



# THE 2015 BOTTOM LINE

A GUIDE TO CANADIAN RESTAURANT  
OPERATING PERFORMANCE

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# INTRODUCTION

Once again, FHG International Foodservice and Franchise Consultants, *Foodservice and Hospitality* magazine and The Ted Rogers School of Hospitality and Tourism Management at Ryerson University are pleased to present the summary findings of our third restaurant industry financial operating report, which is published every two years.

“The Bottom Line” is based on the feedback of approximately 463 restaurant operators, representing more than 1,000 units across the country in all four sectors of the industry (quick-service, family, casual and fine-dining). The detailed report is based on year-end 2014 industry-operating performance and provides cross-sectional operating analysis based on criteria, such as — but not limited to — operations by region, sector, square footage, seat, location, menu theme, menu type, years in business, multi-unit vs. single unit, cost to build, alcohol vs. non-alcohol service and days open. The report offers insight on sales-per-seat and sale-per-square-foot by sector and region.

The results presented within this report represent those operators who provided detailed facility information, along with a comprehensive response, to the financial questions asked.

## MARKET SEGMENTS

We have segmented results in general and specific terms. First, restaurants in each of the four most common commercial segments were examined and an overview of the information is listed below:

Segment	Number of Respondents	Percentage of Respondents
QSR	176	38%
Family	88	19%
Casual	120	26%
Fine-Dining	79	17%
TOTAL	463	100%

We also examined the data from a regional point of view to develop the following profile:

Region	Percentage of Respondents
British Columbia	15%
Prairies	20%
Ontario	35%
Quebec	20%
Atlantic Canada	10%
TOTAL	100%

# THE 2015 BOTTOM LINE



*Newfoundland & Labrador; Northern Canada includes Northwest Territories, Yukon and Nunavut (Please note we had minimal responses from this region this year).*

## LIMITATIONS

The results featured in this report are meant to be used as guidelines for financial projections and performance analysis. They illustrate the information from operators willing to share with the industry their facility characteristics and operating results. Though we believe the information reflects what is taking place in the industry, it's based only on those operators who shared information. FHG International Inc., *Foodservice and Hospitality* magazine, and Ryerson University have not — and are not trying to — set operational or performance standards for the industry in this publication, but rather provide the results from this survey only.

We also need to caution readers that Statistics Canada has developed its own Operations analysis, which we believe is limited in scope. The data featured in this report may differ from the summary results found in the Statistics Canada report due to a variety of factors, including different definitions of cost-centres, as well as variance in category or regional groupings and other salient issues. It's best for the reader not to overlap the two reports.



*Note: Prairies includes Alberta, Saskatchewan and Manitoba; Atlantic Canada includes Nova Scotia, New Brunswick, Prince Edward Island and*

# THE 2015 BOTTOM LINE: A DETAILED REPORT OUTLINING RESTAURANT OPERATING PERFORMANCE IN CANADA

BY DOUGLAS P. FISHER AND PROFESSOR RICHARD WADE

It's clear that the foodservice industry is getting healthy. But on an overall basis, the national operating profit has declined from 10.6 per cent in 2012 to 9.0 per cent in 2014. From an operating profit perspective, Eastern Canada, due to its relatively low occupancy costs and favourable labour costs, drives the strongest bottom line at 10.7 per cent of sales followed by Ontario at 10.6 per cent, which benefits from the lowest overall labour cost. Operating profits in Quebec and the Prairie region are the lowest in the country, due primarily to high food costs in the west and

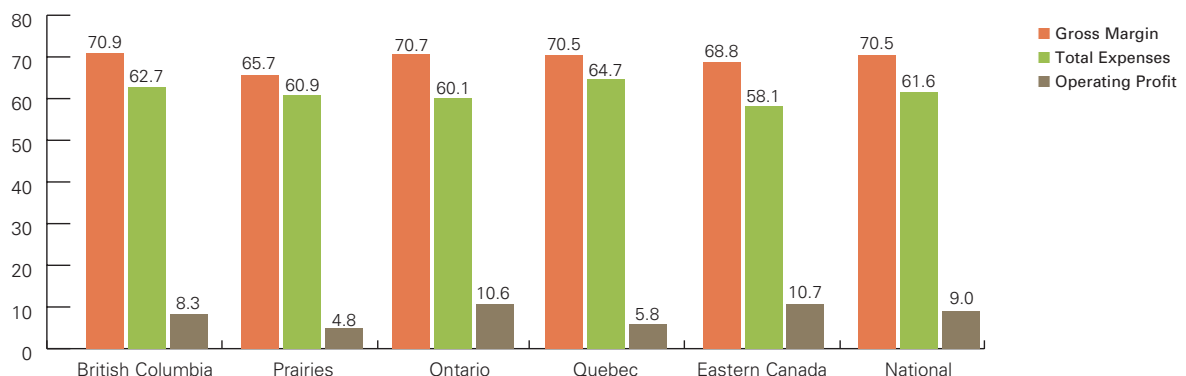
very high occupancy costs in Quebec.

The most noticeable declines occurred in the area of Salary/Wages/Benefits, Occupancy and some Operating expenses. Overall, Total Expenses was up by 5.2 percentage points, but this was offset by a lower Total Cost of Sales. Interestingly, and perhaps surprisingly, the Atlantic region continued to outperform the rest of the country by 1.7 percentage points, resulting primarily from an occupancy cost that is significantly below national levels.

## ALL REGIONS

	British Columbia	Prairies	Ontario	Quebec	Atlantic Canada	National
<b>Sales (by per cent)</b>						
Food	85.7	79.6	80.9	89.0	79.8	82.8
Beverage	13.5	17.3	14.0	7.7	15.7	13.2
Other Revenue	0.8	3.1	5.1	3.3	4.5	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	28.5	35.9	29.4	29.1	31.3	29.2
Beverage	31.8	25.9	24.0	27.7	27.8	26.2
Other	39.7	39.4	43.0	45.1	40.9	44.4
<b>Total Cost of Sales</b>	<b>29.1</b>	<b>34.3</b>	<b>29.3</b>	<b>29.5</b>	<b>31.2</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>70.9</b>	<b>65.7</b>	<b>70.7</b>	<b>70.5</b>	<b>68.8</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	32.9	31.1	28.9	31.5	29.4	30.6
Occupancy	8.6	9.8	11.9	13.6	7.0	10.7
Operating	5.3	4.1	4.2	3.9	5.1	4.6
Paper	2.1	1.8	1.7	1.0	1.4	1.8
Utilities	2.6	2.7	2.5	2.0	3.9	2.6
General & Administration	3.3	3.1	3.2	2.5	3.9	3.3
Marketing	3.7	3.9	4.0	4.2	3.2	3.9
Entertainment	1.5	1.3	1.1	3.8	0.9	1.4
Repairs and Maintenance	2.5	3.0	2.6	2.1	3.4	2.6
<b>Total Expenses</b>	<b>62.7</b>	<b>60.9</b>	<b>60.1</b>	<b>64.7</b>	<b>58.1</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>8.3</b>	<b>4.8</b>	<b>10.6</b>	<b>5.8</b>	<b>10.7</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>2.5</b>	<b>2.4</b>	<b>2.7</b>	<b>2.2</b>	<b>1.7</b>	<b>2.5</b>

Numbers may not add due to rounding



# NATIONAL BY SECTORS

	QSR	Family Restaurant	Casual/Theme	Fine Dining	National
<b>Sales</b>					
Food	90.8	90.0	76.7	65.6	82.8
Beverage	4.6	8.4	19.5	32.4	13.2
Other Revenue	4.6	1.6	3.8	2.1	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>					
Food	31.8	26.4	30.7	32.1	29.2
Beverage	27.9	24.4	30.9	32.6	26.2
Other	40.2	52.2	38.4	44.7	44.4
<b>Total Cost of Sales</b>	<b>32.0</b>	<b>26.6</b>	<b>31.0</b>	<b>32.6</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>68.0</b>	<b>73.3</b>	<b>69.0</b>	<b>67.5</b>	<b>70.5</b>
<b>Expenses</b>					
Salary, wages & benefits	24.2	32.5	30.5	35.2	30.6
Occupancy	11.3	10.1	9.8	7.6	10.7
Operating	4.5	4.8	4.5	4.2	4.6
Paper	2.1	1.5	2.1	1.7	1.8
Utilities	2.4	2.5	3.0	2.4	2.6
General & Administration	3.7	2.3	3.8	4.3	3.3
Marketing	3.3	3.4	4.2	3.4	3.9
Entertainment	0.7	2.7	0.4	1.2	1.4
Repairs and Maintenance	1.8	3.6	1.8	3.1	2.6
<b>Total Expenses</b>	<b>53.9</b>	<b>63.4</b>	<b>60.3</b>	<b>63.2</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>14.0</b>	<b>9.9</b>	<b>8.7</b>	<b>4.3</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>4.7</b>	<b>2.7</b>	<b>3.8</b>	<b>0.5</b>	<b>2.5</b>

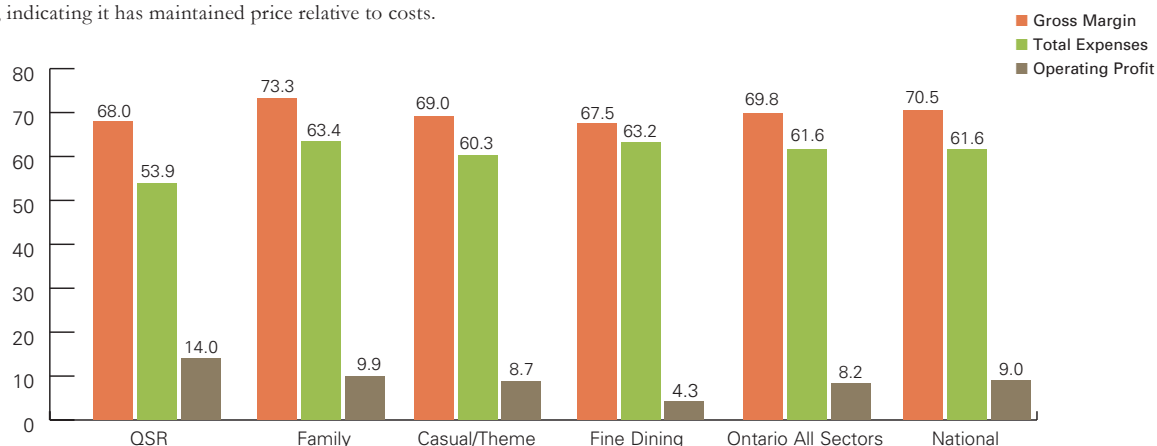
Numbers may not add up due to rounding

While profitability inevitably differs depending on sectors and regions, the overall health of each of the industry sectors is strong. QSR leads the market, as it has historically, based primarily on its overall lower staffing requirements. In addition, as the Fast-Casual sector (the upper end of QSR) continues to grow in its attraction to customers due to its higher quality offerings, the sector is seeing new dimensions and growth. Not surprisingly, during this period, QSRs continued to be the most profitable segment in the industry (14.0 per cent) compared to the National Average at 9.0 per cent.

The Family market is holding its own with operating profit up almost two per cent since our 2012 analysis.

The Casual/Theme sector has been stable in operating profit over the past two years, indicating it has maintained price relative to costs.

Over the past several years the Fine-Dining sector has been negatively impacted by the weakened state of the economy, forcing consumers to trade down to less-expensive dining alternatives. However, the Fine-Dining sector, which comprises approximately two per cent of the market, saw a doubling in operating profit over the past two years, primarily by driving sales that have subsequently reduced occupation costs as a percentage of sales. This increase is due to economic and business growth since the end of the 2008 to 2012 recession, which had curtailed sales and profits for this sector, as customers chose lower cost dining experiences. With a strengthened economy, the Fine-Dining market has rebounded in sales, creating an almost doubling in Operating Profit due to rent reduction as a percentage of sales.





## BY SQUARE FOOTAGE

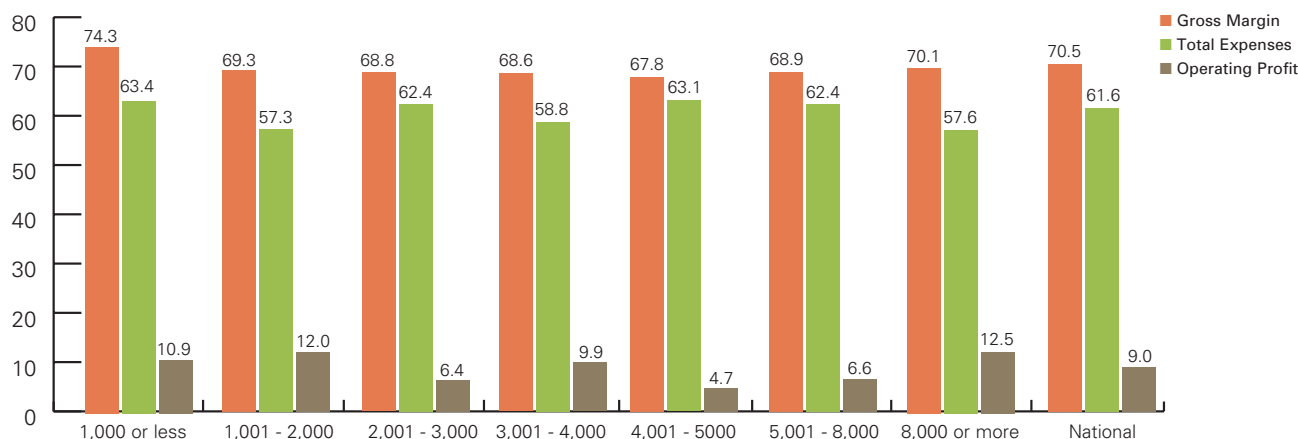
	1,000 or less	1,001- 2,000	2,001- 3,000	3,001- 4,000	4,001- 5,000	5,001- 8,000	National
<b>Sales</b>							
Food	88.0	84.7	74.6	83.2	69.9	82.4	82.8
Beverage	6.7	11.5	20.9	15.4	29.2	15.2	13.2
Other Revenue	5.2	4.7	4.8	1.9	0.9	3.0	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>							
Food	25.3	31.2	31.5	32.2	31.6	29.9	29.3
Beverage	15.2	24.0	27.7	25.0	32.9	32.3	26.2
Other	44.8	31.7	39.2	37.5	48.7	52.0	44.4
<b>Total Cost of Sales</b>							
<b>Gross Margin</b>	<b>74.3</b>	<b>69.3</b>	<b>68.8</b>	<b>68.6</b>	<b>67.8</b>	<b>68.9</b>	<b>70.5</b>
<b>Expenses</b>							
Salary, wages & benefits	30.4	24.2	33.3	29.8	31.9	33.7	30.6
Occupancy	12.9	13.1	8.3	8.6	9.1	8.8	10.7
Operating	4.1	4.4	4.3	3.5	4.4	5.2	4.6
Paper	0.9	2.6	2.1	1.9	1.9	2.1	1.8
Utilities	2.2	2.6	3.6	4.1	2.6	2.7	2.6
General & Administration	2.4	4.4	4.6	2.5	4.4	3.1	3.3
Marketing	4.9	3.3	2.7	3.9	4.2	3.6	3.9
Entertainment	2.9	0.9	0.7	1.0	0.8	1.1	1.4
Repairs and Maintenance	3.4	1.7	2.7	3.5	3.7	2.2	2.6
<b>Total Expenses</b>	<b>63.4</b>	<b>57.3</b>	<b>62.4</b>	<b>58.8</b>	<b>63.1</b>	<b>62.4</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>10.9</b>	<b>12.0</b>	<b>6.4</b>	<b>9.9</b>	<b>4.7</b>	<b>6.6</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>2.7</b>	<b>3.7</b>	<b>1.8</b>	<b>0.9</b>	<b>0.4</b>	<b>2.4</b>	<b>2.5</b>

