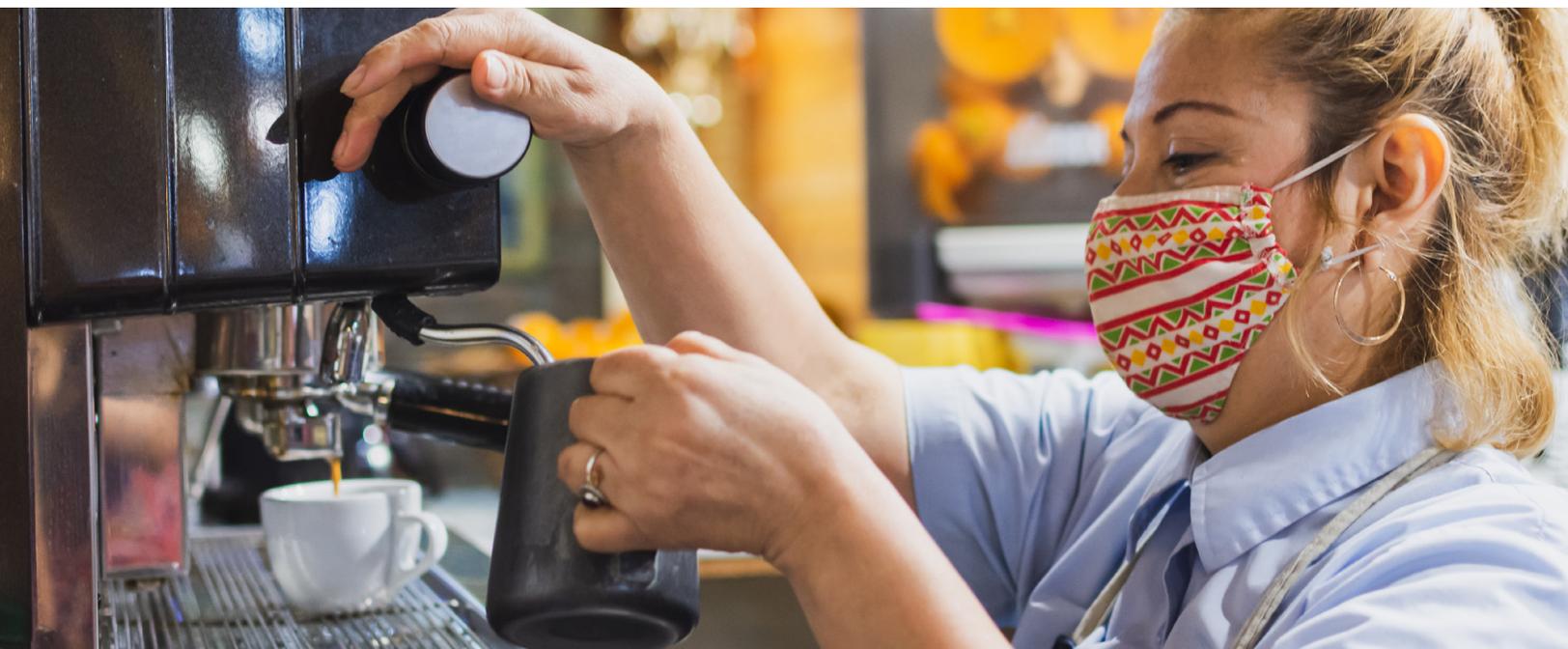
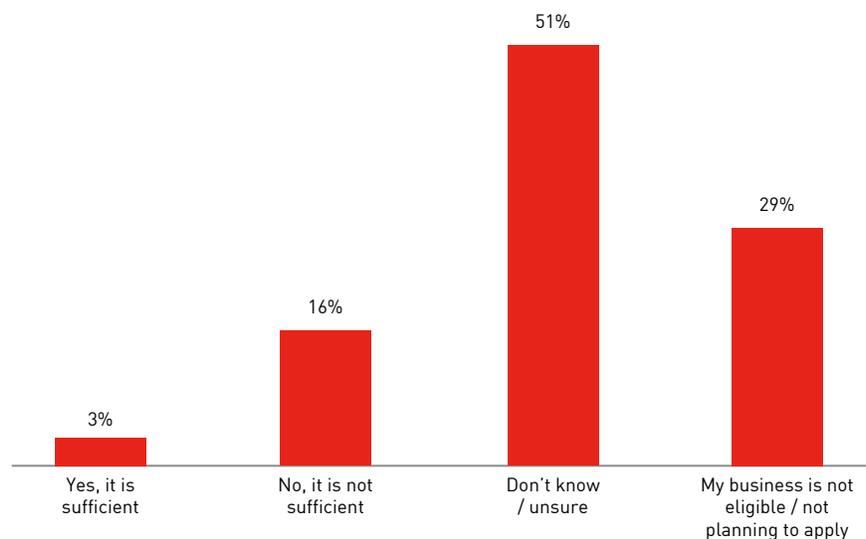
Highly Affected Sectors Credit Availability Program (HASCAP)

The Highly Affected Sectors Credit Availability Program (HASCAP) is a new program, launched February 1, 2021, that offers loans between \$25,000 and \$1 million to businesses that qualify. As this is a new program, more than half of survey respondents said they didn't know if this program would be sufficiently helpful for their business.

