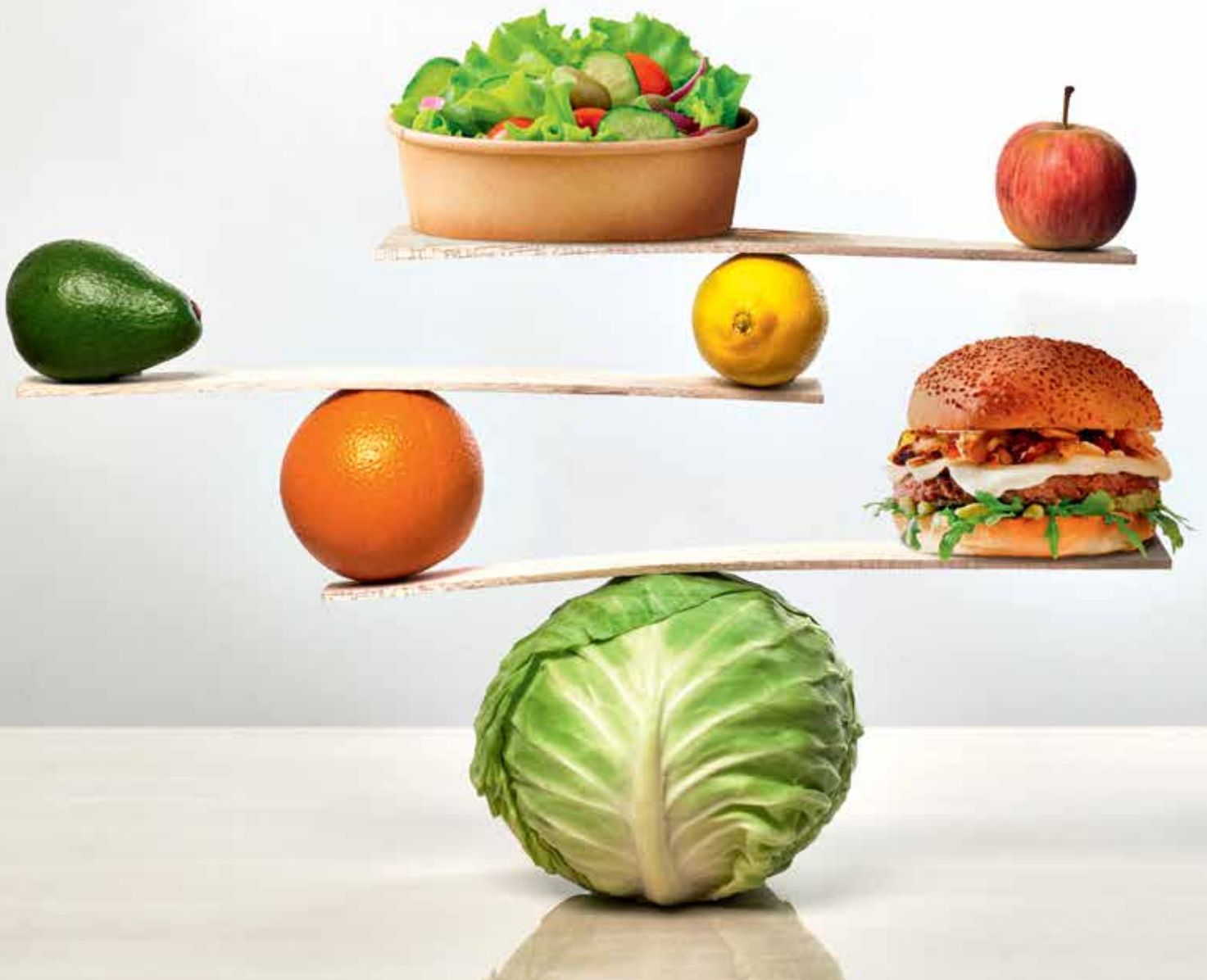


# FOODSERVICE FACTS 2023

REBALANCING FOR GROWTH



# WE'RE FINDING OUR BALANCE. WHAT HAPPENS NEXT?

The foodservice industry is immensely complex. Every day, nearly 22 million Canadians make a purchase from a restaurant, opting for dine-in or take-out, choosing between quick-service and full-service restaurants, and selecting from tens of thousands of menu items across the entire industry. Decisions can be made weeks in advance for special occasions or on the spur of the moment as an impulse buy. And it's all influenced by what's happening in the economy, the weather, and general consumer sentiment.