Numbers may not add up due to rounding

It's important to analyze, and review sales and expenses, based on a restaurant's square footage, primarily because, as the results show, restaurants with lower footprints often generate the highest percentage profit. In 2014, restaurants with a footprint of under 1,000 to 2,000 sq. ft. earned 10.9 per cent and 12.0 per cent operating profit respectively, outperforming all restaurants with larger footprints. The likely reason is that the lower footprint spaces represent non-alcoholic service QSRs whose sales have been augmented by the increased growth generated from the Fast-Casual sub-sector. The other optimal size of restaurant producing strong operating results is in the 3,001 to 4,000 sq. ft. range, representing better branded family and casual/theme restaurants typically built within this footprint.

The results of this current Bottom Line survey suggest there has been

a reversal of fortunes in the reported Operating Profit of relatively larger scale (3,000 + sq. ft.) outlets compared to smaller ones of 2,000 sq. ft. or less. This may be perceived to be consistent with the previous table in which QSRs experienced the highest level of Operating Profit among all sectors. Typically, many QSRs, and the increasingly popular Fast-Casual concepts often have footprints below 2,000 sq. ft.. The next most profitable range is within the 3,001 – 4,000 sq. ft. range. As a result, several larger foodservice concepts, particularly those in the Family and Casual/Theme categories have been moving toward smaller footprints as they are perceived as more efficient operating formats. In the previous table, these same two categories scored a little above (9.9 per cent) and below (8.7 per cent) the National Average in Operating Profit respectively.



# PERFORMANCE BY SEATS

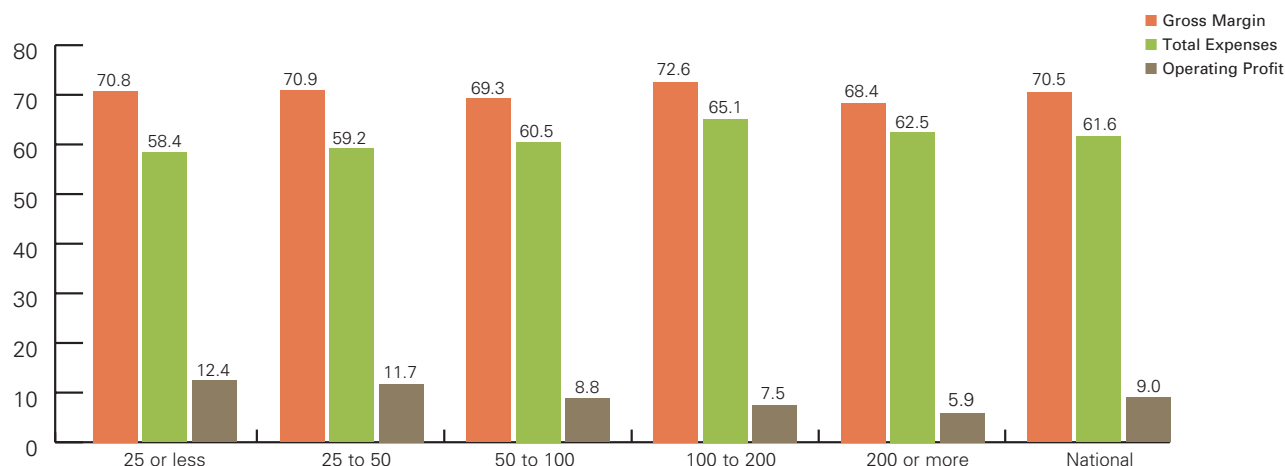
	25 or less	25 to 50	50 to 100	100 to 200	200 or more	National
<b>Sales</b>						
Food	90.9	79.9	82.1	88.3	69.1	82.8
Beverage	3.5	16.0	12.2	10.0	27.3	13.2
Other Revenue	5.6	4.0	5.7	1.7	3.6	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	28.2	30.4	30.5	27.3	31.7	29.2
Beverage	28.7	23.4	26.4	24.9	29.9	26.2
Other	45.0	24.9	43.3	49.7	42.7	44.4
<b>Total Cost of Sales</b>						
<b>Gross Margin</b>	<b>70.8</b>	<b>70.9</b>	<b>69.3</b>	<b>72.6</b>	<b>68.4</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	30.1	28.4	28.4	31.7	34.6	30.6
Occupancy	10.5	10.2	12.4	11.6	8.5	10.7
Operating	4.7	4.8	4.3	4.9	4.0	4.6
Paper	1.7	2.0	2.7	1.9	1.6	1.8
Utilities	2.7	3.3	2.6	2.5	2.7	2.6
General & Administration	3.3	3.8	4.5	2.9	3.6	3.3
Marketing	3.2	2.5	3.0	4.5	3.8	3.9
Entertainment	0.2	0.5	0.1	2.1	0.9	1.4
Repairs and Maintenance	1.9	3.5	1.7	3.0	2.8	2.6
<b>Total Expenses</b>	<b>58.4</b>	<b>59.2</b>	<b>60.5</b>	<b>65.1</b>	<b>62.5</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>12.4</b>	<b>11.7</b>	<b>8.8</b>	<b>7.5</b>	<b>5.9</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>2.5</b>	<b>1.2</b>	<b>4.1</b>	<b>2.0</b>	<b>1.6</b>	<b>2.5</b>

*Numbers may not add up due to rounding*

This category examines the number of seats contained within the reporting foodservice concepts. Over the past two years, there has been a discernible trend (negative correlation) between the Operating Profit and the number of seats in a restaurant. The reality is that the more seats a restaurant has the lower its percentage profitability.

Why does this happen? In 2014, the more seats a restaurant had, the less their operating profit was as a percentage of sales. This marks the first time over the past six years that this has occurred to this degree, although in previous years the best-performing units had less than 25 seats and 26 to 50 seats respectively. Restaurants in the 51 to 100 seat range performed marginally at 4.9 per cent in 2012 but have recovered nicely to 8.8 per cent in 2014 followed by 7.5 per cent operating profit for 101-200 seats (typical Casual/Theme sized restaurants).

Smaller units (2,000 sq. ft. or less) and those with 50 seats or less, typical of many QSRs and Fast-Casual concepts, experienced the highest Operating Profit percentage. A similar observation was evident in the two previous surveys. The Operating Profit of those foodservice outlets with fewer than 25 seats and those with 26 to 50 seats was 12.4 per cent and 11.7 per cent respectively. This trend is most evidenced when you compare these to the National Average of 9.0 per cent. Conversely, restaurants with 101 to 200 seats and those with 201 seats or more experienced an Operating Profit of 7.5 per cent and 5.9 per cent respectively. This illustrates that while a higher percentage profit can be made from QSRs, it is highly likely that even with a lower profit percentage, many of the restaurants with more than 100 seats are still earning significant dollars.



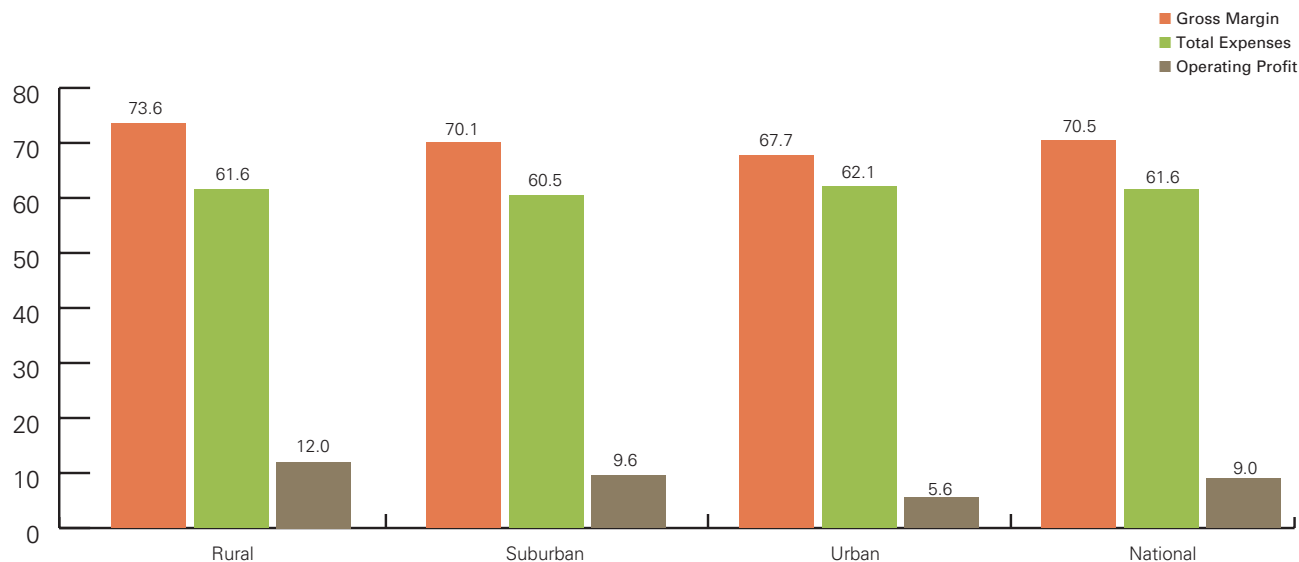
## BY LOCATION: RURAL, URBAN AND SUBURBAN

	Rural	Suburban	Urban	National
<b>Sales</b>				
Food	80.3	83.9	84.0	82.8
Beverage	15.4	11.3	13.2	13.2
Other Revenue	4.2	3.9	3.9	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>				
Food	26.3	29.9	31.6	29.2
Beverage	23.7	26.1	29.4	26.2
Other	39.7	47.2	47.2	44.4
<b>Total Cost of Sales</b>	<b>26.4</b>	<b>29.9</b>	<b>32.3</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>73.6</b>	<b>70.1</b>	<b>67.7</b>	<b>70.5</b>
<b>Expenses</b>				
Salary, wages & benefits	31.7	30.2	29.8	30.6
Occupancy	10.5	10.4	11.2	10.7
Operating	3.8	4.8	4.7	4.6
Paper	2.0	1.8	1.8	1.8
Utilities	2.7	2.6	2.6	2.6
General & Administration	3.3	3.2	3.2	3.3
Marketing	3.7	4.2	4.1	3.9
Entertainment	1.0	1.3	1.9	1.4
Repairs and Maintenance	2.8	1.9	2.9	2.6
<b>Total Expenses</b>	<b>61.6</b>	<b>60.5</b>	<b>62.1</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>12.0</b>	<b>9.6</b>	<b>5.6</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>1.6</b>	<b>3.1</b>	<b>2.3</b>	<b>2.5</b>

*Numbers may not add up due to rounding*

Consistent with the results in the 2013 Bottom Line survey, Urban locations are the least profitable restaurants, recording an Operating Profit of 5.6 per cent, an improvement of 1.8 per cent percentage points over the previous period. Significantly higher Total Cost of Sales and marginally higher Total Expenses were also experienced in this category. Occupancy costs were also the highest for Urban foodservice outlets due to escalating real-estate costs in urban settings.

Interestingly, Rural surpassed Suburban locations in profitability in this current period due to a lower Total Cost of Sales, which was 3.0 per cent below the National Average. Again, we should point out that while the Rural locations have a higher return for the operator, it is unlikely that Rural sales can match those of Suburban or Urban locations, which may earn more dollars.