One of the biggest concerns from restaurant operators, beyond taking on more debt, is the high interest rates on the loans and that the terms are not flexible. Another concern raised by a number of business owners is that banks were making it difficult to access this program because of operator credit concerns. Although the loans are guaranteed by the government, there are concerns that the banks have not been adaptable enough to help support businesses.

Half of respondents are not sure if the Highly Affected Sectors Credit Availability Program (HASCAP) will be sufficiently helpful for their business

Q: Is the new Highly Affected Sectors Credit Availability Program (HASCAP) currently sufficient enough to be helpful for your business?

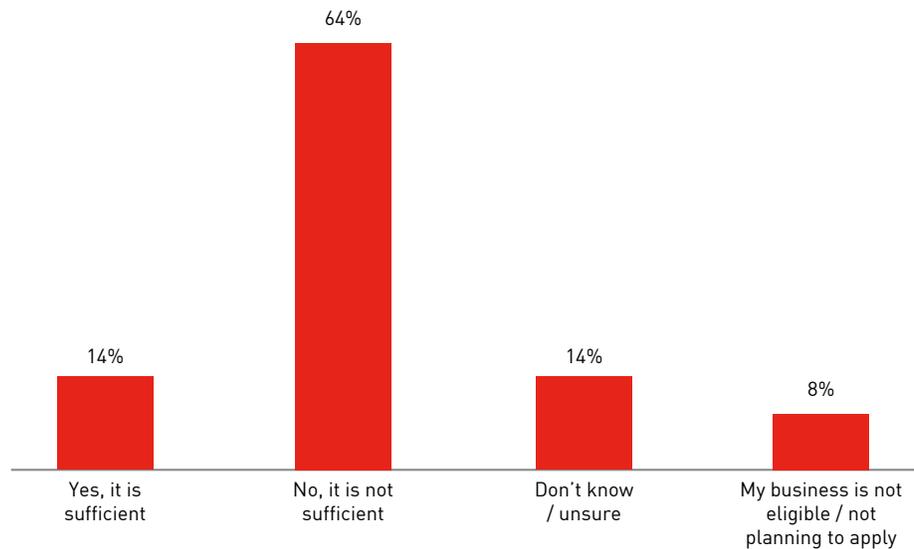


Provincial Government Programs

Restaurants Canada also asked survey respondents if the aid programs provided by provincial governments were sufficiently helpful for their business. Nearly two-thirds of respondents said their provincial government programs were not sufficient. Only 14% said they were enough.

Nearly two-thirds of respondents said their provincial government aid programs were not sufficiently helpful to their business

Q: Are the aid programs provided by provincial governments where your business operates currently sufficient enough to be helpful for your business?



What Restaurants Canada is doing on behalf of the industry

Restaurant operators are resilient and resourceful, but they can't continue to operate at a loss for months on end. Now more than ever is the time to make doing business as easy as possible. Restaurants need policies that facilitate business continuity, so they can make contingency plans as they continue to navigate the road from survival to revival.

Restaurants Canada is continuing to advocate for both the rent and wage subsidies to continue through to April 2022, because many restaurants could take that long — or longer — to return to profitability.

With most restaurants still operating at a loss, Restaurants Canada is also calling for all loans provided through government-backed programs to be partially forgivable, so that struggling foodservice businesses aren't forced to close down under the weight of crushing debt.

Restaurants Canada is also asking that government take a "do no harm" approach to any new tax regimes or regulatory frameworks amid the ongoing economic and public health crisis.

How Foodservice Operators are Adapting their Business

The vast majority of foodservice operators (75%) are offering contactless payment or contactless pick-up/curbside pick-up.

Six in 10 table-service restaurant owners have simplified or reduced the number of menu offerings. In Restaurants Canada's 2021 Chef Survey, a similar share (63%) had reduced the size of their menu, and 38% said that this change will be permanent.

One of the most innovative ways restaurants have tried to adapt to the pandemic is offering meal kits and groceries. Nearly three in 10 table-service restaurants offered meal kits while one in 10 sold groceries. According to Restaurants Canada's 2021 Chef Survey, of those who sold meal kits, 55% of respondents said that the meal kits sold as expected, while 13% said they sold better than expected. In contrast, 32% said the kits sold worse than expected.

