

# CRFA's Restaurant Outlook Survey

Second Quarter of 2011

**Welcome to the first edition of CRFA's Restaurant Outlook Survey.** This quarterly report, based on a national survey of restaurant owners, helps gauge the current state of a \$61-billion industry that employs more than one million people in communities across Canada. This inaugural edition provides a snapshot of current challenges and expectations among restaurant owners.

As we build our data, 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. CRFA thanks Interac for sponsoring this important new research project. We encourage restaurant operators to participate in the Restaurant Outlook Survey to ensure results continue to be representative of our industry.

## Restaurant Sales

- Restaurant sales were mixed in the second quarter of 2011. While 34% of respondents reported higher same-store sales in the second quarter compared to a year ago, another 34% said sales were lower. The remaining 32% posted flat sales.
- The average restaurant posted flat same-store sales (-0.1%) in the second quarter of 2011.
- A number of factors may have restrained restaurant sales in the second quarter. More than half of respondents (55%) perceive the weak economy had a negative impact on sales. This coincides with a steady decrease in the Conference Board of Canada's Consumer Confidence Index over the course of the second quarter. Canadians are feeling less optimistic about their income and employment prospects, which typically leads to a pull-back in discretionary spending.
- Nearly a third of respondents blamed bad weather for having a negative impact on their sales.
- There is guarded optimism as 82% of respondents expect their sales will continue to grow at the same or greater pace over the next six months. Three in 10 operators believe their sales in the next six months will grow at a greater rate than the previous six months while 18% believe they will slow down.
- The outlook of restaurant owners aligns with

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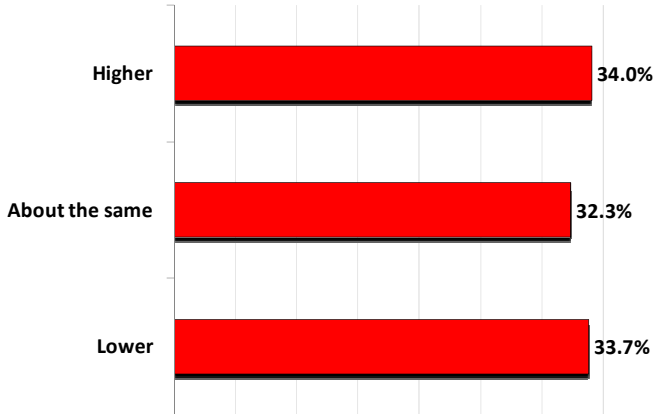
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## CRFA'S Restaurant Outlook Survey for Q2 2011

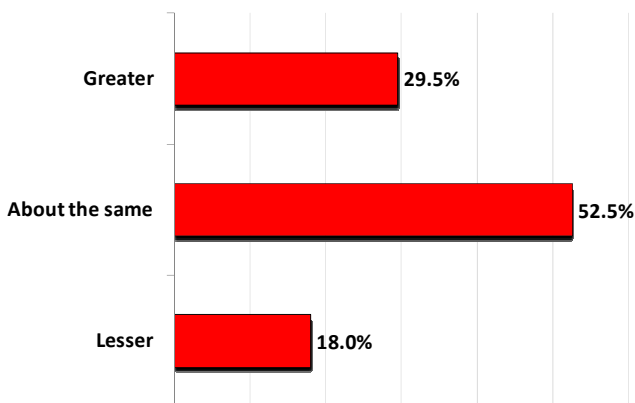
current economic forecasts. According to the latest forecast by TD Economics, Canada's economy will see modest gains over the second half of 2011 and into 2012.

**An equal number of restaurant owners reported higher, flat and lower same-store sales.**



**Q: In the second quarter of 2011, was your total sales volume (on a same-store basis) higher, lower, or about the same versus the same period one year ago?**

**52% of respondents expect their same-store sales will grow at the same rate over the next six months.**



**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?**

## Food Costs and Menu Prices

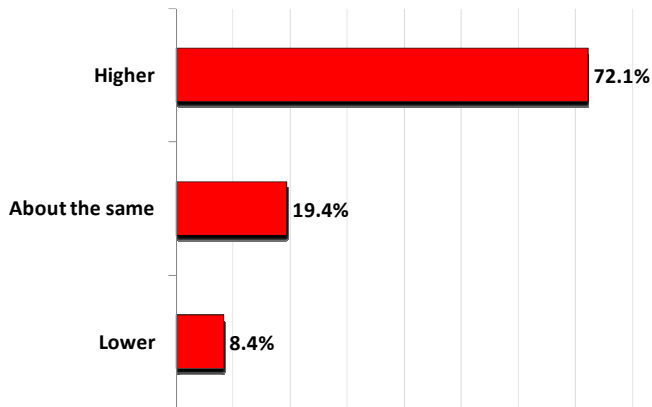
- Food costs are the largest expense for restaurant owners, equalling nearly 36% of operating revenue.
- As a result of rising global commodity prices over the past year, it's not surprising that an overwhelming 72% of respondents reported higher average food costs in the second quarter of 2011 compared to the same period a year ago.
- Just 20% of respondents said their food costs were relatively the same as last year.
- According to survey respondents, food costs jumped an average of 4.7% in the second quarter of 2011 compared to a year earlier.
- Given the restaurant industry's razor-thin profit margins and highly competitive nature, a big question for restaurant owners is to what extent these higher costs be passed on to price-sensitive consumers.
- Nearly 60% of respondents said they would likely raise their menu prices over the next six months due to higher operating costs.
- Another 40% of respondents plan to hold menu prices at their current level.