*In 2022, the foodservice industry surpassed the \$100 billion mark for the first time.*

**\$100  
BILLION**

Yet, for all its complexity, one could sum up the current state of Canada's foodservice industry in just two numbers. Strangely, they tell two different narratives of the situation, one of success and the other of financial struggles.

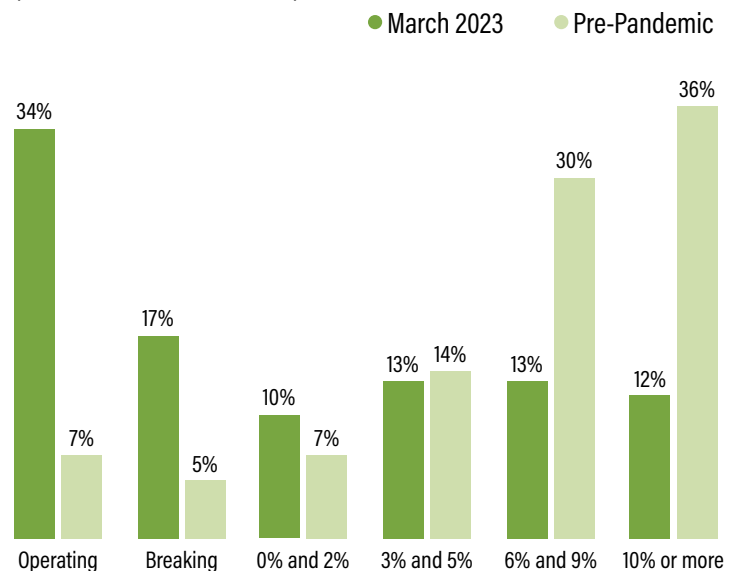
We start with the first number: \$100 billion.

This figure is an incredible milestone, showcasing the size and importance of Canada's foodservice industry and its contribution to the overall economy and communities nationwide. In 2023, we forecast it will grow to \$110 billion. On the surface, this appears to be a strong rebound in spending compared to the depths of the pandemic, highlighting the importance of the foodservice industry in the daily lives of Canadians.

But the second number tells a vastly different story:

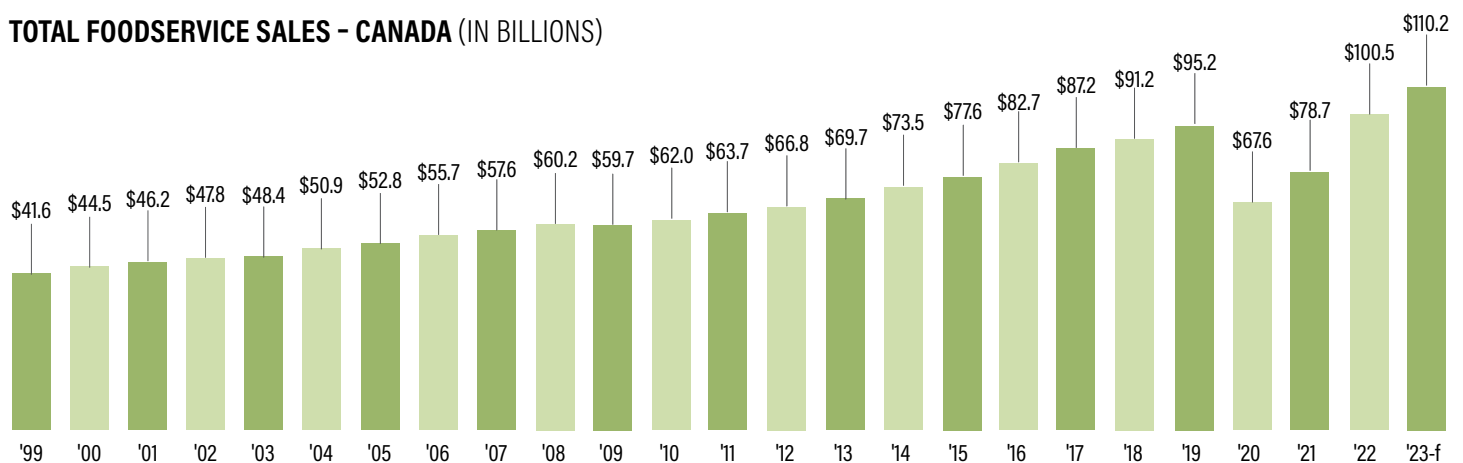
**50%. Based on a survey of restaurant owners, half of all foodservice companies are operating at a loss or just breaking even.** While sales have improved, operators are unable to be profitable due to soaring operating costs and customer traffic that remains stuck below pre-pandemic levels. The situation is a mirror version of what it was like before the pandemic, when just 7% of restaurant companies operated at a loss, and 5% broke even. At that time, 36% of restaurant operators had a pre-tax profit of 10% or more. Today, just 12% are realizing double-digit profit margins.