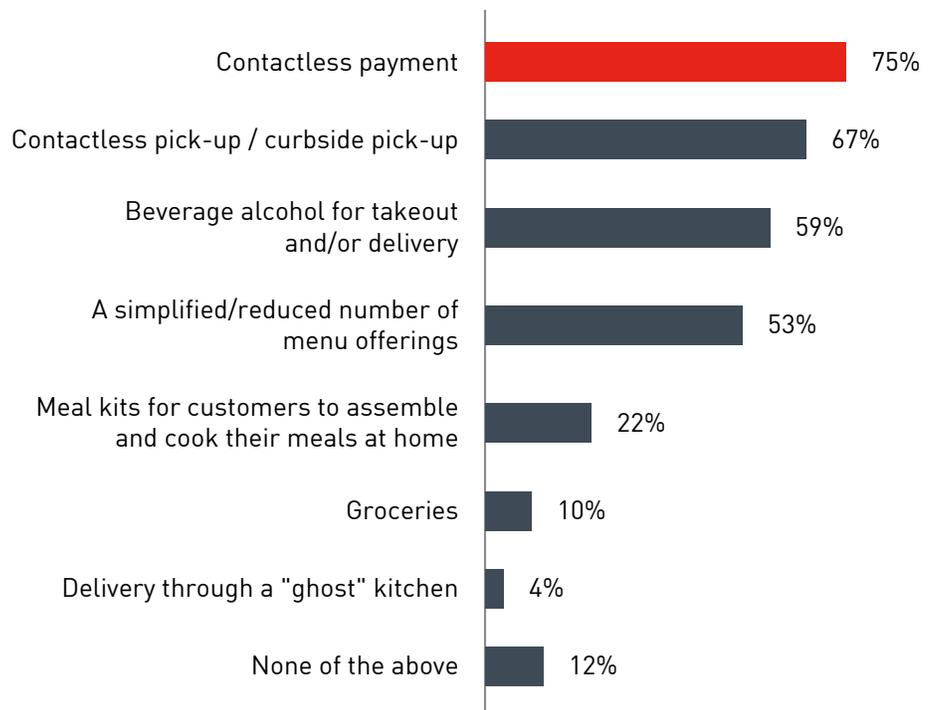
For groceries, 37% said groceries sold as well as they were expecting, 34% said better than expected and 29% said worse than expected.

Are meal kits and groceries here to stay? 87% of respondents who currently sell meal kits said they will keep meal kits after the pandemic, either in the long term (58%) or the short term (29%). Only 13% said they would discontinue meal kits.

By comparison, 74% of respondents will continue to sell groceries at their restaurant, with 51% saying they will keep selling groceries over the long term and 23% keeping them for the short term. Roughly one-quarter of respondents will discontinue selling groceries.

75% of foodservice operators offer contactless payment to customers

Q: Which of the following offerings does your business currently provide?



**Which of the following best describes your current level of operations?
(If you operate more than one location, please select all that apply.)**

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Open for dine-in services but operating at reduced capacity	53%	50%	56%	46%
Open for takeout and/or delivery only	38%	50%	40%	29%
All operations are temporarily closed due to COVID-19	11%	8%	8%	21%
Permanently closed due to COVID-19	2%	0%	3%	1%
Seasonal operation that is currently closed	7%	5%	6%	9%

In December 2020, was your total sales volume, higher, lower, or about the same as it was compared to December 2019?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Higher	4%	20%	2%	3%
About the same	3%	6%	2%	5%
Lower	93%	74%	96%	92%

How did your decline in total sales volume in December 2020 compare to November 2020?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
A lot worse	58%	42%	58%	62%
A little worse	22%	27%	22%	23%
About the same	15%	23%	15%	13%
A little better	5%	8%	5%	2%
A lot better	0%	0%	0%	0%

In January 2021, was your total sales volume, higher, lower, or about the same as it was compared to January 2020?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Higher	6%	15%	6%	2%
About the same	6%	12%	5%	7%
Lower	88%	74%	89%	91%

How did your decline in total sales volume in January 2021 compare to December 2020?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
A lot worse	60%	42%	63%	58%
A little worse	23%	27%	23%	19%
About the same	12%	31%	9%	13%
A little better	4%	0%	3%	9%
A lot better	1%	0%	2%	0%

Which best describes the current profitability of your overall operations?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Operating at a loss	67%	37%	71%	72%
Breaking even	15%	11%	14%	21%
Making a pre-tax profit between 0% and 2%	4%	11%	4%	0%
Making a pre-tax profit between 2% and 5%	7%	20%	6%	4%
Making a pre-tax profit of 5% or more	7%	20%	6%	4%

How many months do you expect it will take for your business to return to profitability?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
1 to 2 months	2%	0%	2%	0%
3 to 6 months	12%	8%	14%	10%
7 to 12 months	28%	31%	27%	33%
12 to 18 months	34%	23%	36%	33%
More than 18 months	23%	38%	21%	23%