## Employment

- Over the next six months, 61% of respondents said they will keep their employment levels the same over the next six months while 22% plan to add staff. This could be partly due to restaurant owners preparing for the upcoming tourist season.

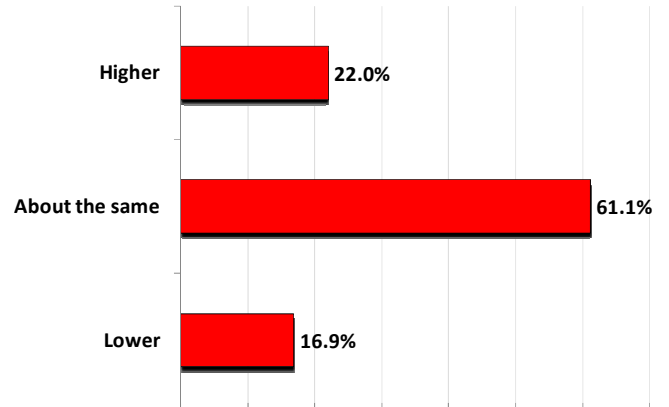
## CRFA'S Restaurant Outlook Survey for Q2 2011

Seven out of 10 respondents saw higher average food costs in the second quarter of 2010.



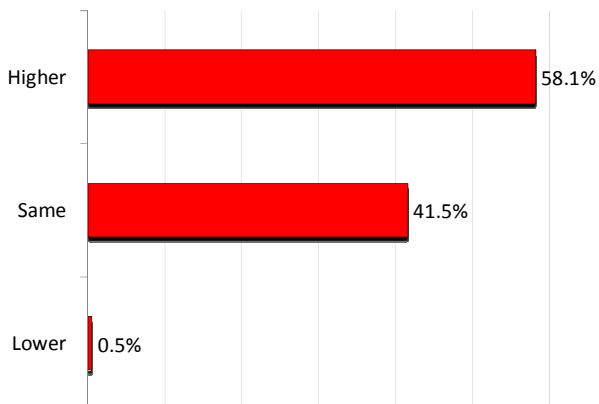
**Q: In the second quarter, were your average food costs higher, lower or about the same as the second quarter of 2010?**

Six in 10 restaurant operators plan to keep their employment level about the same over the next six months.



**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?**

Nearly 60% of operators expect to increase their menu prices in the next six months.



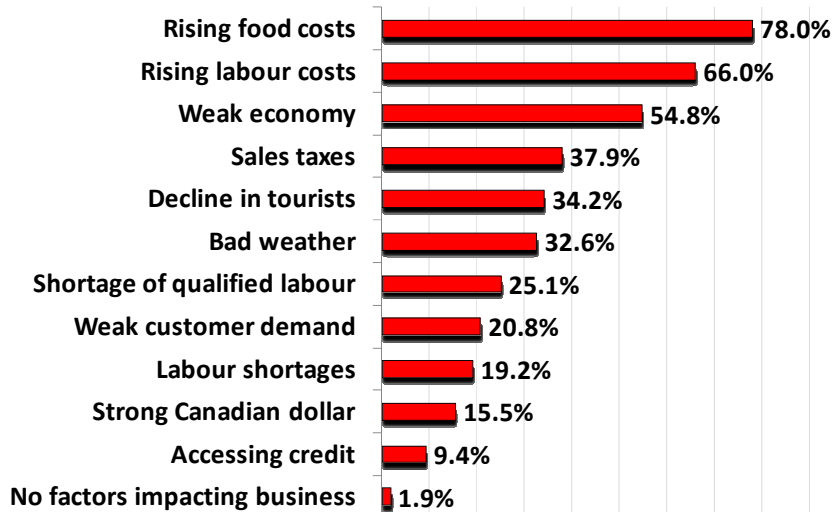
**Q: Over the next six months, do you expect your menu prices to be higher, lower, or the same as the previous six months?**

- Two-thirds of respondents stated that rising labour costs are having a negative impact and one in four operators is struggling to find qualified labour. This was most notable in Ontario and Western Canada.
- More than half of restaurant operators (54.8%) felt the weak economy is restraining their sales.
- One third of restaurant owners reported that bad weather hurt their sales in Q2 – that number spiked in May with 38% of respondents citing bad weather as a negative factor. A cool, rainy spring delayed patio season for restaurant owners in many parts of the country.
- Nearly 60% of respondents with operations in British Columbia blamed sales taxes for having a negative impact on their business. Restaurant owners in British Columbia lost their PST-exempt status with the introduction of the HST in July, 2010.

### Factors Impacting Business

- Various factors can impact the restaurant business, such as the economy, rising operating expenses and the weather.
- Given the sharp climb in global food prices, an overwhelming eight in 10 respondents stated that rising food costs are having a negative impact on their business.

**Rising food and labour costs are the biggest issues having a negative impact on the restaurant industry.**



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

## Methodology

- The responses for the second quarter are compiled from a monthly e-mail to restaurant operators inviting them to take an online survey. The survey covers the reference periods, April, May and June.
- In total, 427 completed surveys were submitted for the second quarter, representing 4,826 establishments.
- Results of the survey are considered accurate within +/- 4.7 percentage points 19 times out of 20. The margin of error will be larger within sub-groupings of the survey.

## About CRFA

Since its founding in 1944, CRFA has grown to more than 30,000 members representing 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.

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