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An Overview of the Canadian Foodservice Market, 1976-1977

Policy Group

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Report

AN OVERVIEW OF THE CANADIAN
FOODSERVICE MARKET 1976-1977

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Toronto, Ontario

Food Policy Group
Consumer and Corporate Affairs
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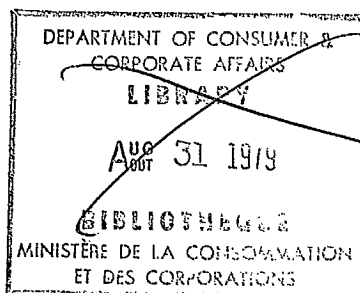
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This report presents the results of a series of extensive interviews among 93 leading Canadian foodservice firms, covering 25 subsegments of the industry's activities. The assistance given by, and cooperation received from, the people interviewed during the study are acknowledged with thanks. While the report provides a useful overview of Canada's foodservice market, it does not claim to be all embracing. For example, the coverage of the foodservice industry in Québec is less comprehensive than in other provinces.

The comments expressed in Part II, Part III and sections 1 - 5 of Part IV are those of the respondents, while the consultant's observations are found in Part I and the conclusion of Part IV. The consultant's mandate was to assemble the background information and then to obtain the perceptions of the major players towards today's problems and tomorrow's possibilities. Time did not permit, nor did the mandate of the study allow, for checking of all the comments. The perceptions of the respondents have been taken at face value and reported as they were told to the consultant without passing judgement on their accuracy or merit. The study, as the reader will discover, unearthed a number of startling, even bizarre, comments. In some instances, the consultant was requested specifically to include examples of what were felt to be bureaucratic insensitivities at the federal, provincial or municipal level. These examples, like other comments and views, have been reported diligently and accurately.

The views and opinions expressed in the report are those of the consultant or the respondents. They do not necessarily reflect the views of Consumer and Corporate Affairs Canada.



PART I

INTRODUCTION



1. Objectives

The principal purposes of the study of the Canadian foodservice market were to provide an overview of the market, to describe its size and scope, to include a description of the major subsections within it and the major firms within each subsegment, to review historical trends, describe current activities and delineate anticipated future trends as perceived by senior members of the industry. A description of the buying/distribution systems peculiar to the foodservice market was also requested so that the process by which foodservice establishments are supplied with raw food ingredients for on-site conversion into meals which are then retailed to consumers, could then be correlated by the Department of Consumer and Corporate Affairs to the overall study of tracking food products from the farm gate to the processor to the over-the-road carrier to the wholesaler to the foodservice operator and then eventually to the ultimate consumer of the food, the customer. A general outline of food costs, labour costs, and retail prices charged was also requested.

2. Methodology

This study was conducted in Canada in principal cities in November, December 1977, and January 1978 by senior consultants who interviewed major foodservice operators across Canada. The criterion used in determining whom to interview was approximately \$10 million in gross food and beverage volume in 1977. In the field, some exceptions were made to broaden the sample of various subsegments. A three page interview form was devised, pretested, approved by the Department of Consumer and Corporate Affairs and then used in the field interviews. During the three month period a total of 93 interviews were completed, comprised of 20 in British Columbia, 9 in Alberta, 1 in Manitoba, 48 in Ontario, 13 in Quebec and 2 in New Brunswick. Where possible, personal interviews were arranged; where not convenient after initial arrangements were made by letter, the interview was completed by telephone. Respondents were promised total confidentiality of company information. All data obtained have been grouped by industry subsegment and so reported.

The consultants acknowledge the help of the Publisher and editorial staff of Foodservice & Hospitality Magazine, Toronto, who gave access to files, lists, and statistics on the industry, and whose assistance was critical to the completion of this report.

3. Definition of the Foodservice Market

The Canadian foodservice market, sometimes referred to as the food-away-from-home market, comprises all food and alcoholic beverages consumed in premises that are not personal residences. As well as the obvious commercial sector where meals, snacks and beverages are obtained for cash or in the case of airline feeding provided as an integral part of the transportation service, there is the non-commercial sector such as Health Care and Education and other institutions, where meals are provided as a service by various levels of government, but are incidental to the main activity of the institution.

The commercial sector has undergone significant change in recent years and increased specialization of both menu and concept have created additional subsegments. There are:

- 1 Fast Food Burgers
- 2 Fast Food Chicken
- 3 Fast Food Pizza
- 4 Fast Food - Not Elsewhere Provided, (N.E.P.), which includes fish, submarines, hot dogs, and all other ethnic foods including Chinese Take-outs.
- 5 Ice Cream
- 6 Cafeterias, Public
- 7 Coffee Shops
- 8 Steak Houses
- 9 Family Restaurants and Major Dinner Houses
- 10 Department Stores - Food and Beverage
- 11 Mass Merchandisers and other Retail Establishments - Food and Beverage
- 12 Hotels - Food and Beverage
- 13 Cafeterias - Industrial
- 14 Vending
- 15 Caterers

In addition to the above commercial segments where in every instance cash is exchanged for the Food and Beverage ordered, there is the transportation segment which includes air/rail/ferries, terminal food facilities and restaurants on highways. The purpose of the transportation sector is to feed the travelling public and it has been decided to include stationary facilities such as those in terminals and on highways, to truly represent this significant service sector.

Commercial Food Management Firms are the multi-activity commercial foodservice organizations which usually participate in a number of the commercial and non-commercial segments. They are public or privately owned, Canadian or foreign owned and professionally managed.

In the All Other category there are Amusement and Recreational Facilities, Private Clubs, Remote Feeding (which includes construction, mining, woodland and petroleum related camps), and finally Tourist Resorts, Hunting and Fishing Lodges.

In the non-commercial sector there is the Health Care field which includes hospitals, related institutions including special care facilities, homes for the aged, nursing homes, etc. Then there is Education which includes all feeding in schools, universities and colleges whether or not cash is exchanged for the meals. Next, there are Religious Institutions that are not connected with educational facilities, and finally at the Federal Government level there is Military Foodservice and at the Federal and Provincial level there is Penal Feeding for both inmates and correctional officers on duty.

It should be noted that these definitions are arbitrary, and have been used by the consultants for clarity and convenience, within the scope of this study. A detailed definition is given at the beginning of each subsegment chapter.

4. Historical Growth

Twenty-five years ago in 1953, Canadians were spending in urban areas a total of \$22.48 weekly on all family food of which \$2.23 or 9.9% was away-from-home with the remaining 90.1% at-home. The foodservice or food-away-from-home industry in 1953 was principally a Mom and Pop or family-run business and compared to the development of retail grocery stores 20 years previous in 1933-1935. In the 20 year period from 1933 to 1953, retail food stores emerged into chains and voluntary buying groups at the cost of the local corner grocery store and the country general store that sold grocery items. Similarly in the past 25 years the Food-Away-From-Home market has seen the emergence of chains and professionally-run, profit-making foodservice management firms that have emerged in response to a service-oriented economy. By 1976 consumers were spending in current dollars \$49.99 weekly per family for food of which \$14.10 or 28.2% was in food-away-from-home and \$35.89 in food at-home or 71.8%. Table 1, on urban family expenditure, graphically explains the shift in food expenditure from at-home to away-from-home.