## PROFITABILITY IN THE FOODSERVICE INDUSTRY (SHARE OF RESPONDENTS)



SOURCE: RESTAURANTS CANADA'S RESTAURANT OUTLOOK SURVEY

## TOTAL FOODSERVICE SALES - CANADA (IN BILLIONS)



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

We're moving forward but still recovering from the past.

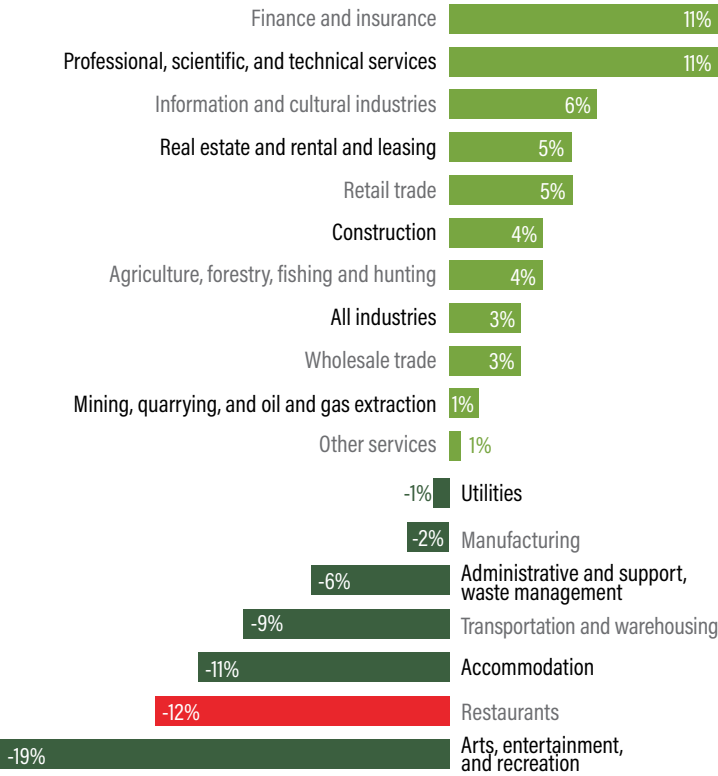
Despite record annual sales volumes, once adjusted for menu inflation and population, real per capita foodservice spending remains 9% below 2019 levels, or by \$257. In 2023, real per capita sales are just on par with levels seen more than a decade ago in 2012. We can largely pin this tepid performance on consumers not returning to their usual dining behaviours, with many working more at home and less at the office, and on some residual reluctance to return to dining out due to the pandemic.