# HISTORICAL NATIONAL

	2014	2012	2011	2000	1998	1996
<b>Sales</b>						
Food	82.8	86.5	86.9	83.2	88.3	87.9
Beverage	13.2	10.5	11.4	14.0	9.8	10.9
Other Revenue	3.9	3.0	1.7	2.8	1.9	1.2
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	29.2	34.0	31.6	34.7	35.7	36.0
Beverage	26.2	27.1	30.0	35.0	36.5	34.7
Other	44.4	24.3	33.2	46.7	51.9	40.5
<b>Total Cost of Sales</b>	<b>29.4</b>	<b>32.6</b>	<b>31.4</b>	<b>35.1</b>	<b>36.1</b>	<b>35.9</b>
<b>Gross Margin</b>	<b>70.5</b>	<b>67.0</b>	<b>68.6</b>	<b>64.8</b>	<b>64.1</b>	<b>64.3</b>
<b>Expenses</b>						
Salary, wages & benefits	30.6	29.6	26.1	29.6	28.1	28.9
Occupancy	10.7	9.2	12.2	6.1	6.3	7.1
Operating	4.6	3.6	3.7	7.4	7.4	6.7
Paper	1.8	2.9	1.8	-		
Utilities	2.6	3.5	3.0	2.3	1.7	2.3
General & Administration	3.3	2.8	4.2	3.2	3.1	3.6
Marketing	3.9	3.4	4.4	3.6	4	3.8
Entertainment	1.4	1.4	4.0	-		
Repairs and Maintenance	2.6	0.0	0.0	0.0	0	0
<b>Total Expenses</b>	<b>61.6</b>	<b>56.4</b>	<b>59.4</b>	<b>52.2</b>	<b>50.6</b>	<b>54.5</b>
<b>Operating Profit</b>	<b>9.0</b>	<b>10.6</b>	<b>9.2</b>	<b>12.6</b>	<b>13.5</b>	<b>9.8</b>
<b>Royalty Expense</b>	<b>2.48</b>	<b>3.2</b>	<b>5.3</b>	<b>2.5</b>	<b>3.3</b>	<b>2.1</b>

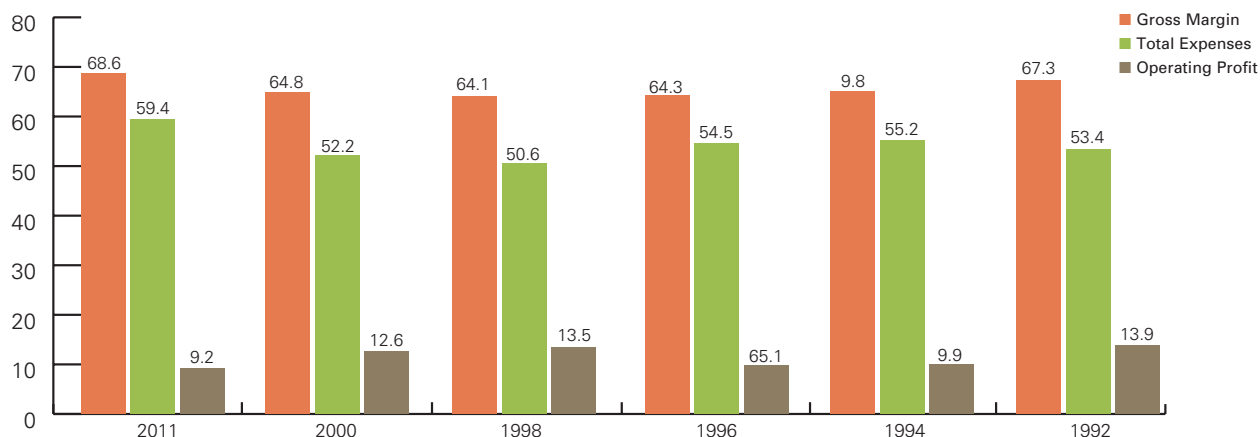
Source for 2000-1992 data from - CRFA 2001 Foodservice Operations Survey

Numbers may not add up due to rounding

As reported in the 2013 Bottom Line, with the exception of 2011, the last time a comprehensive survey was done on the results of the Canadian restaurant industry was in 2001. This represented a 10-year gap between the 2001 and more recent surveys. As previously noted, during the period of 1994 and 2000, there was much consistency, particularly in prime costs (Cost of Sales and Salary, Wages and Benefits), with costs varying between 64.2 and 64.8 per cent. Additionally, there was also a gradual improvement over the periods in Total Expenses. This was probably due to increasing real sales growth caused by the stronger performing economy in the latter half of the decade. Ten years later, commencing in 2010, several noticeable differences have occurred. The Cost of Sales had improved dramatically due to the availability of cheaper food, due in part to a stronger Canadian dollar (at the time). In addition, Salaries, Wages and Benefits have

also declined, perhaps due to rising sales volumes, greater application of technology and the speed of growth of the fast-casual segment (which uses the same labour as typical QSRs but with higher selling price). However, these were more than offset by prevalent higher Occupancy and Utility charges experienced over the decade resulting in a somewhat lower Operating Profit.

In 2012 there was a reversal in the Cost of Sales due to rising food prices. Still, despite this, there was also an improvement in overall Operating Profit due to a decline in Total Expenses. This trend was short lived because there was a drop in Total Expenses in the current period, particularly in Salaries, Wages and Benefits. This is a result of recent minimum wage legislation in several provinces and continued rising Occupancy costs, along with other operating expenses, resulting in a lower Operating Profit of 1.8 percentage points compared to the previous period.



-Repairs and Maintenance have been separated from other costs and represented in a net new line item for this year  
-In 2011, Paper and Entertainment were separated from other costs and represented separately

# MENU TYPE

	Baked Goods	Breakfast	Coffee	Burger	Pizza	Southern BBQ	Dessert	Sandwich/ Salad	Pasta	Steak/ Red meat	Chicken	Veg./ Vegan	Seafood	Other	National
<b>Sales</b>															
Food	88.5	83.6	66.6	83.5	73.3	77.5	69.1	82.8	82.4	79.8	86.0	68.7	83.3	80.1	82.8
Beverage	4.6	12.0	20.8	13.9	25.1	22.5	29.4	15.0	14.5	17.4	13.5	26.4	15.1	15.8	13.2
Other Revenue	6.9	4.3	4.5	2.9	1.6	0.0	1.5	2.4	3.7	3.0	2.2	5.7	1.7	4.3	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>															
Food	24.0	30.1	31.0	30.2	32.0	35.0	28.9	29.2	30.3	27.4	26.8	31.1	25.7	30.1	29.2
Beverage	7.8	32.0	27.4	32.2	27.8	21.5	28.7	31.1	33.7	20.1	20.9	24.5	15.7	30.0	26.2
Other	37.7	48.2	39.4	47.2	33.4	53.0	40.2	45.8	48.8	41.1	41.5	41.1	42.8	48.4	44.4
<b>Total Cost of Sales</b>	<b>24.2</b>	<b>31.1</b>	<b>28.2</b>	<b>31.1</b>	<b>30.9</b>	<b>32.0</b>	<b>29.0</b>	<b>30.0</b>	<b>31.7</b>	<b>26.6</b>	<b>26.8</b>	<b>30.2</b>	<b>24.5</b>	<b>30.9</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>75.8</b>	<b>68.9</b>	<b>71.8</b>	<b>68.9</b>	<b>69.1</b>	<b>68.0</b>	<b>71.0</b>	<b>70.0</b>	<b>68.3</b>	<b>73.4</b>	<b>73.2</b>	<b>69.8</b>	<b>75.5</b>	<b>69.1</b>	<b>70.5</b>
<b>Expenses</b>															
Salary, wages & benefits	29.8	34.1	26.1	31.5	26.3	28.2	29.5	33.2	33.2	31.2	30.3	24.9	30.7	30.3	30.6
Occupancy	15.2	9.1	9.8	10.5	8.0	8.2	9.7	8.1	9.0	12.5	12.8	8.6	13.8	7.8	10.7
Operating Paper	4.0	5.2	4.1	5.1	4.8	3.5	3.5	4.9	5.3	3.8	4.3	3.7	4.0	5.1	4.6
Utilities	1.3	2.3	2.4	2.6	1.6	1.5	2.5	1.7	2.2	1.3	1.7	1.8	1.3	1.0	1.84
General Admin.	2.5	2.9	4.2	2.9	2.6	3.3	3.4	2.7	2.6	2.5	2.7	2.3	2.4	2.7	2.64
Marketing	2.4	3.3	4.0	3.8	2.9	5.2	6.0	2.8	3.4	2.8	3.0	3.9	3.0	2.8	3.3
Entertainment	6.2	3.4	3.0	3.8	3.0	5.3	3.4	3.3	3.5	4.9	5.0	4.4	5.2	3.3	3.9
Repairs and Maintenance	3.4	1.4	0.7	1.5	0.7	0.5	1.1	1.7	1.2	2.0	1.7	0.6	2.5	0.5	1.40
	3.6	2.4	3.5	2.5	2.2	2.8	2.4	2.8	2.3	3.5	2.9	2.6	4.0	1.8	2.6
<b>Total Expenses</b>	<b>68.4</b>	<b>64.1</b>	<b>57.8</b>	<b>64.2</b>	<b>52.1</b>	<b>58.5</b>	<b>61.6</b>	<b>61.5</b>	<b>62.8</b>	<b>64.5</b>	<b>64.4</b>	<b>52.8</b>	<b>67.0</b>	<b>55.3</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>7.4</b>	<b>4.8</b>	<b>14.0</b>	<b>4.7</b>	<b>16.9</b>	<b>9.5</b>	<b>9.3</b>	<b>8.6</b>	<b>5.5</b>	<b>8.9</b>	<b>8.8</b>	<b>17.0</b>	<b>8.5</b>	<b>13.8</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>1.9</b>	<b>2.0</b>	<b>1.7</b>	<b>3.1</b>	<b>4.5</b>	<b>2.3</b>	<b>1.8</b>	<b>1.4</b>	<b>1.9</b>	<b>1.8</b>	<b>3.2</b>	<b>0.6</b>	<b>1.4</b>	<b>3.1</b>	<b>2.5</b>

Numbers may not add up due to rounding

To better represent the various segments within the foodservice industry, two additional menu categories were added this year — namely Baked Goods and Breakfast. However, this enhancement only added to the complexity in attempting to decipher and interpret the many operating ratios presented above. When focusing on the Operating Profit of the 14 segments, three menu categories performed well above the rest. Coffee, Pizza and Vegetarian/Vegan. The former two are characteristic of QSRs, which has previously been identified as the most profitable segment among the sectors. Further evidence of this is seen in the relatively low Wages, Salaries and Benefits reported by these two segments.

The latter appears to have been successful in controlling expenses by maintaining their Total Expenses (52.8 per cent), well below the National Average of 61.6 per cent. On the other end of the scale, those menu categories that were reported as least profitable were Breakfast, Burger and Pasta. Their profitability was 4.8 per cent, 4.7 per cent and 5.5 per cent respectively compared to the National Average of 9.0 per cent. This is strange given the popularity of these menu segments. However, it should be noted that competition is strong in each of these areas, especially in the Burger and Breakfast segments. This competition leads to lower demand, thereby pushing labour costs higher and profits downward.

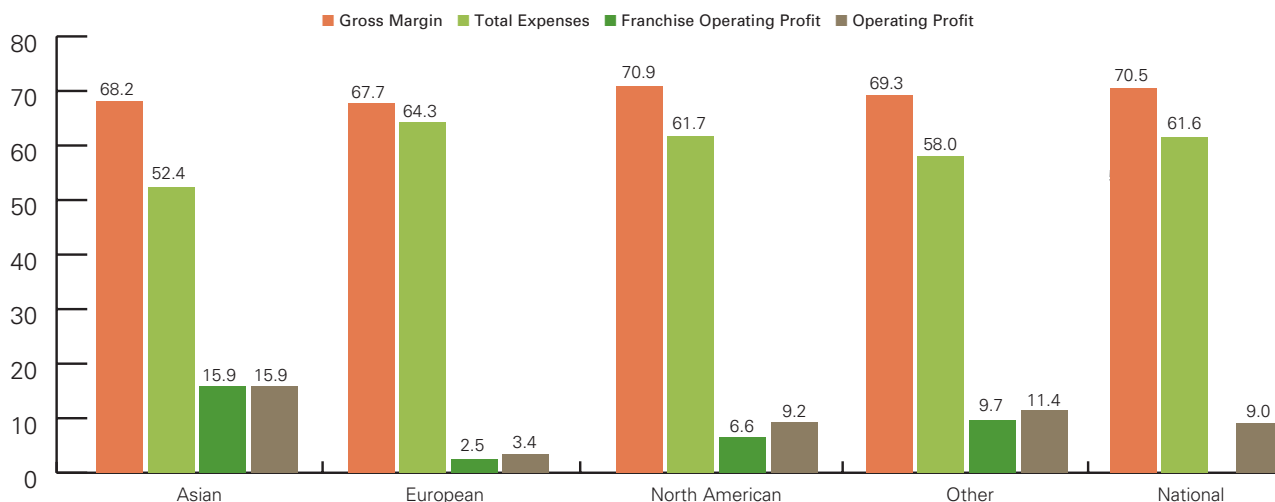
## BY MENU THEME

	Asian	European	North American	Other	National
<b>Sales</b>					
Food	79.2	70.6	83.4	73.9	82.8
Beverage	14.6	25.7	13.1	17.9	13.2
Other Revenue	6.2	4.1	3.5	8.2	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>					
Food	32.2	32.7	29.0	31.7	29.2
Beverage	24.1	29.1	26.1	24.7	26.2
Other	43.2	42.9	44.5	34.7	44.4
<b>Total Cost of Sales</b>	<b>31.8</b>	<b>32.3</b>	<b>29.1</b>	<b>30.7</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>68.2</b>	<b>67.7</b>	<b>70.9</b>	<b>69.3</b>	<b>70.5</b>
<b>Expenses</b>					
Salary, wages & benefits	25.6	32.3	30.6	30.2	30.6
Occupancy	9.2	9.9	10.8	10.1	10.7
Operating	3.9	4.1	4.5	5.3	4.6
Paper	0.9	1.7	1.9	1.6	1.8
Utilities	3.4	3.3	2.6	2.6	2.6
General & Administration	2.7	4.8	3.2	3.6	3.3
Marketing	3.5	3.8	4.0	1.9	3.9
Entertainment	0.9	1.8	1.4	0.4	1.4
Repairs and Maintenance	2.2	2.6	2.6	2.3	2.6
<b>Total Expenses</b>	<b>52.4</b>	<b>64.3</b>	<b>61.7</b>	<b>58.0</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>15.9</b>	<b>3.4</b>	<b>9.2</b>	<b>11.4</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>0.0</b>	<b>0.9</b>	<b>2.6</b>	<b>1.6</b>	<b>2.5</b>

Numbers may not add up due to rounding

Another menu categorization closely related to the last is the category 'By Menu Theme'. This category represents three specific regions plus a "catch-all" region called "Other." In the two previous surveys, North American food ranked first in profitability followed by Asian. In the most recent survey, Asian restaurants beat out North-American foodservice operations, which ranked second in profitability. As in previous years, the Asian category benefitted from relatively low Wages, Salary and Benefits (often a family affair) as well as below average in other operating

expenses. Interestingly, in this reporting period, North American foodservice operators had better control over their Cost of Sales than their Asian counterparts. Operators of European restaurants continued to be the poor performers, reporting only a 3.4 per cent Operating Profit (one percentage point less than the previous survey period). These operators continue to have weak control not only of their Cost of Sales (2.9 percentage points above National Average) but also most other operating expenses (2.7 percentage above National Average).