Statistics Canada, which provided these data, have explained the limitation in its sample. It is based on urban family food expenditure and the sample itself has gone through a number of changes between 1953 and 1976 making direct comparisons not entirely statistically elegant. However, this public domain information is sufficiently valid in its overall impact to convey the rapid rise of expenditure for food-away-from-home. The Statistics Canada data do not include alcoholic beverages nor do they take into account those meals purchased outside the home that are then re-imbursed to the employee and charged to corporate expenses.

One of the remarkable aspects of the commercial sector is the rapid rise in fast food and major dinner houses. In fact, fast food chains,

family restaurants and major dinner houses have really been a phenomenon of the last 10 years. The largest foodservice firm in Canada, McDonald's Restaurants of Canada Ltd., began its activities in this country in about 1968 and now has estimated sales of \$325 million in 250 stores and employs approximately 20,500 Canadians full and part-time.

5. The Foodservice Industry in 1976

The most recent year for which reliable sales data are available is 1976 and in that year it is estimated that food expenditures away-from-home in both the commercial and non-commercial sectors accounted for \$6.245 billion while food at-home purchased through retail grocery stores was \$12.010 billion for a total of \$18.255 billion. On a percentage basis, food-away-from-home represented 34.2% of total food expenditures. This figure is slightly higher than the preliminary 1976 urban family food expenditure data recently released by Statistics Canada and the difference of 6 percentage points can be explained by the different statistical techniques used in compiling the data, and the fact that the urban family food expenditure reporting technique, by definition, ignores the large number of meals that are re-imbursed by companies to their employees.

With alcoholic beverages, the sales in the away-from-home market were estimated at \$1.756 billion which is 46.6% of the total. Sales of spirits, wine and beer for the retail market excluding those sold to licensed premises are estimated at \$2.013 billion or 53.4% for a total of \$3.769 billion. The combination of these two bring the total of the away-from-home sector to \$8.001 billion or 36.3%, versus the at-home food and beverage total of \$14.023 billion or 63.7%, for a grand total of \$22.024 billion of total consumer expenditures of food and beverages both at-home and away-from-home. Table 2 explains these statistics and their sources.

The foodservice industry is estimated to employ 450,000 Canadians full and part-time and is comprised of over 32,000 individual establishments. It has been widely predicted by many industry sources both in Canada and the United States that the Canadian foodservice market will rapidly move from 36.3% of the consumer food and beverage dollar to 50% in the foreseeable future. Few industry experts seriously argue with this prediction. For example, personal expenditure on Hotel and Restaurant services which includes food and accommodation for the period 1971-1976 showed 24.1% growth in real terms. Hence it is estimated that for the balance of this decade and into the early 1980s the growth will be 5-6% in real terms and between 10% and 15% in current dollars. On the other hand, while the retail grocery industry shows nominal rates of growth of 10.6% as predicted by the Retail Council of Canada recently, real growth is at +1% and trending to zero growth in the last 12 months as reported by A.C. Nielsen of Canada Ltd.

The conclusion therefore is that the foodservice or food-away-from-home market including food and beverage accounted for well over a third of

PART I

TABLE 1

Weekly Urban Family Food Expenditure - Canada

<u>Dollars Spent</u>	1953	1955	1957	1962	1969	1974	1976
Food at-Home	\$20.25	19.33	20.04	20.30	23.10	30.69	35.89
Food Away-From-Home	<u>2.23</u>	<u>2.07</u>	<u>2.66</u>	<u>2.82</u>	<u>6.13</u>	<u>8.34</u>	<u>14.10</u>
Total Weekly Family Food Expenditure	22.48	21.40	22.70	23.12	29.23	39.03	49.99
<u>Percentage</u>							
Food at-Home	90.1	90.4	88.3	87.8	79.0	78.6	71.8
Food Away-From-Home	<u>9.9</u>	<u>9.6</u>	<u>11.7</u>	<u>12.2</u>	<u>21.0</u>	<u>21.4</u>	<u>28.2</u>
Total Weekly Family Food Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics Canada 62-516, 1957.
62-524, 1962.
63-542, 1974.

TABLE 2

1976 Consumer Food and Beverage Expenditures
(\$ Billions)

	Food		Alcoholic Beverage		Total	
<u>Away-from-Home</u>						
Commercial Sector	5.940		1.756		7.696	
Non-Commercial Sector	<u>305</u>		<u>-</u>		<u>305</u>	
Subtotal	6.245	(34.2)	1.756	(46.6)	8.001	(36.3)
<u>At-home</u>						
Commercial (Retail)	<u>12.010</u>	(65.8)	<u>2.013</u>	(53.4)	<u>14.023</u>	(63.7)
Grand Total	18.255	(100.0)	3.769	(100.0)	22.024	(100.0)

Sources: Away-from-home:

Industry projections based on Statistics Canada bases.

At-home-food:

A.C. Nielsen of Canada Ltd. based on Statistics Canada Merchandising Index, less 18 per cent for non-edibles.

At-home-alcoholic beverages:

Statistics Canada 63-202 Annual less \$527 million for licensed premises based on 30 per cent beverage cost.

total expenditures in 1976 and that today in 1978 it is rapidly approaching the 40% level; soon to be 50% some time between 1982 and 1985. In determining a National Food Policy for Canada serious consideration must be given to the particular needs of this market, which has grown so rapidly in the past 25 years, and is still showing growth of 5-6% in real terms.

6. Highlights of the Study

As indicated in the methodology, Part I, the study was conducted across Canada among 93 firms through interviews, in most instances with the senior executives. The total market information provided in Table 2, and recapped in Appendix A, indicates a total market in Canada in 1976 of \$8.001 billion in food and alcoholic beverage sales at equivalent retail prices, using the subsegments agreed on by the consultants. While current sales by respondent have been reported for 1977, it has been against the base of the \$8.001 billion sales in 1976 that all comparisons have been made, in the absence of any reliable growth factor for 1977. While this is not entirely statistically elegant, it will at least suffice to provide an overview.

On that basis, the approximately 8,000 units represented among the firms interviewed are 25% of the industry total of 32,000 establishments.

Estimated sales as can be seen in Appendix A of \$3 billion unduplicated, are 37.5% of the total industry sales of \$8.001 billion.

Meals served are estimated at 1.5 billion, or 65 per person per year, based on a population of 23 million. This equates to the food-away-from-home feeding based on three meals per day for 22 calendar days for every Canadian.

Of the firms surveyed, total employees full and part-time accounted for approximately 175,000 unduplicated, and against the total industry employed of 450,000, those firms surveyed represent 39% of the total foodservice industry employment.

New units estimated in the next five years are 3,500 and against the current industry figure of 32,000 establishments, this represents an 11% increase for the firms surveyed.

New employees anticipated to be hired in the next five years amount to 90,000 for the 93 firms interviewed and this would be a 20% increase over the current industry base of 450,000.