All of this highlights that, while most of the economy has moved on from the pandemic, the foodservice industry has a long way to go, with a real GDP still 12% below 2019 levels. Across all major industries, only the arts, entertainment, and recreation sector has seen a steeper decline in economic activity. By comparison, restaurants were the fifth-fastest growing industry between 2010 and 2019, expanding by 30%. For some perspective, we can look at retail sales, which rose 21% (ranking 12th) during that same period.

As a result, 75% of table-service restaurants and 51% of quick-service restaurants surveyed were still in debt due to the pandemic.

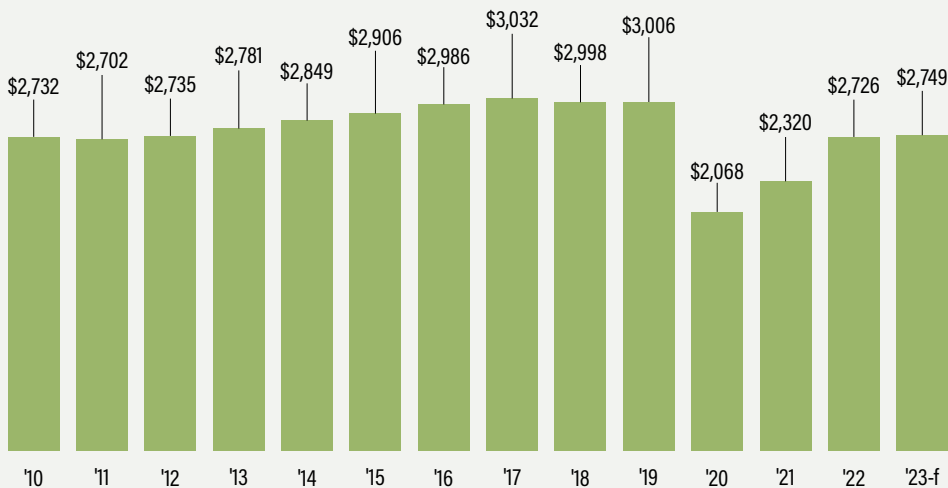
One in four independent table-service restaurants said they do not expect their business to recover from the debt incurred due to the pandemic unless current conditions change.

CHANGE IN ECONOMIC ACTIVITY (REAL GDP) BETWEEN 2019 & 2022



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

PER CAPITA FOODSERVICE SALES IN CANADA IN 2023 DOLLARS



After adjusting for inflation and population growth, real per capita sales are still **below 2019 levels.**

SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

# MARKET REVIEW AND FORECAST

Overall, foodservice sales are forecast to climb to \$110.2 billion in 2023, a 9.7% increase over 2022. Driving this rise are a continued recovery in the accommodation foodservice segment (+27.4% over 2022), population growth, and higher menu prices. Once adjusted for anticipated menu inflation of 5.6%, real foodservice sales are forecast to grow 4.1% in 2023.



## FOODSERVICE SALES CANADA (IN MILLIONS OF DOLLARS)

	2021	% CHANGE '21/'20	2022	% CHANGE '22/'21	2023	% CHANGE '23/'22
Quick-service restaurants	\$33,582.6	15.7%	\$38,068.4	13.4%	\$40,838.3	7.3%
Full-service restaurants	\$26,582.4	21.9%	\$36,311.4	36.6%	\$39,715.1	9.4%
Caterers	\$3,948.9	18.1%	\$5,933.7	50.3%	\$6,717.5	13.2%
Drinking places	\$1,573.6	9.8%	\$2,341.2	48.8%	\$2,516.0	7.5%
<b>TOTAL COMMERCIAL</b>	<b>\$65,687.4</b>	<b>18.1%</b>	<b>\$82,654.8</b>	<b>25.8%</b>	<b>\$89,786.8</b>	<b>8.6%</b>
Accommodation foodservice	\$2,640.0	11.1%	\$5,814.0	120.2%	\$7,406.0	27.4%
Institutional foodservice	\$5,453.0	3.7%	\$6,012.1	10.3%	\$6,663.1	10.8%
Retail foodservice	\$2,499.3	7.9%	\$2,793.6	11.8%	\$2,961.2	6.0%
Other foodservice	\$2,458.5	17.5%	\$3,228.6	31.3%	\$3,425.5	6.1%
<b>TOTAL NON-COMMERCIAL</b>	<b>\$13,050.9</b>	<b>8.4%</b>	<b>\$17,848.4</b>	<b>36.8%</b>	<b>\$20,455.9</b>	<b>14.6%</b>
<b>TOTAL FOODSERVICE</b>	<b>\$78,738.3</b>	<b>16.4%</b>	<b>\$100,503.1</b>	<b>27.6%</b>	<b>\$110,242.7</b>	<b>9.7%</b>
<b>MENU INFLATION</b>		<b>3.1%</b>		<b>6.7%</b>		<b>5.6%</b>
<b>REAL GROWTH</b>		<b>13.3%</b>		<b>20.9%</b>		<b>4.1%</b>