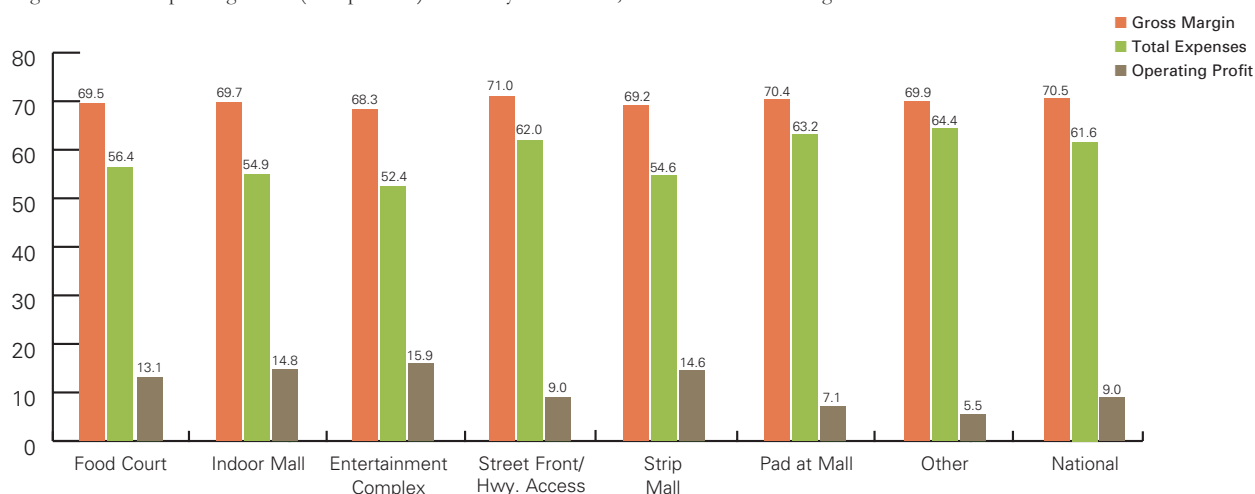
## BY OUTLET LOCATION

	Food Court	Indoor Mall	Entert. Complex	Street-Front/Hwy. Access	Strip Mall	Pad at a mall	Other	National
<b>Sales</b>								
Food	99.6	92.5	93.9	86.9	88.6	87.6	79.5	82.8
Beverage	0.4	8.0	1.5	11.8	10.3	12.2	15.1	13.2
Other Revenue	0.0		4.8	2.1	1.1	0.5	5.9	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.00</b>
<b>Cost of Sales</b>								
Food	30.5	30.2	30.7	28.8	31.1	28.8	28.6	29.2
Beverage	30.0	29.2	34.1	24.8	28.1	33.9	30.7	26.2
Other	10.0	40.0	48.8	46.3	31.1	58.1	46.4	44.4
<b>Total Cost of Sales</b>	<b>30.5</b>	<b>30.3</b>	<b>31.7</b>	<b>29.0</b>	<b>30.8</b>	<b>29.6</b>	<b>30.1</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>69.5</b>	<b>69.7</b>	<b>68.3</b>	<b>71.0</b>	<b>69.2</b>	<b>70.4</b>	<b>69.9</b>	<b>70.5</b>
<b>Expenses</b>								
Salary, wages & benefits	22.3	23.5	23.8	29.7	24.3	33.8	35.4	30.6
Occupancy	15.1	13.6	11.2	11.5	11.6	9.1	7.6	10.7
Operating	4.0	3.8	4.4	4.7	3.9	5.6	5.6	4.6
Paper	3.0	2.8	2.0	1.7	2.6	2.2	2.0	1.8
Utilities	2.0	2.1	2.1	2.5	2.2	2.5	2.6	2.6
General & Admin.	4.9	4.3	4.0	3.2	4.4	2.8	3.0	3.3
Marketing	2.9	2.8	3.0	4.0	3.3	3.8	3.1	3.9
Entertainment	1.0	0.8	0.7	1.9	0.9	1.3	1.9	1.4
Repairs and Maintenance	1.1	1.1	1.1	2.9	1.4	2.0	3.0	2.6
<b>Total Expenses</b>	<b>56.4</b>	<b>54.9</b>	<b>52.4</b>	<b>62.0</b>	<b>54.6</b>	<b>63.2</b>	<b>64.4</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>13.1</b>	<b>14.8</b>	<b>15.9</b>	<b>9.0</b>	<b>14.6</b>	<b>7.1</b>	<b>5.5</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>4.9</b>	<b>4.1</b>	<b>5.0</b>	<b>2.3</b>	<b>4.1</b>	<b>2.8</b>	<b>0.3</b>	<b>2.5</b>

Numbers may not add up due to rounding

Each year when this survey is undertaken, minor refinements are integrated into the questionnaire to provide a better representation of the various sectors within the foodservice industry. One such refinement this year is the inclusion of Entertainment Complexes to account for this growing and thriving sector. This category includes venues such as sports complexes, theatres, art galleries, museums and other social/cultural facilities. It is evident from the above table, that this newly added sector performed the best among the seven sectors, reporting the highest level of Operating Profit (15.9 per cent). This may be

attributed to the above market pricing these venues often demand, due to limited supply options. While its success is not reflected in its Cost of Sales, it's most evident in Total Expenses including Wages, Salaries and Benefits, which were the lowest and second-lowest respectively among the group. It's also interesting to observe that despite the high rents mall developers and landlords command, three of the four mall types of foodservice outlets also performed quite well, experiencing an Operating Profit in excess of 13 per cent. Clearly, as customers are attracted to malls, the foodservice outlets gain a benefit in terms of sales.



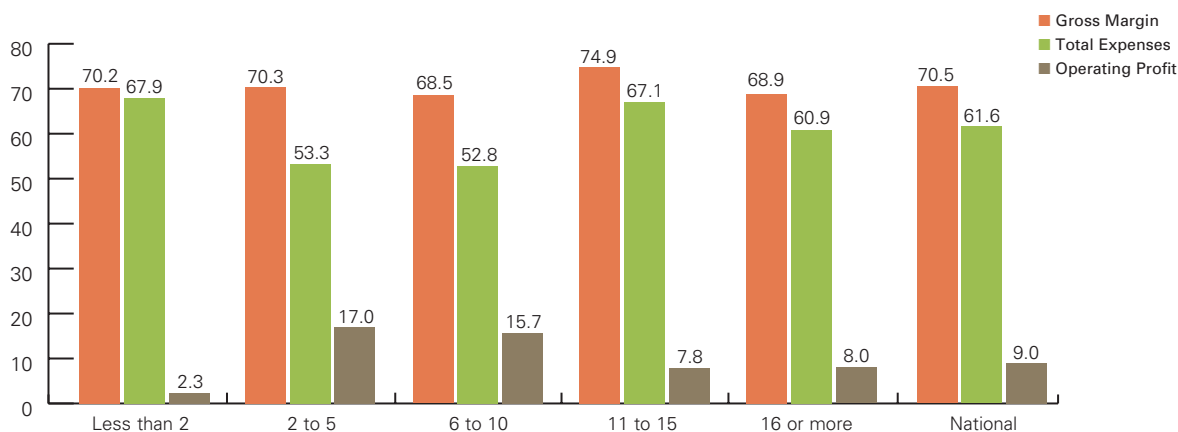
## BY YEARS IN BUSINESS

	Less than 2	2 to 5	6 to 10	11 to 15	16 or more	National
<b>Sales</b>						
Food	73.3	70.6	87.1	86.1	81.5	82.8
Beverage	20.0	24.5	7.9	10.1	16.7	13.2
Other Revenue	7.0	5.0	4.4	4.4	2.9	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	31.3	29.7	31.2	25.9	30.1	29.2
Beverage	30.0	27.2	29.5	10.9	31.6	26.2
Other	11.7	39.7	45.3	38.8	46.6	44.4
<b>Total Cost of Sales</b>	<b>29.8</b>	<b>29.7</b>	<b>31.5</b>	<b>25.1</b>	<b>31.1</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>70.2</b>	<b>70.3</b>	<b>68.5</b>	<b>74.9</b>	<b>68.9</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	27.7	27.1	27.3	31.0	31.2	30.6
Occupancy	10.9	10.4	10.1	11.4	9.8	10.7
Operating	5.3	4.2	4.3	4.1	4.8	4.6
Paper	4.0	1.1	0.7	1.4	2.2	1.8
Utilities	4.3	2.9	2.5	2.7	2.6	2.6
General & Administration	6.0	3.2	2.7	2.9	3.5	3.3
Marketing	5.3	2.0	3.2	6.0	3.4	3.9
Entertainment	1.0	0.5	0.3	3.2	1.1	1.4
Repairs and Maintenance	3.3	1.9	1.7	4.5	2.2	2.6
<b>Total Expenses</b>	<b>67.9</b>	<b>53.3</b>	<b>52.8</b>	<b>67.1</b>	<b>60.9</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>2.3</b>	<b>17.0</b>	<b>15.7</b>	<b>7.8</b>	<b>8.0</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>1.7</b>	<b>1.6</b>	<b>4.1</b>	<b>1.7</b>	<b>2.5</b>	<b>2.5</b>

Numbers may not add up due to rounding

An examination of the operating performance By Years in Business, serves as a mirror image of the traditional phases within the lifecycle of a business (i.e. Introduction, Growth, Maturity and Decline). This is similar to previous years. Typically, during the initial couple of years (Introduction Phase) of a business growth cycle evolution, customers are relatively few, and building volume is paramount to success. This is a period when greater focus is placed on building sales and perhaps less emphasis is placed on controlling expenses. The end result is weak profitability as evidenced by 2.3 per cent Operating Profit in the above table. During the following several years (Growth Phase), high growth is typical: business

is brisk, operating costs are more or less under control and profitability may be at its highest. As observed in the table, Operating Profit is eight percentage points above the National Average. During years six through 10, the business may start to enter the Mature Phase of its lifecycle, having reached its peak, and profitability remains fairly stable. It's in the following years (11 – 15 or more) when the business has typically reached its mature phase within the lifecycle and real sales may remain flat or show signs of decline that profitability begins to wane (Decline Phase). During this same period operating costs continue their upward climb.



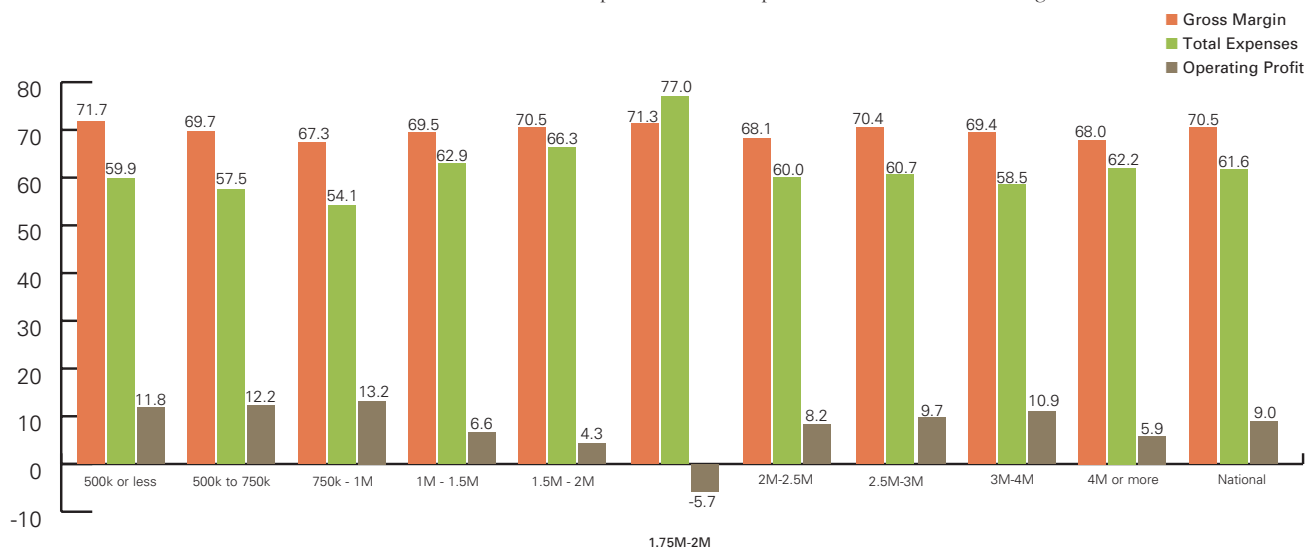
## BY REVENUE

	\$500K or less	\$500K - \$750K	\$750K - \$1M	\$1M - \$1.5M	\$1.5M - \$2M	\$2M - \$2.5 M	\$2.5 - \$3M	\$3M - \$4M	\$4M - or more	National
<b>Sales</b>										
Food	73.4	76.8	88.3	66.7	76.7	76.4	86.8	78.2	72.9	82.8
Beverage	21.2	19.6	7.4	27.5	22.7	22.0	12.7	18.0	24.0	13.2
Other Revenue	6.0	4.3	4.3	6.3	0.7	2.2	1.5	3.0	3.0	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>										
Food	29.5	31.1	32.2	31.6	29.2	31.6	28.2	30.0	32.6	29.2
Beverage	22.0	24.3	31.8	23.8	29.8	30.0	33.4	32.7	28.0	26.2
Other	33.1	39.3	45.4	45.7	42.8	49.3	55.9	40.0	47.7	44.4
<b>Total Cost of Sales</b>	<b>28.3</b>	<b>30.3</b>	<b>32.7</b>	<b>30.5</b>	<b>29.5</b>	<b>31.9</b>	<b>29.6</b>	<b>30.6</b>	<b>32.0</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>71.7</b>	<b>69.7</b>	<b>67.3</b>	<b>69.5</b>	<b>70.5</b>	<b>68.1</b>	<b>70.4</b>	<b>69.4</b>	<b>68.0</b>	<b>70.5</b>
<b>Expenses</b>										
Salary, wages & benefits	30.1	24.7	27.1	32.5	34.3	31.5	32.3	34.0	30.5	30.6
Occupancy	9.2	13.4	9.8	10.5	9.7	9.1	8.7	10.7	9.0	10.7
Operating	4.5	4.2	4.8	4.6	4.1	4.4	5.3	3.7	4.2	4.6
Paper	1.9	2.7	1.0	1.5	2.7	2.1	2.1	0.2	1.5	1.8
Utilities	3.8	2.4	2.8	3.6	4.1	3.2	2.5	3.7	2.2	2.6
General & Administration	3.3	4.8	2.7	4.1	3.8	3.1	3.0	2.5	4.4	3.3
Marketing	3.0	3.0	3.5	3.4	3.8	3.6	3.6	1.7	4.6	3.9
Entertainment	0.7	0.9	0.2	0.6	1.6	0.4	1.3	0.0	3.6	1.4
Repairs and Maintenance	3.2	1.5	2.1	2.2	2.2	2.5	1.9	1.7	2.1	2.6
<b>Total Expenses</b>	<b>59.9</b>	<b>57.5</b>	<b>54.1</b>	<b>62.9</b>	<b>66.3</b>	<b>60.0</b>	<b>60.7</b>	<b>58.5</b>	<b>62.2</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>11.8</b>	<b>12.2</b>	<b>13.2</b>	<b>6.6</b>	<b>4.3</b>	<b>8.2</b>	<b>9.7</b>	<b>10.9</b>	<b>5.9</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>1.1</b>	<b>3.9</b>	<b>4.1</b>	<b>0.4</b>	<b>1.4</b>	<b>1.1</b>	<b>2.7</b>	<b>1.5</b>	<b>2.7</b>	<b>2.5</b>

Numbers may not add up due to rounding

In reference to the above table which addresses foodservice outlets By Revenue, there is some consistency with the results of the previous year's survey. The findings are again somewhat bifurcated with higher levels of profitability being experienced by both lower and higher volume businesses, but not by those in between. More specifically, those in between outlets with annual sales of \$1 million to 1.5 million and \$1.5 million to \$2 million experi-

enced levels of profitability well below the National Average. However, there was some inconsistency with the previous survey as higher-volume businesses do not appear to benefit as much from the "economies of scale" as reported in Bottom Line 2013. It is the lower sales volume foodservice outlets (\$1 million or less) that achieved the highest level of Operating Profit ranging from 2.8 per cent to 4.2 per cent above the National average.