The largest single segment was Commercial Food Management Firms, with sales of just under one billion dollars.

In the fast food segment, the 4 categories of burgers, chicken, pizza and fast food (N.E.P.), totaled to sales of almost a billion at \$939.4

million dollars and provided almost half a billion meals for a total of 489.97 million, with total employment at 67,627. It should be noted that these figures only represent the firms interviewed and even among those, only those which were able to report specific information.

It is most remarkable that 93 firms represent 25% of the industry's units, over 37% of the industry's sales and almost 39% of the industry's employees. Such concentration of volumes did not exist in this industry at the beginning of this decade. It is predicted that in the future, there will be even more concentration among the top 100 or more firms as indicated by their expansion plans.



PART II

THE COMMERCIAL SECTOR



1. Fast Food - Burgers

1.1. Definition

The Fast Food Burger segment is the largest single foodservice category and represents approximately 20% of the sales of the total industry surveyed in this study among 25 subsegments. As will be noticed in the listing at the bottom of this section naming the firms, the dates of founding show that this is a relatively new industry in Canada. The menu item is hamburgers and this category is one of the principal users of ground beef in Canada.

1.2. Scope of Operations

The 12 firms interviewed in aggregate represent 1,004 units with a combined volume in 1977 of \$544 million. Total meals/ transactions in 1977 amounted to a staggering 339 million. Due to the configuration and operational methods of selling fast food burgers, many of which are take-out, it is difficult to identify whether these are individual meals or whether the food is bought in bulk for several persons. This same comment applies to all fast food segments--burgers, chicken, pizza and N.E.P. Full and part-time employees totalled to 46,022 Canadians for 11 of the 12 who reported, which is over 10% of the entire industry. The average hourly wage of service personnel was \$3.59 for 11 of the 12 reporting. This ranges from a low of \$2.30 to a high of \$4.00.

1.3. Operating Statistics

For this segment cheque average was \$1.60, ranging from a low of \$1.00 to a high of \$2.15.

Variable costs were on average: food 37.2%, plus 4.6% for paper for a total of food and paper of 41.8% Labour was 24% for a combined food, labour and paper total of 65.8%.

Food costs ranged from a low of 35.5% to a high of 43.5% while paper for the five firms who reported ranged from a low of 3.5% to a high of 7.0%. Labour ranged from a low of 16% to a high of 29%. Combined food, paper and labour ranged from a low of 59% to a high of 77%.

1.4. Major Food Items Purchased

These were:

Ground beef, for 7 of the 12 firms is estimated to be 88 million pounds. French fries are estimated to be 73 million pounds for 7 firms. Finished buns are reported in two ways in both pounds and dozens. Two firms reported using a combined figure of 2.50 million pounds of buns while it is estimated that three other firms use a total of 1.83 million dozens finished buns. It is estimated that 3 firms used 375,000 gallons of milkshake mix in 1977.

1.5. Buying/Distribution Systems

The buying/distribution systems used in this segment are a mixture of one-stop shopping and a variety of local authorized suppliers. McDonald's use an Ontario company as the exclusive distribution wholesaler for all their products with warehouses in Montreal and Vancouver as well as Brampton, Ontario. In the Prairies, McDonald's use Macdonalds Consolidated. All products, fresh, frozen and dry are hauled in by these exclusive wholesalers. This is the classic one-stop shop. Here is an example of complete distribution integration. French fries for the eastern half of Canada are supplied from P.E.I. When a truck goes from Ontario to Atlantic Canada it backhauls french fries for the Montreal and Brampton depots.

Most other fast food burger chains use the other system which is authorized suppliers with local delivery and ordering. One chain uses only private label items which are made to its specifications by food processors, but with the name of the food service chain on the cases. In the case of Wendy's, its "signature" is freshly ground beef which is featured in its advertising and purchased from an Ontario based purveyor, on a direct basis or common carrier to each store.

Most of the items using local delivery systems use authorized suppliers, so that the french fries, frozen fish, hot dogs, onion rings, buns, dairy products, beverages, produce, dry grocery products and, shortening are delivered to the store door either by a local frozen food distributor or in the case of a supplier like P & G, Kraft, or Heinz, direct, usually by common carriers.

1.6. Perceived Current Problems and Opportunities

The major problems faced in this segment are:

- 1 Oceanic Beef (beef imported from Australia and New Zealand). As will be indicated in section 8., Steakhouses, that group and Fast Food Burgers are extremely worried about the current restrictions on oceanic beef imports. In mid-January, 1978, boneless cow meat rose 10¢ a pound from 66¢ to 76¢ on the wholesale market and the next week Dominion Stores Ltd. in Ontario had a retail special of ground beef for 83¢ pound. This increase amounting to 15% was reflected to the consumer at the fast food level in an increase of 20¢ a pound. It is quite simple in the foodservice business to understand the formula. When food costs run just under 40% and if hamburger meat goes up 5¢ a pound and the burgers are made 4 to the pound, that is an increase per burger of 1.25¢. However, by the time the labour is added and other operating expenses, that 1.25¢ is considered as 40% and then bumped up to 100% to come out at 3.1¢. However, 3.1¢ is awkward menu pricing, therefore the trade practice is to round off to the nearest nickel. Conclusion: For every 5¢ increase in the price of ground beef, those who make them 4 to a pound, or quarter pounders, will raise their menu prices 5¢ per burger. It is the unanimous perception of fast food burger and

steakhouse operators that they should be permitted to offer Canadian consumers the lowest possible menu prices by having relatively free access to less expensive oceanic cow beef which is not available in Canada in sufficient volume to provide the needs of this industry.

It is therefore a very startling exercise to take the estimated industry use of ground beef which is in excess of 100 million pounds (as 7 firms reported using 88 million) and then dividing it by 4, using 4 burgers to the pound to get the number of burgers yielded from that volume, which is 400 million burgers. Using the assumptions provided by industry spokesmen above, that if every 5¢ per pound increase in the cost of raw ground beef will add 5¢ to the cost of every burger, the extra passed along to the consumer will be \$2 million plus for every 5¢ per pound increase. Even those foodservice operators like Wendy's whose specifications require fresh beef are terribly alarmed that should oceanic imports be further restricted, there will be many bidders for the few Canadian supplies available.

- 2 Provincial Minimum Wages. Universal concern was expressed at the creeping increases in the provincial minimum wages. This industry is one of the largest employers in Canada of high school students and housewives, all on a part-time basis at minimum wage. Any increase in the minimum wage is passed on to the consumer which can be understood when labour costs average 25% of total selling price.
- 3 Franchisors have two specific problems relating to federal legislation that affect them but do not affect those who operate company owned stores.
 - a Small Business Improvements Loan Act. This is a federal statute under which qualified borrowers are supposed to be lent money by chartered banks at 1% over prime with a government guarantee. The new limit is \$75,000. In everyday practice, the chartered banks apparently will not loan under this Act even though they are obliged to, or will only loan to good risks, defeating the purpose of the program. This particular complaint can be documented with a number of examples.
 - b Combines Act. Under current legislation, franchisors cannot dictate resale prices to franchisees. This can only be done by owner-operated stores. Consequently one franchisee can charge anywhere from 55¢ to 80¢ for 5 oz. of a dairy product in Metro Toronto, while corporately owned stores are obliged to adhere to the pricing dictated by Head Office. This anomaly causes great consumer confusion and tends to damage the perceived image of a company offering good value. In many instances the public feel they are being gouged.
- 4 U.I.C. While there does not seem to be much of a problem except in isolated circumstances to get sufficient volume of students and

housewives to work in fast food hamburger stores, U.I.C. appears to be a disincentive to get maintenance men and other full-time employees to work at \$3.50 an hour. Several operators indicated that at \$3.50 an hour, the feedback they got from their personnel departments was that it was easier to go on U.I.C.