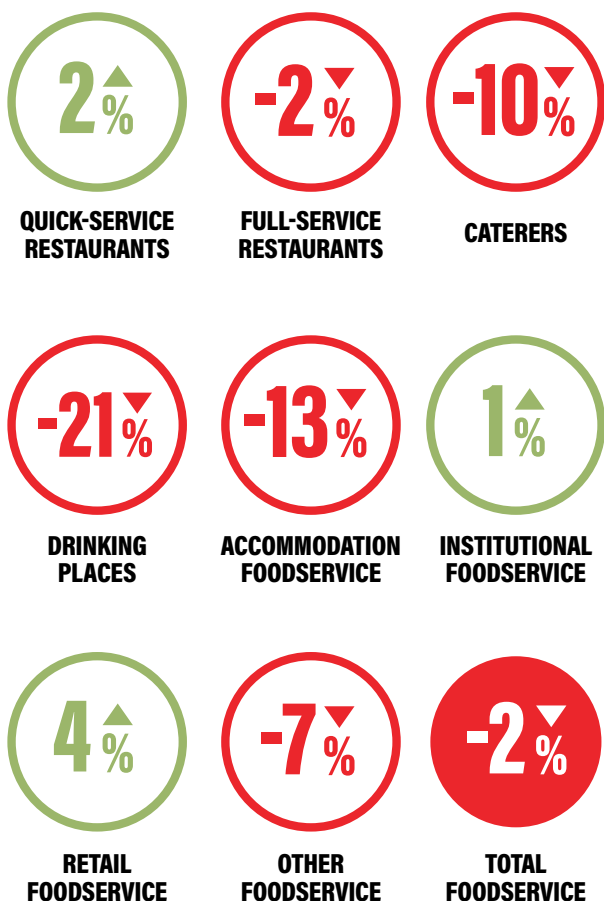
SOURCE: RESTAURANTS CANADA, STATISTICS CANADA, FSSTRATEGY INC. AND CBRE HOTELS

Despite higher nominal sales across the industry, most segments **remain below 2019** levels once adjusted for menu inflation.

Real sales in 2023, once adjusted for inflation, remain below pre-pandemic levels for most of the industry, despite higher nominal sales. Overall, real foodservice sales were 30% below 2019 levels in 2020. Despite a significant recovery, sales are forecast to remain 2% below 2019 in 2023. The shift to off-premise dining, higher menu prices, remote work, and lingering concerns about going out in public mean there is still a long road to recovery for many foodservice segments.

## HOW INFLATION-ADJUSTED SALES COMPARE TO PRE-PANDEMIC LEVELS

REAL SALES GROWTH IN 2023 COMPARED TO 2019



SOURCE: RESTAURANTS CANADA, STATISTICS CANADA, FSSTRATEGY INC. AND CBRE HOTELS

# FOODSERVICE SEGMENTS

## Commercial foodservice

Operations whose primary business is food and beverage service.

### Quick-service restaurants

Restaurants where you pay before you eat. Includes counter service, cafeterias, food courts, and take-out and delivery establishments.