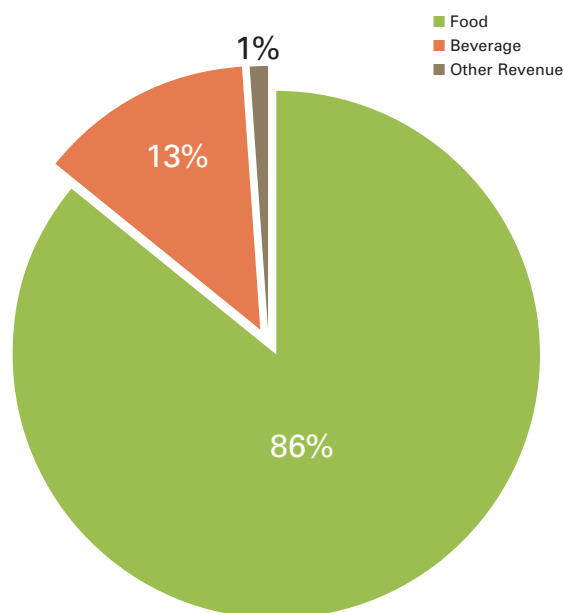
## B.C. REGION BY SECTORS

	QSR	Family	Casual/ Restaurant	Fine Dining Theme	British Columbia	National
<b>Sales</b>						
Food	95.0	93.2	82.9	64.7	85.7	82.8
Beverage	0.0	7.1	16.6	35.3	13.5	13.2
Other Revenue	5.0	0.3	0.4	0.0	0.8	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	31.0	26.2	30.5	31.7	28.5	29.2
Beverage	0.0	29.5	33.8	34.2	31.8	26.2
Other	49.6	44.1	44.5	44.1	45.5	44.4
<b>Total Cost of Sales</b>	<b>31.9</b>	<b>26.7</b>	<b>31.1</b>	<b>32.6</b>	<b>29.1</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>68.1</b>	<b>73.3</b>	<b>68.9</b>	<b>67.4</b>	<b>70.9</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	32.0	33.8	31.3	36.4	32.9	30.6
Occupancy	8.0	7.7	9.8	8.1	8.6	10.7
Operating	5.0	6.0	4.8	4.1	5.3	4.6
Paper	2.0	1.8	2.7	1.9	2.1	1.8
Utilities	3.4	2.3	3.0	2.4	2.6	2.6
General & Administration	2.0	2.4	4.1	4.2	3.3	3.3
Marketing	3.0	3.3	4.1	3.6	3.7	3.9
Entertainment	0.0	2.8	0.3	0.2	1.5	1.4
Repairs and Maintenance	2.3	2.1	1.3	2.8	2.5	2.6
<b>Total Expenses</b>	<b>57.7</b>	<b>62.4</b>	<b>61.6</b>	<b>63.7</b>	<b>62.7</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>10.4</b>	<b>10.9</b>	<b>7.3</b>	<b>3.7</b>	<b>8.2</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>6.0</b>	<b>1.73</b>	<b>4.1</b>	<b>0.1</b>	<b>2.5</b>	<b>2.5</b>

\*Only three reporting restaurants for QSR in the B.C. region  
Numbers may not add up due to rounding

A cursory review of the five regions of Canada, shows that the profitability of B.C. foodservice outlets was a little below the National Average of nine per cent. It appears Wages, Salaries and Benefits, which again exceeded every region in Canada, contributed to this weaker performance. Similarly, the labour cost for all four sectors within the foodservice industry were higher than the National Average. Despite higher real-estate prices on the West Coast, occupancy costs were lower than all five regions as a percentage of sales. This same observation was made in the previous survey.

Source of Revenue,  
B.C. All Sectors Average



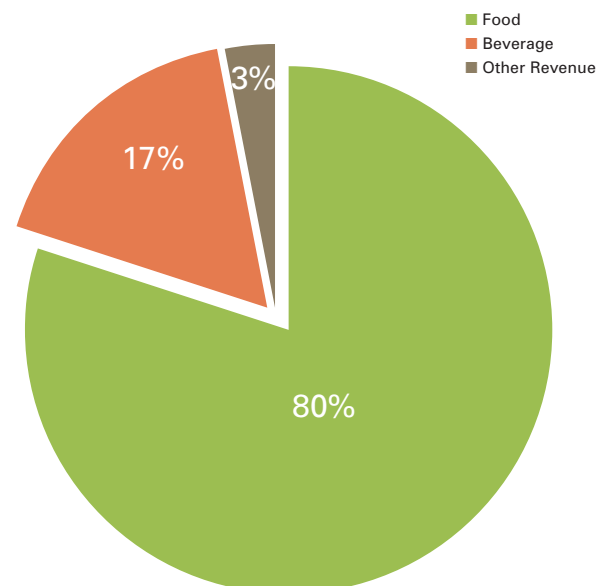
## PRAIRIES BY SECTOR (AB, SK, MB)

	QSR	Family Restaurant	Casual/Theme	Fine Dining	Prairies	National
<b>Sales</b>						
Food	90.2	84.8	70.2	65.4	79.6	82.8
Beverage	6.5	14.0	23.6	33.6	17.3	13.2
Other Revenue	3.3	1.2	6.2	1.0	3.1	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	36.5	36.1	34.7	34.4	35.9	29.2
Beverage	17.0	20.8	29.0	33.9	25.9	26.2
Other	35.5	44.0	33.0	47.1	39.4	44.4
<b>Total Cost of Sales</b>	<b>35.2</b>	<b>34.0</b>	<b>33.3</b>	<b>34.3</b>	<b>34.3</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>64.7</b>	<b>66.0</b>	<b>66.7</b>	<b>65.7</b>	<b>65.7</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	28.6	30.9	31.1	35.1	31.1	30.6
Occupancy	9.2	13.0	8.2	8.4	9.8	10.7
Operating	4.6	3.9	3.9	4.2	4.1	4.6
Paper	1.9	1.5	2.4	1.6	1.8	1.8
Utilities	2.8	2.9	2.9	2.1	2.7	2.6
General & Administration	2.4	2.3	5.0	3.9	3.1	3.3
Marketing	4.1	4.3	4.1	3.0	3.9	3.9
Entertainment	0.6	2.1	1.2	1.5	1.3	1.4
Repairs and Maintenance	2.4	3.5	2.2	3.1	3.0	2.6
<b>Total Expenses</b>	<b>56.7</b>	<b>64.4</b>	<b>60.9</b>	<b>63.1</b>	<b>60.9</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>8.0</b>	<b>1.5</b>	<b>5.8</b>	<b>2.6</b>	<b>4.8</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>3.6</b>	<b>2.3</b>	<b>3.4</b>	<b>0.9</b>	<b>2.4</b>	<b>2.5</b>

Numbers may not add up due to rounding

The Prairie foodservice outlets experienced a precipitous decline in profitability during this latest survey period, 4.2 percentage points below the National Average of 9.0 per cent. While it's clear Wages, Salaries and Benefits were on the high side nationally, it was their high Cost of Sales that had the greatest impact. This may be due in part to higher food prices in the Prairies. Total Cost of Sales for every foodservice sector was well above the National Average by at least by 3.9 percentage points. This expense came directly off the bottom line. Not surprisingly, in this Region based on earlier analyses in this report, QSRs were the most profitable. This was then followed by Casual/Theme foodservice outlets. Consistent with the previous survey, the Family Dining sector was the least profitable of the four sectors.

Source of Revenue,  
Prairies All Sectors Average



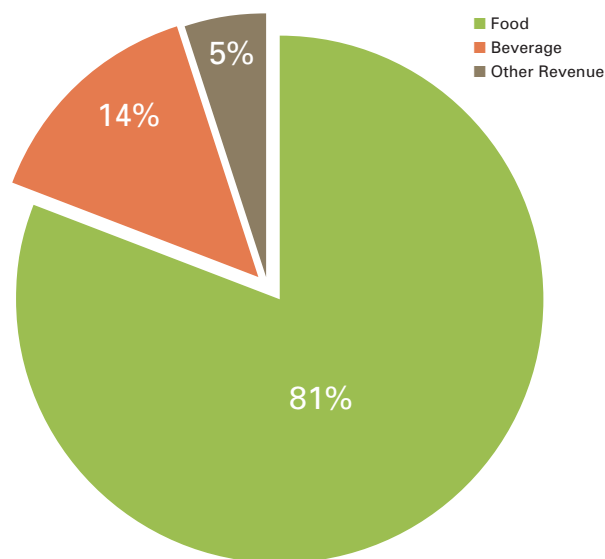
## ONTARIO REGION BY SECTOR

	QSR	Family Restaurant	Casual/ Theme	Fine Dining	Ontario	National
<b>Sales</b>						
Food	93.1	89.2	69.8	67.1	80.9	82.8
Beverage	3.0	7.1	24.2	32.9	14.0	13.2
Other Revenue	3.9	3.7	6.0	0.0	5.1	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	31.4	24.9	31.0	32.1	29.4	29.2
Beverage	31.4	22.3	29.0	33.7	24.0	26.2
Other	38.2	34.6	34.5	0.0	43.0	44.4
<b>Total Cost of Sales</b>	<b>31.7</b>	<b>25.1</b>	<b>30.7</b>	<b>32.6</b>	<b>29.3</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>68.3</b>	<b>74.9</b>	<b>69.3</b>	<b>67.4</b>	<b>70.7</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	23.6	31.6	29.8	34.2	28.9	30.6
Occupancy	12.0	11.7	10.8	11.4	11.9	10.7
Operating	4.5	3.8	4.2	4.2	4.2	4.6
Paper	2.0	1.2	1.1	2.0	1.7	1.8
Utilities	2.3	2.5	3.0	2.4	2.5	2.6
General & Administration	3.8	2.0	3.0	4.3	3.2	3.3
Marketing	3.2	5.6	4.2	3.7	4.0	3.9
Entertainment	0.7	2.9	0.3	0.2	1.1	1.4
Repairs and Maintenance	1.6	3.2	2.2	3.3	2.6	2.6
<b>Total Expenses</b>	<b>53.8</b>	<b>64.4</b>	<b>58.7</b>	<b>65.7</b>	<b>60.1</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>14.5</b>	<b>10.5</b>	<b>10.6</b>	<b>1.7</b>	<b>10.6</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>5.0</b>	<b>1.5</b>	<b>1.9</b>	<b>0.1</b>	<b>2.7</b>	<b>2.5</b>

Numbers may not add up due to rounding

As previously discussed, the Ontario region appears to have fared much better than B.C. and the Prairies in terms of profitability. It was 1.6 percentage points above the National Average and stood in second place among the five regions. Only Eastern Canada was marginally more profitable due to much lower Occupancy costs than Ontario. During this reporting period, Ontario's foodservice outlets demonstrated they had good control over their prime costs; better in fact, than any other region in Canada. The individual sectors were quite consistent with the National Averages in terms of profitability with QSRs performing the best and fine dining faring the worst. The only discrepancy is that Casual/Theme foodservice outlets performed marginally better than the Family sector, which had a somewhat stronger showing nationally.