- 5 Produce. The fast food burger segment is a substantial user of tomatoes, onions and other varieties of fresh produce. Much of this is imported out of season from Mexico and the southern U.S. However, even in the summer months there are complaints that Canadian supplies are not regularly available due to the difficulties in getting field labour for harvesting.
- 6 Paper Products. Several of the larger firms in this category are multi-national yet they are anxious to purchase many of the products they consume in Canada. Unfortunately, in the paper industry it has been reported that overwraps for the burgers as well as folding cartons can be imported from the U.S. at 10% exchange plus 20% duty plus 12% Federal Sales Tax (FST), and still landed for less than they can be bought in Canada. As it is estimated by industry executives that at least 4 if not 5 secondary jobs are created for every single job in foodservice operations, this is a disappointing commentary on the paper converting industry in this country. Are they suffering from inefficiencies or oligopolistic pricing policies? It should be noted that the paper wraps and folding cartons that are being brought in are bilingual and are a separate press run in the U.S. from the English-only U.S. version. So the blame cannot be laid at the door of the economy of scale, per se.
- 7 Trade Marks in French. In August, 1977, the Quebec Provincial Government, Dept. of Cultural Affairs, requested that Dairy Queen change its trademark to French and also translate distinctive brands of proprietary products plus generic words like Hot Dogs, and Banana Splits. This is also a concern of Burger King who expect to be similarly approached. This is a matter of concern to the firms involved because of the obvious implication of adding costs in production to paper goods, menu boards, and signage.
- 8 U.I.C. -- Pregnancy Leave. This comment is applicable to companies that have reasonably small office staffs of 25 to 30 people and up, and usually 3 to 5 women in clerical and secretarial positions. Under the existing legislation a pregnant woman may give two weeks written notice and can leave within 11 weeks of expected birth. The firm must hold her position open for her to return for six weeks after date of birth. The employee is entitled to U.I.C. for approximately 17 weeks. An abuse that seems to be reasonably common is that they often quit after 16 1/2 weeks intimating that they will be returning, making it difficult for the employer to find suitable temporary help in a small office. In terms of his work flow, he has used up 1/3 of an employee year with untrained temporary help. Perhaps there is no answer to this

abuse, but at least it was reported as a genuine concern of those operators who feel they run "tight ships" and are very conscious of all labour costs input, and the perception is that this abuse seems to be becoming a rule rather than the exception.

1.7. Prospects for Future Growth

These are somewhat cautious. Most operators are concerned about increasing land costs, construction costs and feel that Canada has experienced rapid growth in fast food burgers since the beginning of this decade but that it will see less rapid growth in the next five years. Chains like Wendy's and Burger King who have just begun in Canada have a different approach. Their priorities are to open as many stores as possible. Firms such as A & W, who operate in Canada only, feel encouraged about the future and have ambitious growth plans. On the other hand, those which are Canadian-equity firms seem to be looking to the U.S., where they feel it is cheaper to build and easier to do business, where minimum wages are lower and they can get a better return on investment. For example, a \$650,000 land and building package in Southern Alberta would be \$450,000 in Montana due to more favourable municipal legislation and lower land costs.

New units planned in 1978 and through to 1982 are 763 for 10 of the 12 firms reporting representing a total of 32,800 new jobs. It should be noted that the expected new employees do not include the figures for McDonald's which are not available. Yet, the 32,800 indicated represent a 71% increase in the entire number of employees in the Fast Food Burger segment. The majority of these new units will be located in all provinces across Canada.

1.8. Perceived Future Trends

- 1 More advertising. Advertising to sales ratio will go to 3% for those which are not at that level yet; to 5% from 3% for the remaining.
- 2 Decor. It will be more family-oriented and contemporary often involving hanging plants and warmer earth tones.
- 3 Operations. Drive-in windows will be used where appropriate, and more indoor seating will be provided.
- 4 Menus. These will be slightly expanded or items will be replaced. There will be an emphasis towards menu items that enable the growth of dinner business rather than snacks. Some combinations will be used so the same items can be sold as meal combinations rather than individually as snacks. Overall menu expansion will be fairly limited and as indicated will really be based more on elimination and substitution rather than broad expansion per se.

1.9. Major Firms in this Segment

- 1 McDonald's Restaurants of Canada Ltd., Toronto, Ontario, established approximately 1968, comprised of 250 units nationally. This firm is a

wholly-owned subsidiary of McDonald's Inc. Oak Brook, Illinois. Sales for 1977 were reported in a trade magazine at \$300 million.

- 2 A & W Food Services of Canada Ltd., North Vancouver, British Columbia, established 1956, is a wholly-owned subsidiary of Lever Bros. Ltd., Toronto which in turn is a wholly-owned subsidiary of both Unilever Ltd., London, U.K. and Unilever N.V., Rotterdam, Holland. A & W operates company-owned and franchised Fast Food Burger stores nationally except Yukon and North West Territories and in addition has 5 coffee shops. Total units are 296 and sales for 1977 were reported in a trade magazine at \$85 million.
- 3 Dairy Queen Frozen Products (Canada) Ltd., Burlington, Ontario, established 1953, the Canadian Franchisor of Dairy Queen and Dairy Queen Brazier, the latter being the units that also sell hamburgers. Dairy Queen have 350 units of which a 130 are solely soft-serve Ice Cream stores, while the remaining 220 sell both soft-serve ice cream and have the Brazier franchise, thus selling hamburgers. Stores are in all provinces and the Yukon but not in the North West Territories. Sales in 1977 were reported in a trade magazine at \$60 million.
- 4 Foodcorp Ltd., Toronto, Ontario, a wholly owned subsidiary of Cara Operations Ltd. Toronto. Foodcorp operate 80 Harvey's Fast Food Burger stores in Ontario, Quebec, New Brunswick and Nova Scotia. Sales are consolidated in the report for Cara Operations Ltd. See Commercial Food Management Firms.
- 5 Controlled Foods International Ltd., Burnaby, British Columbia, which operate under franchise, 45 A & W Stores comprised of 13 in British Columbia, 12 in Alberta, 18 in Ontario and 2 in Quebec. For further details, see Commercial Food Management Firms.
- 6 HBK Food International Ltd., Edmonton, Alberta, established 1953, franchisor of Hannigans Hamburgers operating a total of 52 units comprised of 12 in British Columbia, 11 in Alberta, 9 in Saskatchewan, 5 in Manitoba, 12 in Ontario and 3 in the North West Territories. Sales for 1977 were not published.
- 7 Burger King Canada Ltd., Etobicoke, Ontario, established 1970, a wholly-owned subsidiary of Pillsbury Corp., Minneapolis, Minn. This firm is the franchisor in Canada of the Burger King name and operates 12 units comprised of 9 in Ontario, 1 in Alberta and 2 in Nova Scotia. Of the 12, six are franchised, 6 are owned and operated. A major expansion program is currently underway. Sales for 1977 have not been published.
- 8 Champs Food Systems Ltd., Winnipeg, Manitoba, operates a subsidiary Grubee's, a burger chain comprised of 6 stores: 1 in Saskatchewan and 5 in Manitoba. Sales for 1977 have not been reported separately but are included in the combined Champs sales figures. See Commercial Food Management Firms.