### Full-service restaurants

Restaurants where you pay after you eat. Includes licensed and unlicensed fine-dining, casual and family restaurants as well as restaurant-bars.

### Caterers

Includes contract caterers supplying food services to airlines, railways, institutions and recreational facilities, as well as social caterers providing food services for special events.

### Drinking places

Includes bars, taverns, pubs, cocktail lounges and nightclubs primarily engaged in serving alcoholic beverages for immediate consumption. These establishments may also provide limited food service.

### Non-commercial foodservice

Self-operated foodservice in establishments whose primary business is something other than food and beverage service. Branded restaurants in any of these settings are counted in commercial restaurant sales if they are owned by the restaurant chain.

### Accommodation foodservice

Foodservice in hotels, motels, and resorts.

### Institutional foodservice

Foodservice in hospitals, residential care facilities, schools, prisons, factories, remote facilities and offices. Includes patient and inmate meals.

### Retail foodservice

Foodservice operated by department stores, convenience stores, and other retail establishments.

### Other foodservice

Includes vending, sports and private clubs, movie theatres, stadiums, and other seasonal or entertainment operations.

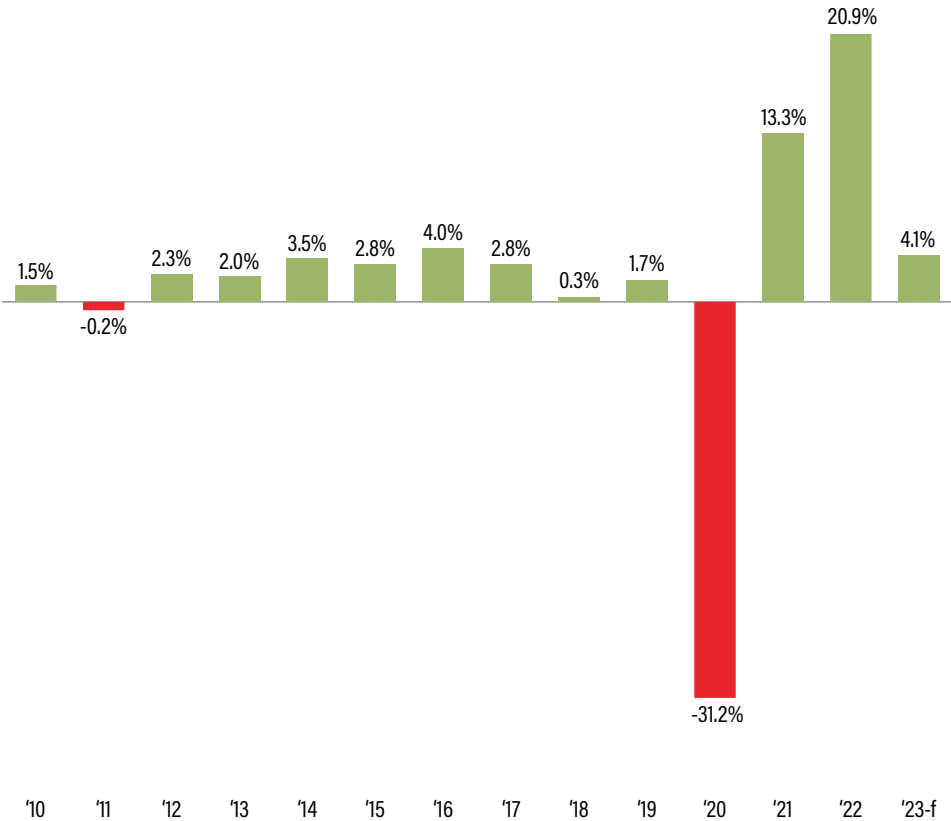
### Total foodservice

Includes commercial and non-commercial foodservice.