Source of Revenue,  
Ontario All Sectors Average



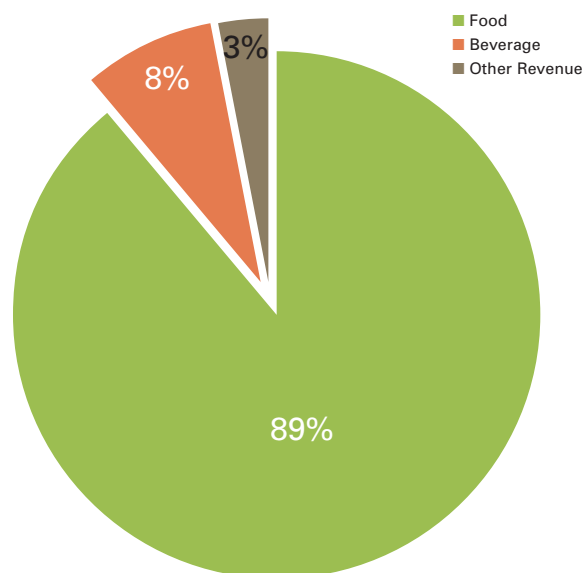
## QUEBEC REGION BY SECTORS

	QSR	Family Restaurant	Casual/Theme	Fine Dining	Quebec	National
<b>Sales</b>						
Food	97.5	94.7	69.0	60.0	89.0	82.8
Beverage	0.0	5.2	31.0	35.0	7.7	13.2
Other Revenue	3.0	0.0	0.0	5.0	3.3	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	29.5	27.4	26.4	33.0	29.1	29.2
Beverage	27.5	21.2	27.2	26.0	27.7	26.2
Other	47.5	60.0		41.0	45.1	44.4
<b>Total Cost of Sales</b>	<b>30.2</b>	<b>27.1</b>	<b>26.6</b>	<b>31.0</b>	<b>29.5</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>69.8</b>	<b>72.9</b>	<b>73.4</b>	<b>69.1</b>	<b>70.5</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	33.5	30.1	31.0	28.0	31.5	30.6
Occupancy	12.0	15.7	13.6	12.4	13.6	10.7
Operating	5.0	3.9	3.7	3.0	3.9	4.6
Paper	1.0	1.0	1.7	1.0	1.1	1.8
Utilities	2.0	2.1	1.7	1.0	2.0	2.6
General & Administration	5.0	2.1	5.0	5.0	2.5	3.3
Marketing	3.5	4.9	4.2	4.0	4.2	3.9
Entertainment	0.0	3.8	0.2	8.0	3.8	1.4
Repairs and Maintenance	2.0	2.9	2.4	3.0	2.1	2.6
<b>Total Expenses</b>	<b>64.0</b>	<b>66.6</b>	<b>63.8</b>	<b>65.4</b>	<b>64.7</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>5.8</b>	<b>6.3</b>	<b>9.6</b>	<b>3.7</b>	<b>5.8</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>7.0</b>	<b>2.0</b>	<b>3.5</b>	<b>2.0</b>	<b>2.2</b>	<b>2.5</b>

Numbers may not add up due to rounding

Quebec did not perform well in this reporting period from a profitability perspective, achieving only 5.8 per cent in Operating Profit, 3.0 percentage points below the previous survey results and slightly better than the Prairies this year. However, it appears there may have been less “trading down” during this period compared to the previous one. The Fine-Dining sector performed much better, experiencing 3.6 per cent Operating Profit compared to -2.6 per cent last period. There was also a reversal of fortune for the other three sectors of the foodservice industry within the province. In the last survey, QSRs posted the highest profitability followed by Family and Casual/Theme. Current survey results indicate that Casual/Theme outlets were most profitable, followed by Family and QSR sectors. *NOTE: QSR restaurants in Quebec reported a 33.5 per cent labour cost, which appears to be high relative to the previous survey and QSR labour costs in general.*

Source of Revenue,  
Quebec All Sectors Average



## EASTERN CANADA BY SECTOR (NB, NS, PE, NL)

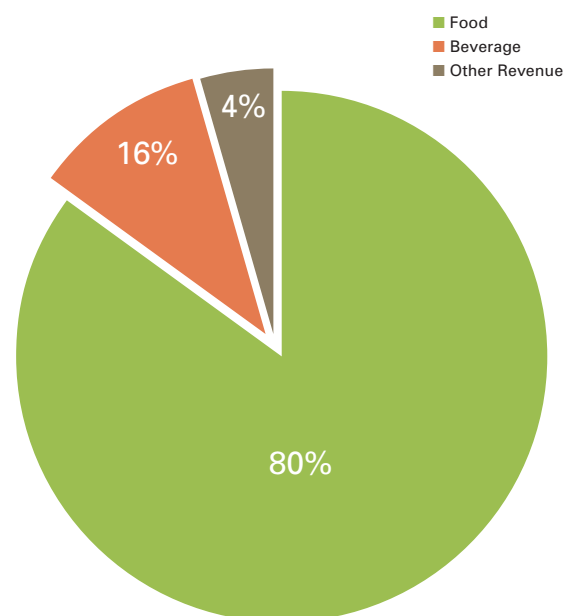
	QSR	Family Restaurant	Casual/Theme	Fine Dining	Atlantic Canada	National
<b>Sales</b>						
Food	92.5	93.0	65.0	66.5	79.8	82.8
Beverage	4.3	7.0	30.0	33.5	15.7	13.2
Other Revenue	3.2	0.0	5.0	-	4.5	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.00</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>						
Food	31.5	33.3	28.7	31.5	31.3	29.2
Beverage	25.0	24.7	30.0	36.5	27.8	26.2
Other	43.6	0.0	48.7	45.0	40.9	44.4
<b>Total Cost of Sales</b>	<b>31.6</b>	<b>32.7</b>	<b>30.1</b>	<b>33.2</b>	<b>31.2</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>68.4</b>	<b>67.3</b>	<b>69.9</b>	<b>66.8</b>	<b>68.8</b>	<b>70.5</b>
<b>Expenses</b>						
Salary, wages & benefits	29.2	32.0	25.7	31.5	29.4	30.6
Occupancy	7.5	6.3	7.7	6.5	7.0	10.7
Operating	5.5	4.3	6.0	4.0	5.1	4.6
Paper	0.8	2.3	1.7	1.5	1.4	1.8
Utilities	3.3	4.7	5.3	2.0	3.9	2.6
General & Administration	2.3	3.7	7.0	4.0	3.9	3.3
Marketing	2.7	4.0	3.3	3.5	3.2	3.9
Entertainment	0.3	0.3	2.7	0.5	0.9	1.4
Repairs and Maintenance	3.0	3.7	3.7	3.0	3.4	2.6
<b>Total Expenses</b>	<b>54.7</b>	<b>61.3</b>	<b>63.0</b>	<b>56.5</b>	<b>58.1</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>13.7</b>	<b>5.9</b>	<b>6.9</b>	<b>10.3</b>	<b>10.7</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>3.0</b>	<b>2.0</b>	<b>3.4</b>	<b>0.9</b>	<b>1.7</b>	<b>2.5</b>

Note: Limited data was available for the Eastern Region

Numbers may not add up due to rounding

For a second consecutive reporting period, profitability was the strongest in Eastern Canada, exceeding the National Average by 1.7 percentage points (10.7 per cent versus 9.0 per cent). This was a result of the Region reporting the lowest Total Expenses among the provinces. It had the second-lowest Wages, Salaries and Benefits (29.4 per cent). However, it was the significantly lower occupancy costs of 7.0 per cent compared to the National Average of 10.7 per cent that contributed greatly to its strong performance. With regard to the individual foodservice sectors, QSRs were once again the strongest performer, exceeding the other sectors quite substantially, particularly Family and Casual/Theme outlets. QSR's relatively lower Total Expenses, (6.9 percentage points below the National Average), was primarily responsible for the strong showing. Fine Dining, which was a "no show" in the last survey period due to too few operators reporting in this category also performed very well.

### Source of Revenue, Atlantic All Sectors Average



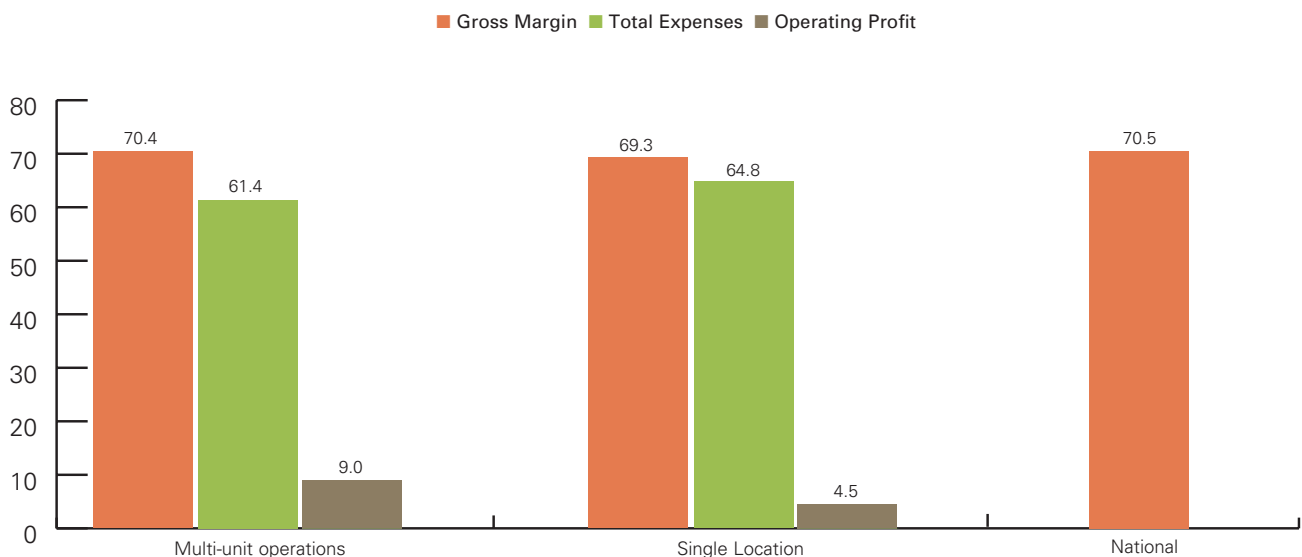
## BY MULTI-UNIT OPERATOR VS SINGLE-UNIT OPERATOR FOR NATIONAL

	Multi-unit operations	Single Location	National
<b>Sales</b>			
Food	86.0	70.6	82.8
Beverage	12.6	24.1	13.2
Other Revenue	3.3	5.2	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>			
Food	28.7	31.7	29.2
Beverage	26.4	25.8	26.2
Other	47.01	38.0	44.4
<b>Total Cost of Sales</b>	<b>29.6</b>	<b>30.6</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>70.4</b>	<b>69.3</b>	<b>70.5</b>
<b>Expenses</b>			
Salary, wages & benefits	30.1	31.1	30.6
Occupancy	11.2	9.0	10.7
Operating	4.6	5.6	4.6
Paper	1.8	1.9	1.8
Utilities	2.4	3.9	2.6
General & Administration	3.2	4.7	3.3
Marketing	4.1	4.0	3.9
Entertainment	1.4	1.8	1.4
Repairs and Maintenance	2.5	2.8	2.6
<b>Total Expenses</b>	<b>61.4</b>	<b>64.8</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>9.0</b>	<b>4.5</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>2.8</b>	<b>2.0</b>	<b>2.5</b>

*Numbers may not add up due to rounding*

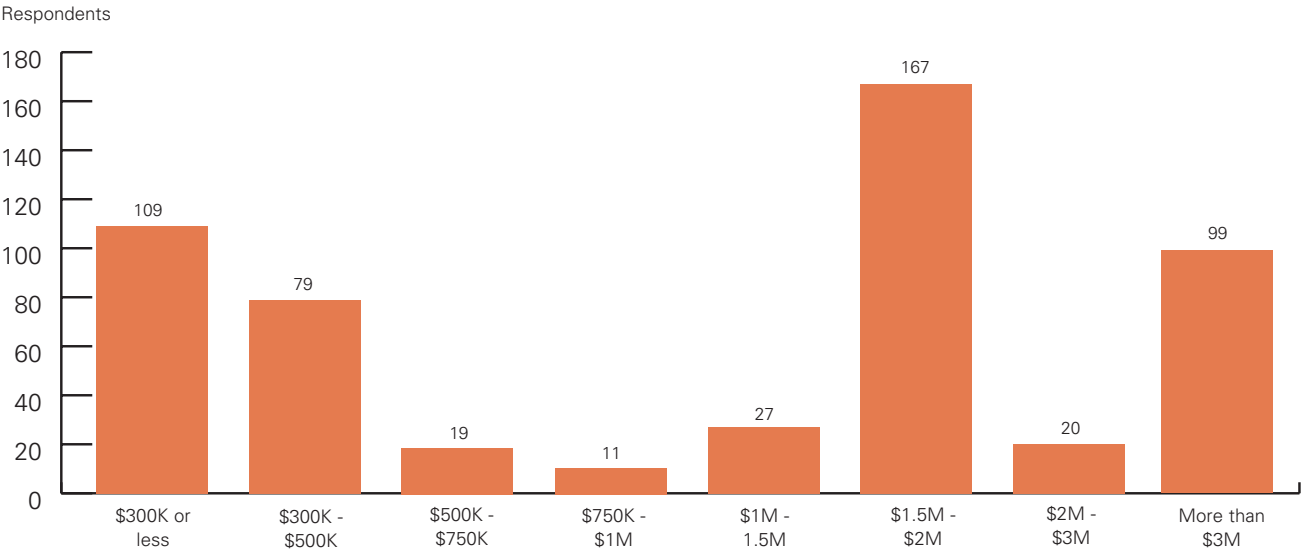
The above results demonstrate the power of branding. Not only does a brand provide a recognizable and trusted name, but it's also associated with a perceived standard of quality and value. In this current reporting period, Multi-Unit Operations were more profitable than Single Locations with the former experiencing 9.0 per cent profitability compared to the latter with only 4.5 per cent.

In the previous reporting period, the results were 11.0 per cent and 6.3 per cent respectively. It appears that branded concepts are able to control costs better than independents. In reference to the above table, Cost of Sales, Wages, Salaries and Benefits and Total Expenses were lower for the Multi-Unit Operations. Branded concepts also typically experience higher sales volumes per sq. ft. than independent foodservice outlets.





# COST TO BUILD RESTAURANTS

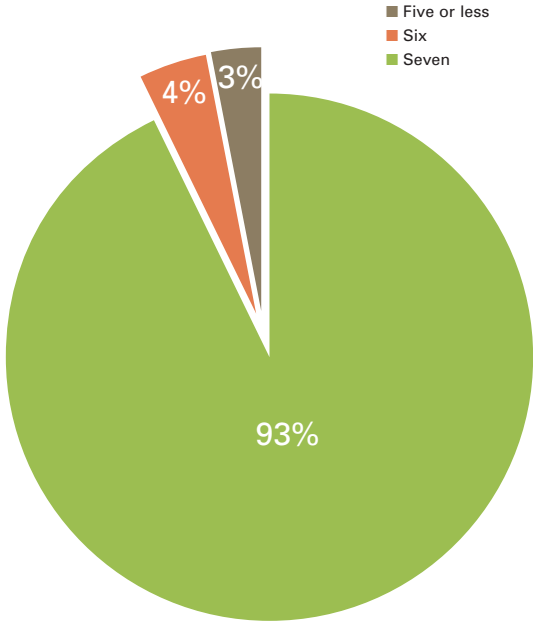


Surprisingly, the results of this current survey indicate that a significant number of operators (31.5 per cent of the nine cost categories) identified \$1.5 million to \$2 million as the cost range to build their restaurants. This is inconsistent with the belief that the foodservice industry is comprised of many small Capex outlets. In the previous survey, almost 40 per cent of the reporting operators indicated that the cost to build their

foodservice outlets was \$300,000 or less. A partial explanation for the much higher cost range reported this time around, may be the growing market share that branded/chain concepts are experiencing and the associated higher costs of development. However, this increased market share of branded concepts has been a very slow and gradual process and certainly not an overnight phenomenon.