- 9 Wendy's Restaurants of Canada Ltd., Mississauga, Ontario, a wholly-owned subsidiary of Atlific Inns Inc. one of the two Canadian franchisees of Holiday Inns of Canada. Atlific owns the Wendy's franchise rights in Canada, from the franchisor, Wendy's Inc. Columbus, Ohio. There are currently 7 stores open in Ontario and a rapid expansion program is planned. Wendy's plan to open 24 per year for the next 10 years. Sales for 1977 were not published. The firm was established in 1975.
- 10 Angus McKay Restaurant Associates Ltd., Vancouver, British Columbia, established 1971 and operating fast food burger operations under the name Red Balloon in Kelowna, British Columbia with 2 stores and one in Chilliwack, British Columbia under the name Burger Fixins. Also has at least 1 Burger-oriented fast food store in the Food Fair of the Vancouver Centre. See Fast Food N.E.P.
- 11 L'Habitant Steerburgers Montreal, Quebec, operating 7 units in Quebec Province. Sales have not been published.
- 12 Winco Steak 'n Burger Restaurants Ltd., operating 8 Mug 'n Burgers where hamburgers are the principal food item. These are in Ontario. Sales are not disclosed but are consolidated with Cara Operations Ltd. See Commercial Food Management Firms.

2. Fast Food - Chicken

2.1. Definition

The Fast Food Chicken segment is defined as commercial restaurants with chicken as the principal menu item, where it is usually pre-cooked and ready-to-serve. Operationally this can be a combination of take-out and/or sit down. Very few of the premises are licensed.

2.2. Scope of Operations

The 4 firms interviewed in aggregate represent 753 units with combined volume in 1977 of \$219.6 million. Total meals/ transactions amounted to 62.3 million. As a great deal of this is take-out business, this transaction statistic understates the actual number of people served. Based on 3 of the 4 firms reporting which have indicated the total usage of 41 million birds, at an average weight of 2.33 pounds, this segment consumed at least 41 million birds which would feed on the ratio of 3.33 customers per bird, a total of 135 million meals. Full and part-time employment totalled to 12,440. The average hourly wage of service personnel was \$3.00 ranging from a low of \$2.50 to a high of \$3.50.

2.3. Operating Statistics

For this segment, cheque average was \$3.52 ranging from a low of \$3.00 to a high of \$4.00. Variable cost were on average, food 42.7%, plus paper at 6.7% for a combined total of 49.4% for food and paper. Labour averaged 18% for a combination of food, paper and labour of 67.4%.

Comments on variable costs are as follows: food varied from a low of 33% to a high of 48%, while paper varied from a low of 5.5% to a high of 8.5%. Labour varied from a low of 13% to a high of 28%. Combination costs ran from a low of 54% to a high of 72.5%.

2.4. Major Food Items Purchased

Major food items purchased in this segment were, for 3 firms reporting, a total of 95.6 million pounds of chicken which as indicated above in the introduction, based on an average weight of 2.33 pounds per bird is the equivalent of 41 million birds. Also purchased were 42.5 million pounds of french fries and 23 million pounds of cabbage - which was then used to make cole slaw.

2.5. The Buying/Distribution Systems

Most Kentucky Fried Chicken (KFC) operations use their own commissary, certainly for salad preparation. In all instances, chickens are local store-door delivery. French fries are handled by a local or regional frozen food distributor and delivered store-door. Shortening is obtained from firms like Swift, P & G, Kraft, or Canada Packers and received store-door. Dry grocery products are also purchased from a general wholesaler who delivers store-door and he usually carries other frozen foods. One chain in Ontario has gone to a regional wholesaler for frozen and dry grocery, while others have indicated an attempt to consolidate loads to reduce the number of store-door deliveries.

2.6. Perceived Current Problems and Opportunities

The major problems of this segment are:

1. Chicken Marketing Boards. A representative of KFC in Ontario attends meetings of the Ontario Chicken Marketing Board. While accepting that marketing boards have some uses, there is still the perception that the growers and processors need a greater appreciation of the specific needs of the foodservice user.

With respect to the chicken industry in Canada, all plants in this country except 2, are over 15 years old and considered inefficient. Many of these processing plants are run by multi-nationals who have made no capital improvements for 15 years.

Kentucky Fried Chicken alone take 20-25% of the annual national kill of broiler chickens and it was noted that 5 years ago, on a 2 for 1 sale, Kentucky Fried Chicken nationally that particular day used 75% of that day's total broiler kill in Canada.

The growers in some areas now have a better appreciation for the need of sized birds, 2 1/4 to 2 1/2 pounds, and regular daily supply, but apparently the processors are perceived as not understanding or caring about the needs of marketing boards, growers or end-users. Certainly end-user participation on the Ontario marketing board has made supply more available and more stable.

In Saskatchewan there is only one processor. There, growers cannot get their costs back for sexing birds from this processor, so in the summer only 30% of the kill is 2 1/4 to 2 1/2 pound birds. Yet the summer foodservice needs are 55% of the kill, so consequently chicken foodservice operators in Saskatchewan must either take oversized birds or endeavour to get imports. If they buy a 3 pound bird and sell 9 pieces for the same price as they sell a 2 1/4 pound bird they are taking a sharp increase in their food cost. Operators will pay a premium for sexed birds.

The fast food chicken chains have approached the marketing boards and the processors concerning a returnable plastic shipping case instead of wax corrugated boxes. The packaging costs will drop from 1.7¢ a pound to 0.5¢ a pound which is a reduction of over 70%. Or, the manufacturer of these cases will lease them for 25¢ a trip versus a cost of 70¢ for a one-time waxed corrugated box. It should be noted that 90% of the garbage at a fast food chicken store is chicken boxes. Unfortunately, the processing sector has not readily embraced the returnable chicken case and this enigma puzzles the fast food chicken operators who hope through increased efficiency in packaging costs to obtain lower prices.

Other fast food chicken operators mentioned that sizing and cuts were a problem with some processors, due to inconsistency in sexing and improper cutting procedures.

In summary in fast food chicken, it could be said that the perceived overview is that marketing boards stabilize supply but that the people who constitute the marketing boards, principally from the grower and processor segment, have as yet no real appreciation of the seasonal needs, quality control and sizing needs of the foodservice industry and have to date exhibited little tendency to learn the needs of or seriously listen to the requirements of the fast food chicken users.