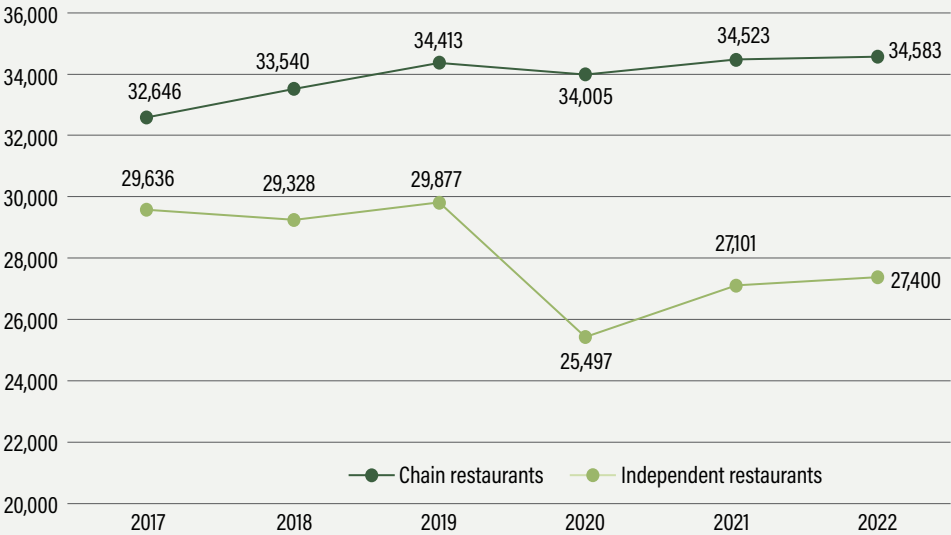
# TOTAL FOODSERVICE SALES - CANADA

## YEAR-OVER-YEAR REAL CHANGE



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

# NUMBER OF CHAIN AND INDEPENDENT RESTAURANTS (CANADA)



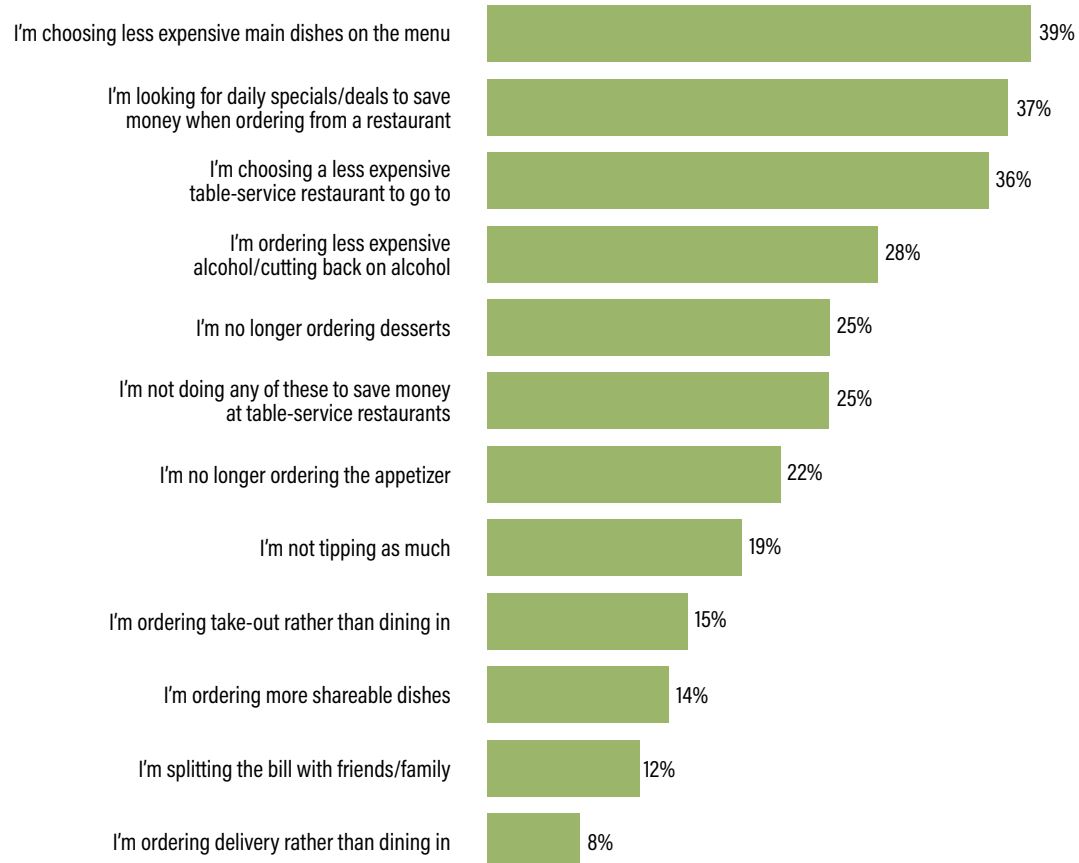
SOURCE: CIRCANA / RECOUNT® 2023



To save money when going out to a table-service restaurant, consumers are primarily focused on selecting lower-cost items on the menu, looking for specials, and choosing less expensive table-service restaurants. Somewhat surprisingly, one quarter of Canadians said they are not making any changes to save money when visiting a table-service restaurant.

Canadians in the 18–24 age category are more likely than any other cohort to no longer order a dessert (39%). Additionally, they are more likely to split the bill with friends and family (32%) and order shareable dishes (23%).

### WHEN CHOOSING A TABLE-SERVICE RESTAURANT, WHICH OF THE FOLLOWING DO YOU DO IN ORDER TO SAVE MONEY?



SOURCE: ANGUS REID, SURVEY CONDUCTED MAY 2023

### STRATEGIC PERSPECTIVE

"Young adults are more ethnically diverse than any other age segment. As a result, they have been exposed to more global flavour influences and will be the most likely to seek these out from their foodservice visits. This partly explains why they are inclined to visit smaller operators and independents, which offer these more diverse flavours, than big chains. The next thing driving these younger adults is technology. This translates into a higher likelihood of placing a digital order, a higher propensity to order delivery and being the most likely to be influenced by social media when making a restaurant visit. The way in which today's younger consumers engage with brands and each other is different than any generation before them."

Vince Sgabellone  