## How many days a week are you open?

The pie chart (far right) simply identifies the composition of reporting foodservice outlets by number of days they are open each week. It indicates a vast majority (93 per cent) of the outlets operate seven days per week, while four per cent are open six days per week, with only three per cent of units open five days or less each week. It is likely that units open less than five days are located in seasonal locations, as well as in malls, for example, where weekend service is not required, or in non-traditional locations such as sports arenas, where foodservice is only offered when there are events.



# ALCOHOL VS. NON ALCOHOL SERVICE

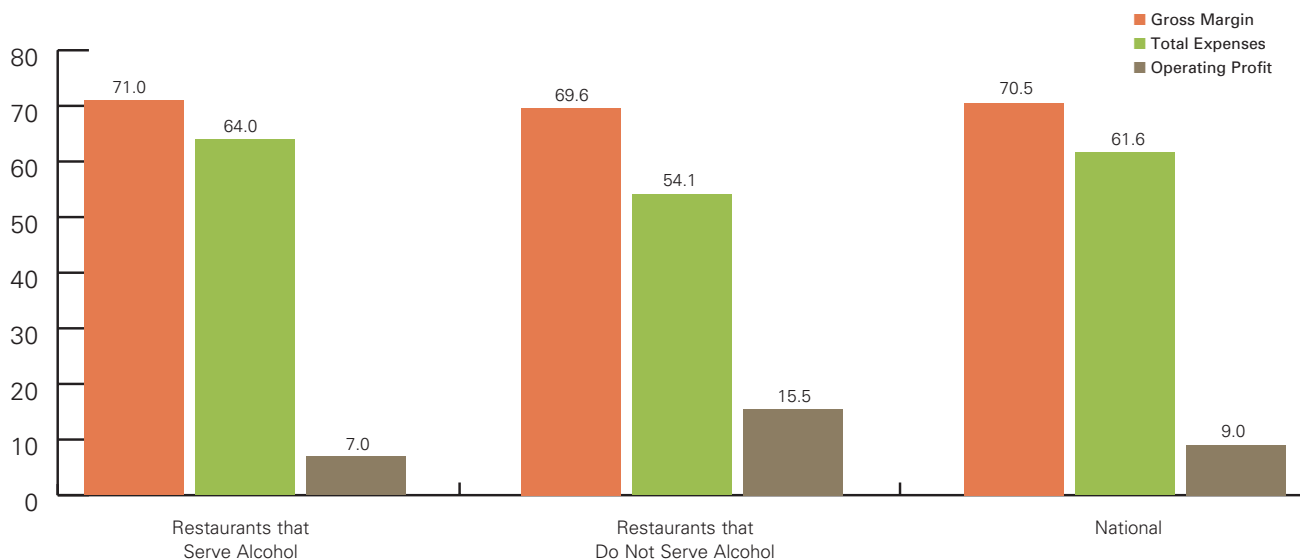
	Serve Alcohol	Do Not Serve Alcohol	National
<b>Sales</b>			
Food	75.2	95.1	82.8
Beverage	21.8	0.0	13.2
Other Revenue	3.0	4.9	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>			
Food	29.0	29.8	29.2
Beverage	26.8	0.0	26.2
Other	46.0	41.0	44.4
<b>Total Cost of Sales</b>	<b>29.0</b>	<b>30.4</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>71.0</b>	<b>69.6</b>	<b>70.5</b>
<b>Expenses</b>			
Salary, wages & benefits	30.7	25.9	30.6
Occupancy	11.4	10.4	10.7
Operating	4.9	4.3	4.6
Paper	1.3	2.0	1.8
Utilities	3.0	2.4	2.6
General & Administration	3.0	3.6	3.3
Marketing	4.6	2.9	3.9
Entertainment	1.9	0.7	1.4
Repairs and Maintenance	3.2	1.9	2.6
<b>Total Expenses</b>	<b>64.0</b>	<b>54.1</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>7.0</b>	<b>15.5</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>2.1</b>	<b>4.0</b>	<b>2.5</b>

Numbers may not add up due to rounding

A question that arises from time to time is whether or not there is a benefit to serving alcohol? This assessment looks at the overall operation of QSRs compared to full-service restaurants (family, casual/theme, fine dining) for the most part. The service of alcoholic beverages is usually beneficial to the operating profit of a full-service restaurant, often offsetting many of the high fixed costs that full-service restaurants have. As a result, the 7.0 per cent Operating Profit, which full-service restaurants have (those that serve alcohol) is buoyed by beverage sales.

On the other hand, due to the lower operating costs of QSRs (e.g. smaller footprints, drive-thru capabilities, fewer required staff and management, lower soft costs, et cetera), the non-alcoholic restaurants (again, mostly QSRs), obtain a higher return on sales than those that serve alcoholic beverages.

The big discrepancy between the two categories appears to be in the Total Expenses including Wages, Salaries and Benefits. There is almost a 5.0 point spread in Wages, Salaries and Benefits between the two categories.

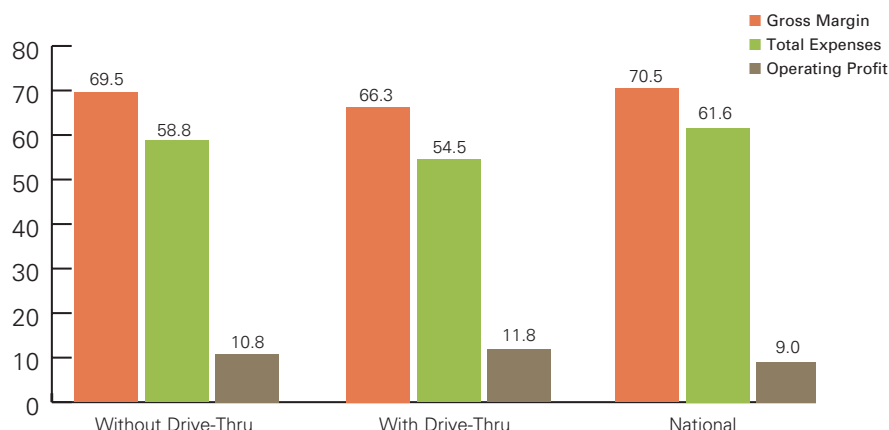


# QSR WITH AND WITHOUT DRIVE-THRU

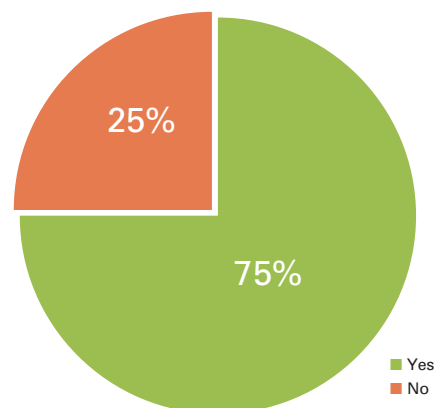
	Without Drive Thru	With Drive Thru	National
<b>Sales</b>			
Food	98.4	95.3	82.8
Beverage	0.0	0.0	13.2
Other Revenue	1.6	4.8	3.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>			
Food	30.4	33.2	29.2
Beverage	0.0	0.0	26.2
Other	32.5	42.5	44.4
<b>Total Cost of Sales</b>	<b>30.5</b>	<b>33.7</b>	<b>29.4</b>
<b>Gross Margin</b>	<b>69.5</b>	<b>66.3</b>	<b>70.5</b>
<b>Expenses</b>			
Salary, wages & benefits	28.5	26.7	30.6
Occupancy	11.0	9.1	10.7
Operating	4.1	4.9	4.6
Paper	3.0	1.1	1.8
Utilities	2.1	2.6	2.6
General & Administration	4.9	2.6	3.3
Marketing	3.1	3.5	3.9
Entertainment	1.0	1.4	1.4
Repairs and Maintenance	1.1	2.5	2.6
<b>Total Expenses</b>	<b>58.8</b>	<b>54.5</b>	<b>61.6</b>
<b>Operating Profit</b>	<b>10.8</b>	<b>11.8</b>	<b>9.0</b>
<b>Royalty Expense</b>	<b>4.8</b>	<b>4.8</b>	<b>2.5</b>

Numbers may not add up due to rounding

The findings of this survey address whether QSRs with Drive Thrus are more successful from a profitability perspective than those without. While the results suggest they are, the findings do not appear to reflect the significant competitive advantage that Drive Thrus offer to prospective QSR operators. As stated in the 2013 Bottom Line, operators with Drive Thrus normally generate 45 to 60 per cent of their sales from drive thru's. These restaurants typically benefit from lower operating costs due to smaller 'bricks-and-mortar' footprints that these outlets require to generate the enhanced sales volumes. In 2014, only one percentage point (11.8 per cent versus 10.8 per cent) in profitability was reported between the two operating formats. As drive-thrus increase throughput significantly, costs items such as percentage rent charged by many franchisors such as Tim Hortons and McDonald's, food costs, labour costs (as increased labour is needed to service the drive thru window), utilities, repairs and maintenance, et cetera) do not change as a percentage of sales. So while the sales may be approximately 50 per cent higher due to the drive-thru capabilities, the costs remain relatively constant in both drive through and non-drive through restaurants.



Percentage of QSR respondents with a Drive-thru



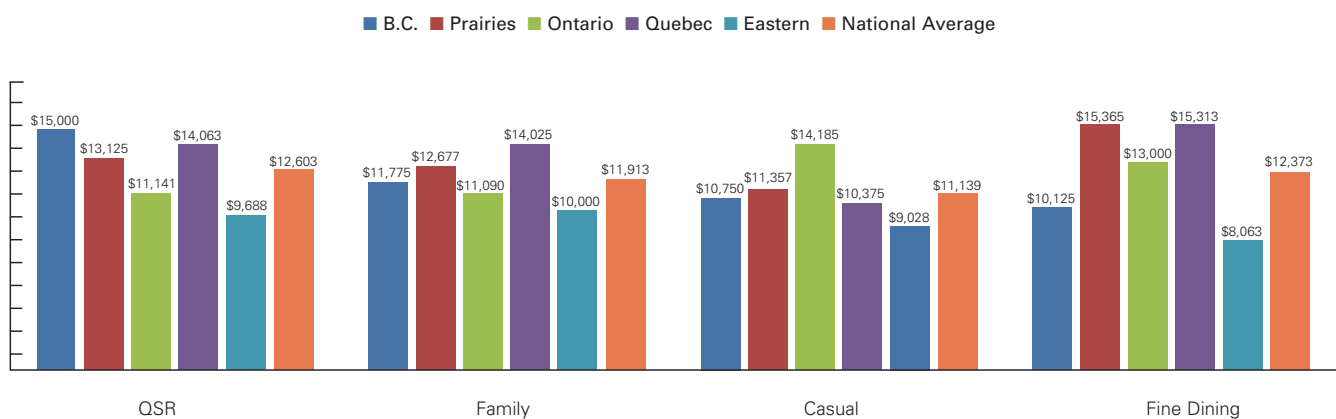
# SALES PER SEAT

	BC	Prairies	Ontario	Quebec	Eastern	National Average
QSR	\$15,000	\$13,125	\$11,141	\$14,063	\$9,688	\$12,603
Family	\$11,775	\$12,677	\$11,090	\$14,025	\$10,000	\$11,913
Casual	\$10,750	\$11,357	\$14,185	\$10,375	\$9,028	\$11,139
Fine Dining	\$10,125	\$15,365	\$13,000	\$15,313	\$8,063	\$12,373

Sales-per-seat is generally a hallmark by which to estimate potential sales for new restaurants and to assess restaurant marketing success. It allows for a variety of self assessments including year-over-year performance. It had been approximately 15 years since an average sales-per-seat figure had been released in Canada, therefore, this is the first time this data has been made available on a regional or national basis.

On review of the four restaurant sectors (i.e. QSR, Family, Casual/Theme, Fine) there is little difference among them. Sales per seat on a National basis range from \$12,603 for QSRs, followed by Fine Dining (\$12,373), Family

(\$11,913) and Casual/Theme (\$11,139). Noticeably, there is greater variance among the sectors regionally. For instance, QSRs report the highest Sales-per-Seat (\$15,000) in B.C. and the lowest (\$9,688) in Eastern Canada. For Family units the highest sales per seat (\$14,025) was in Quebec and again the lowest was in Eastern Canada (\$10,000). The results are similar for the other two sectors namely, Casual/Theme and Fine Dining. The former was the highest in Ontario (\$14,185) and lowest in Eastern Canada (\$9,028), whereas the latter was again highest in Quebec and the lowest once again in Eastern Canada (\$8,063).



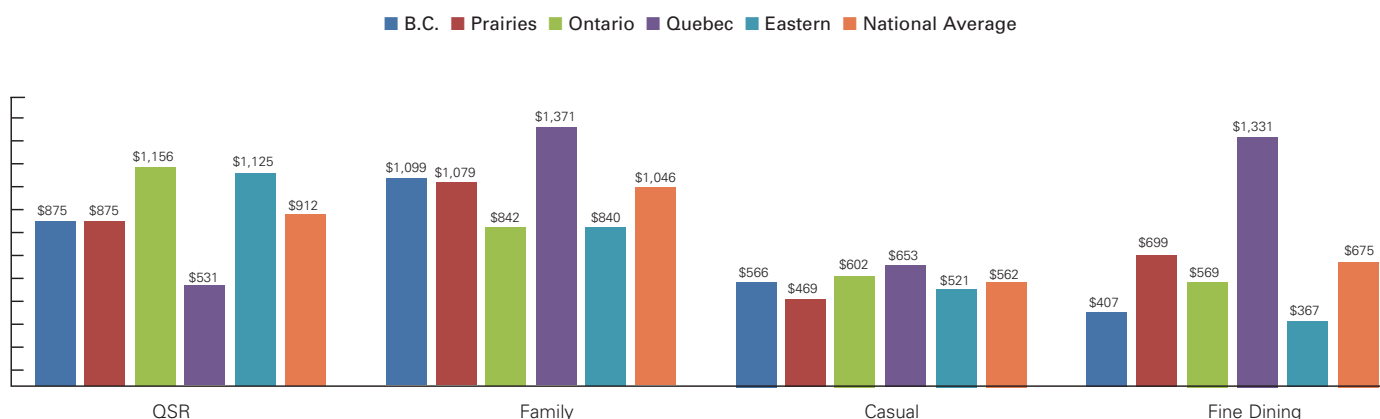
# AVERAGE SALES PER SQUARE FOOT

	BC	Prairies	Ontario	Quebec	Eastern	National Average
QSR	\$875	\$875	\$1,156	\$531	\$1,125	\$912
Family	\$1,099	\$1,079	\$842	\$1,371	\$840	\$1,046
Casual	\$566	\$469	\$602	\$653	\$521	\$562
Fine Dining	\$407	\$699	\$569	\$1,331	\$367	\$675

Another first for this year's Bottom Line is the determination of the Average Sales per Square Foot by sector and region. Again, this is the first time this data has been made available on a regional or national basis.