- 2 U.I.C. It was generally reported that in urban areas, the U.I.C. program is perceived as a disincentive to work at the minimum wage.
- 3 Higher Costs. The take-out chicken business is characterized by very high food cost and low labour. Any increases in the cost of chicken or in the cost of energy impacts on the profit of this very competitive segment. The operators cannot pass on all these price increases to the consumer without obtaining sales resistance, thus they have to absorb some of the costs inputs, reducing their profits.

2.7. Prospects for Future Growth

The prospects for future growth for this segment are unanimously encouraging. Those operators who have other activities are less optimistic about their multi-activities than they are with chicken. Universally, everyone interviewed said that the prospects were abundantly optimistic. New units planned in the next 5 years are 160

stores for 4 firms reporting, representing 4,400 new jobs, which would be a 35% increase over the existing employment base of those firms interviewed. The majority of these will be located across Canada.

2.8. Perceived Future Trends

New techniques anticipated are menu diversification, moving into hamburgers and milkshakes and possibly doughnuts, as well as the possibility of licensed premises. In the operational area, larger in-store seating and the possibility of drive-in windows are planned. There appears to be no substantial change in the decor for the chains interviewed although decor will be up-dated and refurbished where required. In marketing there will be an attempt by some of the smaller chains to create more intense store clustering for better media efficiency in the next five years and everyone indicated that there will be much advertising forthcoming.

2.9. Major Firms in this Segment

- 1 Kentucky Fried Chicken Ltd., Weston, Ontario, the owner of the franchise rights for KFC in Canada and the franchisor of its name to the franchisees. The firm was established in 1958, but now is merely a holding and marketing company. Its franchisees operate a total of 592 stores across Canada. Among those firms interviewed who have KFC franchises were: In British Columbia, General Foods Ltd. with 65 stores (see Commercial Food Managing Firms); in Alberta, Acadia Management Corp. Ltd., Calgary, Alberta, operating 15 stores in Southern Alberta; JayJim Holdings Ltd., Edmonton, Alberta, operating 11 chicken stores in Northern Alberta; Champs Food Systems Ltd., Winnipeg, operating 20 stores in Manitoba and 5 in North Dakota and Minnesota (see Commercial Food Managing Firms) and Scott's Restaurant Ltd., Weston, Ontario who operate 110 KFC stores in Ontario and 100 in Quebec for a total of 210, (see Commercial Food Managing Firms). Total sales for KFC are not available as they were reported individually by franchisee.
- 2 Dixie Lee Co., Belleville, Ontario, operating company-owned stores and franchised stores in almost all provinces of Canada including the Yukon, for a total of 102 units. Domestic sales in 1977 were reported at \$27.3 million.
- 3 Mary Brown (Canada) Ltd., Mississauga, Ontario, franchisor of the Mary Brown name with a total of 44 operations in Canada, comprised of 3 in Alberta, 19 in Ontario and 22 in Newfoundland. Sales were reported in 1977 of \$7.8 million.
- 4 Foodcorp Ltd., Toronto, Ontario, a wholly-owned subsidiary of Cara Operations Ltd., operating 15 Swiss Chalet Barbecue Chicken stores, see Commercial Food Management Firms.

The following were listed but not interviewed:

- 5 Twin Drive In Ltd., Kitchener, Ontario with 19 units, a KFC franchisee with sales in 1977 reported at \$5.2 million.
- 6 Chicken Delight of Can. Ltd., Winnipeg, Manitoba, operating 25 units in British Columbia, Saskatchewan, Manitoba and Ontario, offering a pressure-fried chicken concept similar to KFC with sales in 1977 reported at \$4 million.
- 7 A & K Lick A-Chick Franchise Ltd., North Sydney, Nova Scotia, another fast food chicken concept based in the Maritimes with 13 units in Nova Scotia and Newfoundland and sales reported in 1977 at \$2.6 million.

3. Fast Food - Pizza

3.1. Definition

The Fast Food Pizza segment is defined as those commercial restaurants principally selling pizza but with other Italian food products on the menu.

Some are solely take-outs, while others have table service with licensed premises. It can sometimes be argued whether or not Pizza is really a fast food as it takes 15 minutes or more to prepare. However, for purposes of this study of identifiable menu items, Pizza has been used to designate this growing segment.

3.2. Scope of Operations

The three firms interviewed in aggregate represent 340 units with combined volume in 1977 of 60.5 million. Total meals/transactions in 1977 amounted to 17 million while full and part-time employees totalled 4,030 Canadians. The average hourly wage of service personnel was \$3.38, with a low of \$3.25 and a high of \$3.50.

3.3. Operating Statistics

The cheque average was \$3.56, for a low of \$2.50 and a high of \$4.00. The difficulty in analyzing the cheque average is that with take-out operations, the cheque average represents the feeding of more than one persons whereas in tableservice it usually indicates a single person was served.

Variable food costs were on average: food 33%, labour 27%, for a combined total of 60%.

Comments and variable costs are: Food costs range from a low of 25% to a high of 44%, and labour varied from a low of 25% to a high of 30%. Some premises were licensed and the beverage costs, which were not included in the information previously reported, ranged from a low of 35% to a high of 43%. Combined food, beverage and labour for those firms reporting ranged from a low of 56% to a high of 66%.

3.4. Major Food Items Purchased

As there were only two firms reporting, the statistics were: cheese - 14.6 million pounds; flour - 4.4 million pounds.

3.5. Buying/Distributions Systems

Those used in this segment were characterized by commissary operations and company trucks. One operator has his own cheese plant and also a processing plant that imports tomato paste and makes the tomato sauce for use in all its outlets. Flour, among the firms reporting operating commissarys, was contracted, supplied centrally and reshipped to the units.

3.6. Perceived Current Problems and Opportunities

The major problems faced in this segment are:

- 1 Labour is Scarce. These firms have a number of jobs that are just above the minimum wage and it is fairly universally felt that the current U.I.C. program is a disincentive to staying employed.
- 2 Freight Costs. One respondent reported that the cost to ship products from his Vancouver distribution centre to Lloydminster, Saskatchewan was 12¢ a pound via C.N. That is too prohibitive and is the reason that this specific firm uses its own trucks. It felt that the cost of freight from Vancouver to foodservice stores in the Prairie Provinces was too high and, therefore, impacts on prices.
- 3 Cost of Goods. As ingredient prices continue to rise, these would normally be passed on to the consumer, yet, it is difficult for these operators to constantly change prices and reprint menus so they must restrain some of this passalong in costs, which impacts on and therefore reduces profits.
- 4 Municipal Government Interface. Several of the respondents indicated that myriad regulations at the municipal level are time-consuming both with new constructions and on an ongoing basis, in terms of the various levels of municipal inspections and approvals.

3.7. Prospects for Future Growth

These are mixed and certainly not as optimistic as in previous years. The general state of the economy was blamed for the somewhat cautious approach to the future. Some of the firms reporting are considering expansion to the Northern Tier U.S. States. Expansion in the Province of Quebec, in the view of one operator, will be passed up until the political climate there clarifies.