Foodservice Industry Analyst | Circana

The Impact of Remote Work on Restaurant Dayparts

Compared to last year, there has been little change in the share of Canadians working remotely. In May 2023, 24% of working Canadians worked mostly/entirely remotely, while another 18% worked a hybrid schedule. The remaining 58% of working Canadians worked mostly/entirely on-site.

By comparison, 28% of working Canadians worked mostly/entirely remotely in May 2022, while another 17% worked a hybrid schedule. At that time, 55% of working Canadians worked mostly/entirely on-site.

Remote working is here to stay, at least in the foreseeable future. Over the next 12 months, of those currently working mostly/entirely remotely, our Angus Reid-conducted survey found that 85% expect to continue to work this way, while 11% expect to move to a hybrid schedule. Just 2% expect to move to an on-site work environment.

Consumers continuing with remote work has significant implications for the foodservice industry. People who work at home aren't commuting during the breakfast daypart, grabbing lunch, or picking up afternoon snacks to power through the rest of the workday. Of those that work mostly/entirely remotely, 56% have a household income of \$100K or more a year, compared to 29% with incomes of \$50K to \$100K and 15% with an annual household income under \$50K.

There is **significant money** on the sidelines not being spent as higher-income households continue to work from home.

WHAT DO YOU EXPECT YOUR WORK SITUATION TO BE IN 12 MONTHS?

		EXPECTED WORK SITUATION IN 12 MONTHS			
CURRENT WORK SITUATION		MOSTLY/ENTIRELY REMOTE	HYBRID	ENTIRELY/MOSTLY ON-SITE	I DON'T KNOW/NOT SURE
	Work mostly/ entirely remote	85%	11%	2%	2%
	Hybrid	5%	82%	9%	5%
	Work mostly/ entirely on-site	1%	3%	91%	6%

SOURCE: ANGUS REID, SURVEY CONDUCTED MAY 2023