Regionally, Quebec was first again, but this time for the highest average Sales per Square Foot at \$971.50 for all four sectors, followed by Ontario (\$792.25), Prairies (\$780.50), B.C. (\$736.75) and Eastern Canada once again being at the "back of the pack" at \$713.25.

The Quebec results are most interesting in that on a square-foot basis, the province posted the highest sales in each of the family, causal and fine-dining sectors while it registered the lowest in the QSR sector. This supports the idea that Quebecers have a propensity to 'dine in' rather than frequent QSR units. It also supports the notion that Quebecers are more interested in freshly made foods from independent restaurants compared to the rest of the country's need for the speedy service offered by the QSR sector.



# HOW TO USE THE BOTTOM LINE

BY PROFESSOR RICHARD WADE  
TED ROGERS SCHOOL OF HOSPITALITY AND TOURISM MANAGEMENT  
RYERSON UNIVERSITY

Over the past couple of decades, I have found two useful applications for foodservice market surveys as the one recently undertaken this past spring by *Foodservice and Hospitality Magazine*, FHG International Foodservice & Franchise Consultants and Ryerson University.

## APPLICATION I

(In the first instance,) I have used it to advise clients and others seeking advice, particularly smaller independent foodservice operators to compare their operating ratios with those benchmarks exhibited within the survey as a means of gauging the operating performance of their own business. To do this, the operators must select preferably five or more sectoral categories that they believe are most representative of their respective foodservice concepts. For instance, if a restaurateur had recently opened a small 65-seat licensed Italian restaurant in suburban Toronto and wanted to know how

the business was performing relative to similar Italian restaurants, it may be appropriate to use the following sectoral categories:

- Menu Type – Pasta
- Sectoral Type – Casual/Theme
- Number of Seats – 50-100
- Licensed to Serve Alcohol or Not – Licensed
- Location – Suburban
- Years in Business – Less than 2
- Unit Type – Single Location
- Revenue - \$500k - \$750k

Having selected the above categories, the operator would then be advised to record the operating ratios of the various sectors on an Excel spreadsheet as presented in Table 1. A simple average for the selected sectors for each line item would then need to be calculated providing an Overall Average for the

## TABLE 1 - SECTORAL AVERAGES

	Pasta	Casual/ Theme	50-100 seats	Licensed	Suburban	Less than 2 Years	Single Location	\$500k - \$750K	Overall Average
Sales (by per cent)	%	%	%	%	%	%	%	%	%
Food	82.4	76.7	79.9	75.2	83.9	73.3	70.6	76.8	77.4
Beverage	14.5	19.5	16.0	21.8	11.3	20.0	24.1	19.6	18.4
Other	3.7	3.8	4.0	3.0	3.9	7.0	5.2	4.3	4.4
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>									
Food	30.3	30.7	30.4	29.0	29.9	29.7	31.7	31.1	30.4
Beverage	33.7	30.9	23.4	26.8	26.1	27.2	25.8	24.3	27.3
Other	48.8	38.4	24.9	46.0	47.2	39.7	38.0	39.3	40.3
<b>Total Cost of Sales</b>	<b>31.7</b>	<b>31.0</b>	<b>29.1</b>	<b>29.0</b>	<b>29.9</b>	<b>29.7</b>	<b>30.6</b>	<b>30.3</b>	<b>30.2</b>
<b>Gross Margin</b>	<b>68.3</b>	<b>69.0</b>	<b>70.9</b>	<b>71.0</b>	<b>70.1</b>	<b>70.3</b>	<b>69.3</b>	<b>69.7</b>	<b>69.8</b>
<b>Expenses</b>									
Salaries, wages & benefits	33.2	30.5	28.4	30.7	30.2	27.7	31.1	24.7	29.6
Occupancy	9.0	9.8	10.2	11.4	10.4	10.9	9.0	13.4	10.5
Operating	5.3	4.5	4.8	4.9	4.8	5.3	5.6	4.2	4.9
Paper	2.2	2.1	2.0	1.3	1.8	4.0	1.9	2.7	2.3
Utilities	2.6	3.0	3.3	3.0	2.6	4.3	3.9	2.4	3.1
Gen. & Admin.	3.4	3.8	3.8	3.0	3.2	6.0	4.7	4.8	4.1
Marketing	3.5	4.2	2.5	4.6	4.2	5.3	4.0	3.0	3.9
Entertainment	1.2	0.4	0.5	1.9	1.3	1.0	1.8	0.9	1.1
Repairs and Maintenance	2.3	1.8	3.5	3.2	1.9	3.3	2.8	1.5	2.5
<b>Total Expenses</b>	<b>62.8</b>	<b>60.3</b>	<b>59.2</b>	<b>64.0</b>	<b>60.5</b>	<b>67.9</b>	<b>64.8</b>	<b>57.5</b>	<b>62.0</b>
<b>Operating Profit</b>	<b>5.5</b>	<b>8.7</b>	<b>11.7</b>	<b>7.0</b>	<b>9.6</b>	<b>2.3</b>	<b>4.5</b>	<b>12.3</b>	<b>7.8</b>

Note: EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortization. The resultant data is then transferred to Table 2 as outlined following.



## TABLE 2 - OPERATOR'S COMPARATIVE ANALYSIS

Overall Average		Operator's Ratios		Difference	Assessment
Sales (by per cent)	%		%	%	
Food	77.4		78.3	0.9	
Beverage	18.4		20.7	2.3	
Other	4.4		1.0	-3.4	
Total Sales	100.0		100.0	0.0	
Cost of Sales					
Food	30.4		35.4	+5.0	Food cost too high Beverage cost also too high
Beverage	27.3		30.2	+2.9	
Other	40.3		38.1	-2.2	
Total Cost of Sales	30.2		34.0	+3.8	Better control over cost of sales required
Gross Margin	69.8		66.2	-3.6	Too low due to high cost of sales
Expenses					
Salary, wages & benefits	29.6		32.5	+2.9	On the high side
Occupancy	10.5		10.8	+0.3	
Operating	4.9		6.8	+1.9	
Paper	2.3		3.4	+1.1	Operating expenses too high
Utilities	3.1		3.6	+0.5	
Gen. & Admin.	4.1		3.1	-1.0	
Marketing	3.9		1.5	-2.4	
Entertainment	1.1		1.6	+0.5	
Repairs & Maintenance	2.5		1.3		Too low for new business
Total Expenses	62.0		65.2	+3.2	
Operating Profit (EBITDA) costs	7.8		1.4	-6.4	Much too low due to high cost of sales and operating

identified foodservice concept. In this instance, it can be observed that the Overall Average of the Gross Margin, Total Expenses and Operating Profit for the selected eight sectors are 67%, 61.1% and 7.8% respectively.

The operator would then place their current operating ratios in column 3 (Table 2) beside column two entitled "Overall Averages" taken from Table 1. A comparison can now be made between the restaurateur's operating ratios in column three and the Overall Averages in column two. Differences between the two scores can then be recorded in column 4 (Difference). The last column (five) in the table is used for assessment purposes, where the operator can make notations about the performance of the restaurant. This should provide the operator with some direction as to what needs to be done to improve the operating performance of the business.

An additional refinement to this process could include obtaining a weighted average of the various sectoral averages. For instance, if the restaurateur believed that some of the sectoral categories better defined the foodservice concept than others in question, such as Menu Type, Number of Seats, Location and Revenue, then a higher weighting such as 15% could be applied to these with a lesser weighting (10%) to the remaining four others. However, one has to ensure the total weightings add up to 100%. The calculation would be  $4 \times 15\% = 60\%$  and  $4 \times 10\% = 40\%$ . When 40% and 60% are then added together, the total equates to 100%.

### APPLICATION II

I have also used this survey data in the classroom at Ryerson University. It is particularly instructive when addressing the Restaurant Canada's standards in Canadian Restaurant Accounting for foodservice operations when conducting feasibility studies that my third-and fourth-year students are required to undertake. It's their responsibility to seek out foodservice operators or other hospitality entrepreneurs who may be contemplating some form of expansion of their enterprise or who would like the experience to learn more about the feasibility process. In the latter instance, the exercise becomes hypothetical rather than real. Either way, the students are exposed to the same issues and challenges.

The two major components of the feasibility process that the students must tackle first, are the market study followed by an assessment of the economic viability of the proposed business. It is in the second component where the foodservice survey is applied. It serves in part in the development of a five-year proforma income statement that forms the basis of the whole financial plan for the proposed business. It also includes a one-year cash flow statement, two balance sheets, break-even and return on investment (ROI) analyses. Forecasted revenues are based on a combination of supply and demand analysis, opinions of similar concept operators and the survey data.

In the development of the proforma income statement, the students rely

## SECTORAL AVERAGES

	QSR	Coffee Shop	North American	25 - 50 Seats	Urban	Less than 2 years	Overall Average
Sales	%	%	%	%	%	%	%
Food	95.4	95.5	96.5	96.0	96.1	93.0	95.4
Beverage							
Other	4.6	4.5	3.5	4.0	3.9	7.0	4.6
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Sales</b>							
Food	31.8	31.0	29.0	30.4	31.6	29.7	30.6
Beverage							
Other	40.2	39.4	44.5	24.9	47.2	39.7	39.3
<b>Total Cost of Sales</b>	<b>32.1</b>	<b>31.4</b>	<b>29.6</b>	<b>30.2</b>	<b>32.4</b>	<b>29.7</b>	<b>30.6</b>
<b>Gross Margin</b>	<b>67.9</b>	<b>68.6</b>	<b>70.4</b>	<b>69.8</b>	<b>67.6</b>	<b>70.3</b>	<b>69.4</b>
<b>Expenses</b>							
Salary, wages & benefits	24.2	26.1	30.6	28.4	29.8	27.7	27.8
Occupancy	11.3	9.8	10.8	10.2	11.2	10.9	10.7
Operating	4.5	4.1	4.5	4.8	4.7	5.3	4.7
Paper	2.1	2.4	1.9	2.0	1.8	4.0	2.4
Utilities	2.4	4.2	2.6	3.3	2.6	4.3	3.2
Gen. & Admin.	3.7	4.0	3.2	3.8	3.2	6.0	4.0
Marketing	3.3	3.0	4.0	2.5	4.1	5.3	3.7
Entertainment	0.7	0.7	1.4	0.5	1.9	1.0	1.0
Repairs and Maintenance	1.8	3.5	2.6	3.5	2.0	3.3	2.8
<b>Total Expenses</b>	<b>53.9</b>	<b>57.8</b>	<b>61.7</b>	<b>59.2</b>	<b>62.1</b>	<b>67.9</b>	<b>60.4</b>
<b>Operating Profit Before Occupancy Costs &amp; EBITDA</b>	<b>14.0</b>	<b>10.8</b>	<b>8.7</b>	<b>10.6</b>	<b>5.5</b>	<b>2.4</b>	<b>9.0</b>

on two forms of information, one from operators of similar business concepts which is being investigated and the other from the actual survey data. Let us assume that the foodservice operator with whom they have partnered is interested in venturing into a new foodservice concept such as a North-American bakery café/coffee shop for an urban location. The students would then decide which sectoral averages within the restaurant market survey would be most appropriate to use. Let us further assume they believe that the following sectors best define the proposed business:

- Sectoral Type – QSR
- Menu Type – Coffee
- Menu Theme – North American
- Number of seats – 25 – 50 seats
- Outlet Location – Urban Location
- Years in Business – Less than 2 years

The process is now similar to the one previously presented. The selected individual sectoral averages are copied onto the Excel spreadsheet to determine the Overall Average for the selected sectors as presented in Table 3. Please be aware, since the café/coffee shop is not licensed, the beverage sales have been included in Food Sales and the Cost of Sales for Beverages has been excluded.

This overall average would then be married with the operating ratios of similar foodservice concepts that the students were able to obtain from those operators. Typically a weighted average would be calculated based on the confidence level the students had in the data obtained from the various

sources. It should be noted that occupancy costs from within the survey have been excluded since the actual estimated occupancy costs of the site in question would be used instead. In addition, estimates would need to be determined for interest expense, taxes and amortization based on a prepared capital budget and assumed financing.

Once the first year's proforma income statement is complete, subsequent years' revenues and expenses are forecast using data secured during the market study phase and analyses previously described. The students would then proceed to complete the feasibility study by undertaking the remaining components of the financial plan, concluding with a ROI assessment based on the financial objectives of the foodservice operator.

### CONCLUSION

In the preceding pages I have explained two applications with respect to the Restaurants Canada Survey, which I have found beneficial in counseling, both foodservice operators (new and seasoned alike) and students within The Ted Rogers School of Hospitality and Tourism Management at Ryerson University.

I suspect there are many foodservice operators/professionals who have found other useful applications as well. However, the future success and integrity of this survey is dependent on the willingness of foodservice operators to contribute and provide their careful consideration when completing the questionnaire.

# SELF-ASSESSMENT WORKSHEET

	Benchmarks	Analysis			
		Overall Average	Operator Ratios	Difference	Assessment
<b>Sales</b>					
Food					
Beverage					
Other					
<b>Total Sales</b>					
<b>Cost of Sales</b>					
Food					
Beverage					
Other					
<b>Total Cost</b>					
<b>Gross Margin</b>					
<b>Expenses</b>					
Wages/salaries					
Occupancy					
Operating					
Paper					
Utilities					
Gen. & Admin.					
Marketing					
Entertainment					
<b>Total Expenses</b>					
<b>Operating Profit</b>					