New units planned in 1978 and through 1982 in spite of the cautionary comments above still represent 332 units, totalling to 4,675 potential new jobs. The majority of these will be located across Canada,

hourly wage of service personnel was \$4.16 for the 9 firms reporting. Wages ran from a low of \$2.75 to a high of \$10 per hour.

4.3. Operating Statistics

Variable costs were on average for 9 firms reporting, food 34%, labour 26%, for a combined food and labour of 60%. In addition, 5 firms reported paper costs which in Fast Food must be considered an integral part of the food cost. Therefore, the paper averaged 4.3% which when combined with 34% food cost totals to 38.3% food and paper plus 26% labour equals 64.3% grand total.

Food costs ran from a low of 28% to a high of 47%, while paper ran from a low of 2% to a high of 7% and labour ran from a low of 13% to a high of 33%. While the general food and labour averages run 35% food and 25% labour for a total of 60%, those fast food operators who also retain delicatessen counters, operate on an entirely different ratio.

In delis, the food cost averages 60% with labour 25% for a total of 85%. Frequently the food in the deli is produced in the same central commissary that services the snack bars.

4.4. Major Food Items Purchased

There were 6.1 million pounds of french fries for 3 firms reporting. The wide variety of the menu precluded obtaining detailed information on other foods.

4.5. Buying/Distribution Systems

These were either centralized or regionalized depending on the policies of the company or geographic dispersal of the stores. One operator, concentrated in Ontario, runs his own commissary and his own trucking system, using his own vehicles or leased vehicles or commercial carriers. The only items arriving at his store-door are pastries and bread, with all snack bar items including entrees produced in the commissary which then operates as a food processing plant receiving raw ingredients direct from food processors. Another firm uses all private label products to supply its franchisees and all shipping and ordering is done between the approved supplier and the store. With a limited menu the number of suppliers can be kept to 4 or 5.

Most other firms surveyed use specified approved suppliers on a regional basis and then these suppliers make individual store-door delivery. One of these suppliers used to have his own trucks but now has all his frozen items and some of his dry items handled in Ontario by an Ontario-based food service wholesaler.

4.6. Perceived Current Problems and Opportunities

The major problems faced by this segment are:

although as indicated above one major operator will not expand in Quebec.

3.8. Perceived Future Trends

New techniques anticipated in this segment are:

- 1 Changing decor from free standing buildings to more sit-down and going to more earthtones in interior decor.
- 2 National advertising will definitely be beefed up and expanded.
- 3 Menu items will be expanded to add more items than just pizza.
- 4 New ovens will be considered that speed up the cooking time to make pizza more of a true fast food.

3.9. Major Firms in this Segment

- 1 Pizza Delight Corp. Moncton, New Brunswick and Pizza Patio Limited, Vancouver, British Columbia. This company began in 1969 and operates 234 stores under the name Pizza Delight, Pizza Patio and Elmer's Pizza across Canada. It also has 8 foreign outlets in Japan. It is a franchisor with most of its units franchised. A recent report in a trade magazine indicated that sales in 1977 were \$41.8 million of which \$1.8 million were foreign for a net domestic sales figure of \$40 million.
- 2 Boston Pizza and Spaghetti House Limited, Edmonton, Alberta, established in 1964 and operating 41 units, comprised of 11 in British Columbia, 18 in Alberta, 8 in Saskatchewan, 2 in Manitoba and 2 in Ontario. A recent trade magazine reported sales in 1977 to be \$12.5 million.
- 3 Foodex Ltd. Toronto, Ontario, operating the Frank Vetere's Pizzeria & Tavern chain with 7 stores in Ontario. See Steak Houses.

4. Fast Food Not Elsewhere Provided

4.1. Definition

Fast Food, Not Elsewhere Provided (NEP) is the catch-all category for other miscellaneous fast food enterprises. It includes submarine stores, snack bars, donut shops, fish & chip chains, hot dog stands, and all other categories not elsewhere provided.

4.2. Scope of Operation

The eleven firms interviewed aggregate represent 513 units. Combined volume in 1977 was \$115.3 million for 10 of the 11 who reported.

Total meals/transactions in 1977 amounted to 71.7 million for 9 of the 11 firms who reported, while full and part-time employees in this segment totalled to 5,135 for the 4 firms reporting. The average

- 1 U.I.C. A strong and widely held perception is that the U.I.C. program is a disincentive to work at the minimum wage, which of course, in this sector is the prevailing wage rate. Many operators reported that it is particularly difficult to give incentive to 18 and 19 year olds in operations that are open 24 hours a day. They feel they have great difficulty in attracting Canadians to work. It is the perception of these operators that the Federal Department of Employment has not been able to provide much worthwhile assistance or candidates to them.
- 2 Minimum Wage. Provincial increases - without doubt impact on prices charged to the consumer.
- 3 A.I.B. This has affected the industry, particularly those firms which were in a low base position, and has affected growth for those who normally finance through cash flow.
- 4 Labelling. A comment heard from several operators was an enquiry as to why foodservice shipping cases required the processor to declare all the ingredients? Specifically, when buns or pastries come in from the bakery in a foodservice size container for individual use in the foodservice establishment, why is there a need for an ingredient declaration in English and French when the consumer never sees it? Extra costs are created which eventually are passed to the consumer.
- 5 Municipal Jurisdiction. The inconsistency of municipal jurisdiction on matters affecting provincial and municipal Departments of Health are particularly onerous and cause endless confusion and increased costs to restaurant operators. In addition, there is overlapping jurisdiction and inconsistency in building codes, insurance, plumbing and electrical work.

Many operators comment that it is really too complicated to do business in Canada when there are no national guidelines on matters that have historically been left to the municipalities. This affects equipment manufacturers who must make modifications to suit the policies, or as some felt, whims of local health inspectors. This certainly sharply increases the building costs for chains which are endeavoring to roll out any number of identical units. While the consumer may think the units are identical, the specific requirements in plumbing and electrical work and sanitation required to meet local ordinances is said to be now almost out of hand.

4.7. Prospects for Future Growth

These are mixed. Several operators expressed interest in the U.S. because of areas of larger concentration of people. This comment came from an operator whose units are principally in Food Fair sections of shopping centres. Those which are Canadian franchisees of American fast food concepts or who in turn are wholly-owned subsidiaries of American foodservice operators, feel that the opportunities for growth in Canada are reasonably optimistic.

New units planned in 1978 and through to 1982 are 445 for 5 firms reporting which represent a potential of 6,875 new jobs. The majority of these will be located nationally although Ontario and Western Canada get most of the emphasis. One operator definitely excluded Quebec and the Maritimes for demographic reasons rather than political reasons.

4.8. Perceived Future Trends

New techniques anticipated in this segment are:

- 1 Decor changes to keep up to date.
- 2 Ethnic foods to offer more interesting eating opportunities.
- 3 Increased marketing by having a higher advertising to sales ratio.
- 4 Operationally, better kitchen layout for improved productivity.
- 5 More use of frozen foods to reduce on-site labour.
- 6 Energy efficiencies will be studied to endeavour to recapture as much heat as possible particularly from fryers and grills.
- 7 Menus will continue to retain their limited feature and new items will generally speaking only be added if they replace something that will then be dropped.