Is the Canada Emergency Wage Subsidy (CEWS) currently sufficient enough to be helpful for your business?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Yes, it is sufficient	30%	29%	32%	21%
No, it is not sufficient	53%	31%	55%	58%
Don't know / unsure	8%	14%	7%	8%
My business is not eligible / not planning to apply	9%	26%	6%	13%

Is the Canada Emergency Rent Subsidy (CERS) currently sufficient enough to be helpful for your business?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Yes, it is sufficient	21%	18%	26%	4%
No, it is not sufficient	45%	24%	48%	48%
Don't know / unsure	5%	3%	5%	4%
My business is not eligible / not planning to apply	29%	55%	21%	44%

Is the Canada Emergency Business Account (CEBA) currently sufficient enough to be helpful for your business?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Yes, it is sufficient	30%	37%	32%	17%
No, it is not sufficient	43%	31%	43%	48%
Don't know / unsure	13%	6%	14%	17%
My business is not eligible / not planning to apply	14%	26%	11%	19%

Is the new Highly Affected Sectors Credit Availability Program (HASCAP) currently sufficient enough to be helpful for your business?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Yes, it is sufficient	3%	6%	4%	0%
No, it is not sufficient	16%	9%	18%	17%
Don't know / unsure	51%	31%	54%	55%
My business is not eligible / not planning to apply	29%	54%	24%	28%

Are the aid programs provided by provincial governments where your business operates currently sufficient enough to be helpful for your business?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Yes, it is sufficient	14%	11%	18%	0%
No, it is not sufficient	64%	46%	64%	77%
Don't know / unsure	14%	14%	15%	8%
My business is not eligible / not planning to apply	8%	29%	3%	15%

How many foodservice establishments do you operate?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
A single, independent establishment	54%	46%	50%	74%
A single location within a multi-unit business or franchise	9%	11%	8%	9%
More than one establishment	38%	43%	42%	17%

If current conditions continue, how long do you expect your business to survive before you will have to permanently close down your foodservice establishment?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Less than a month	1%	10%	0%	0%
1 to 2 months	6%	0%	5%	13%
3 to 6 months	34%	0%	45%	18%
7 to 12 months	23%	15%	25%	18%
12 to 18 months	14%	25%	9%	26%
More than 18 months	10%	30%	6%	13%
Other	11%	20%	10%	11%

If current conditions continue, how long do you expect your business to survive before you will have to permanently close down at least one of your locations?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Less than a month	5%	7%	5%	0%
1 to 2 months	6%	0%	6%	13%
3 to 6 months	35%	13%	38%	50%
7 to 12 months	23%	13%	26%	13%
12 to 18 months	10%	27%	9%	0%
More than 18 months	14%	33%	12%	0%
Other	7%	7%	5%	25%



**Which of the following offerings does your business currently provide?
(Please select all that apply)**

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Contactless payment	75%	79%	79%	58%
Contactless pick-up / curbside pick-up	67%	54%	76%	42%
A simplified/reduced number of menu offerings	53%	33%	59%	45%
Beverage alcohol for takeout and/or delivery	59%	18%	72%	39%
Meal kits for customers to assemble and cook their meals at home	22%	10%	29%	8%
Groceries	10%	8%	11%	6%
Delivery through a "ghost" kitchen	4%	--	5%	0%
None of the above	12%	13%	8%	27%

How many units do you own and/or operate?

	Total Foodservice	Quick-service Restaurants	Table-service Restaurants*	All Other Foodservice**
Number of Responses	353	39	225	88
Number of Units	6,592	3,986	2,500	105

* Includes table-service restaurant and combination table-service restaurant and bar.

** Includes accommodation, drinking places, institutions (e.g. health care, education) and managed service providers.

About the Restaurant Outlook Survey

The results for the fourth quarter are compiled from responses to an email to foodservice operators inviting them to take an online survey. The survey was conducted between February 8 to February 20, 2021.

Restaurants Canada encourages foodservice operators to participate in the Restaurant Outlook Survey to ensure results continue to be representative of our industry. Contact Chris Elliott at celliot@restaurantscanada.org to participate in the survey.

About Restaurants Canada

Restaurants Canada (previously CRFA) is a growing community of 30,000 foodservice businesses, including restaurants, bars, caterers, institutions, and suppliers. We connect our members from coast to coast through services, research, and advocacy for a strong and vibrant restaurant community.

Before the start of the COVID-19 pandemic, Canada's foodservice sector was a \$95 billion industry, directly employing 1.2 million people, providing Canada's number one source of first jobs and serving 22 million customers across the country every day.



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

For further information

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: members@restaurantscanada.org

Website: restaurantscanada.org

Thank you to our corporate sponsors

Platinum



Gold



Silver