4.9. Major Firms in this Segment

- 1 Mr. Submarine Ltd., Toronto, Ontario, established 1968, operating 164 stores as follows: 4 in British Columbia, 14 in Alberta, 11 in Saskatchewan, 9 in Manitoba, 111 in Ontario (of which there are 54 in Metro Toronto), 7 in Quebec and 1 in Nova Scotia. There are also 7 U.S. stores. A recent trade magazine estimated 1977 sales to be \$30 million.
- 2 Intercity Food Services, Montreal, Quebec, see Commercial Food Management Firms.
- 3 Ziggy's Fantastic Foods, Toronto, Ontario, a wholly-owned subsidiary of Loblaws Ltd. Ziggy's was established in foodservice in 1966, operates 40 stores, both snack bars and deli counters in Loblaws stores. While a recent trade magazine published estimated sales at \$24 million in 1977, company sources confirmed that this was a figure for total sales including retail products and should therefore be reduced. Precise information was provided confidentially and therefore cannot be reported here. All the stores are in Ontario.
- 4 Cara Operations Ltd., Toronto, Ontario, see Commercial Food Management Firms.
- 5 Country Style Donuts Ltd., Gormley, Ontario, established 1962,

operating as a franchisor for franchisees with 58 domestic units and 5 foreign comprised of 4 in Alberta, 1 in Saskatchewan, 3 in Manitoba, 46 in Ontario, 3 in Quebec, 1 in Nova Scotia, 2 in New York State, 1 in Ohio and 2 in Florida. A recent trade magazine reported that this firm had total sales in 1977 of \$12.8 million of which \$800,000 were foreign with net domestic sales of \$12 million.

- 6 Heublein (Canada) Ltd., Rexdale, Ontario, established in foodservice in 1972, and operates 42 H. Salt Fish & Chips stores as well as 4 dinner houses for a total of 46 units. This firm is a subsidiary of Heublein Inc. of Hartford, Conn., the KFC franchisor in the U.S.A., although Heublein have no rights to K.F.C. in Canada. A recent trade magazine reported sales in 1977 of \$9.2 million for Heublein in Canada.
- 7 Winco Steak 'N Burger Restaurants Ltd. Toronto, Ontario, a wholly-owned subsidiary of Cara Operations Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 8 Controlled Foods International, Burnaby, British Columbia, see Commercial Food Management Firms.
- 9 J.B.'s Restaurants Ltd., Toronto, Ontario, see Coffee shops.
- 10 Angus McKay Restaurants Associates Ltd., Vancouver, British Columbia, established in foodservice in 1971, operating 15 WillyWoozle Hot Dog fast food units in the British Columbia area, 3 fast food burger operations called Red Balloon in Kelowna and Burger Fixins in Chilliwack and 6 miscellaneous fast food take outs in the Food Fair in the Vancouver Centre as well as the public cafeteria and planetarium buffet in the Vancouver Museum and Planetarium building, plus a Woozle Tree take-out also in British Columbia. Total units aggregate to 26. This is a privately held company. No information has ever been published on its sales.
- 11 Jimbees Food Ltd. (Gentleman Jim Steak 'n Burger) Guelph Ontario. See Steak houses.

Listed but not interviewed:

- 12 Brownies Franchises Ltd., Vancouver, British Columbia. In miscellaneous fast foods operating 41 units with sales reported in a recent trade magazine of \$7 million.
- 13 SHF Enterprises Ltd., Kelowna, British Columbia, operating in British Columbia, Alberta, Saskatchewan in restaurants and fast food. The franchisor of Big T Family Restaurant and Tastee Freez ice cream products. This company has 31 units and estimated sales were reported at \$5.6 million in 1977 in a recent trade magazine.
- 14 Restaurant Holdings of Canada Ltd., Toronto, Ontario, franchisor of Mike's Submarine Sandwiches Ltd. and operating in Ontario and Quebec

with a total of 30 units. Sales in 1977 were reported in a trade magazine at \$4.6 million.

- 15 Randa Food Systems Co., Ottawa, Ontario, franchisor of Fat Albert's Subs and Pizzas and fast food shops in the Ottawa and Seaway Valleys with a total of 16 units and sales reported in a trade magazine at \$2.2 million.

5. Ice Cream

5.1. Definition

The Ice Cream segment is defined as a version of fast food where Ice Cream and Ice Cream specialty products are retailed. The mandate of the study, which was to interview only firms of \$10 million sales and up, has precluded specific information being reported, as there was only one firm interviewed.

5.2. Major Firms in this Segment

- 1 Dairy Queen Frozen Products (Canada) Limited, Burlington, Ontario - see Commercial Food Management Firms.

Listed but not interviewed: Baskin-Robbins 31 Ice Cream Stores, Malton, Ontario, a division of Silverwoods Industries Limited, London, Ontario. A recent trade magazine reported that in 1977 Baskin-Robbins operated 50 units with total sales in 1977 of \$4 million. It was also reported that this chain was planning to open 15 new stores in 1977, 15 new stores in 1978 and a total of 75 new stores in the next five years.

6. Cafeterias - Public

6.1. Definition

The public cafeteria segment is defined as foodservice establishments commercially run and open to the general public, that use the cafeteria "self-service" technique. There is no difference between public cafeterias and industrial cafeterias, except that the latter are closed to the public as they serve office or factory workers in a given industrial enterprise. Coffee Shops are very similar to public cafeterias in menu selection. The latter are characterized by cooked-to-order and table service whereas cafeterias use mostly pre-prepared foods served from steamtables. The foods, however, are often quite similar.

6.2. Scope of Operations

The three firms interviewed in aggregate represent six units with a combined volume in 1977 of \$3.7 million of foodservice sales.

Total meal/transactions in 1977 amounted to \$4.3 million. The figure for full and part-time employees was not available. The average hourly wage of service personnel was \$3.43.

6.3. Operating Statistics

For this segment, cheque average was 83¢. The reason this was so low is that many transactions are coffee, which tends to pull down the cheque average.

Variable costs were on average: food 32%, labour 33%, for a combined total of 65%.

6.4. Major Food Items Purchased.

These were a broad spectrum of foods, characteristic of varied menu establishments.

6.5. Buying/Distribution Systems

As the major firms in this segment are listed in Commercial Food Management Firms, no specific comments on buying distribution systems, major problems, or future trends are recorded here.

6.6. Prospects for Future Growth

Of the respondents interviewed, no information was provided for anticipated new units in the next five years.

6.7. Major Firms in this Segment

- 1 Canadian National Hotels, Montreal, Quebec, see Hotels.
- 2 Skyline Hotels, Toronto, Ontario, see Commercial Foods Management Firms.
- 3 Angus McKay, Vancouver, British Columbia, see Commercial Foods Management Firms.

7. Coffee Shops

7.1. Definition

The Coffee Shop segment is characterized by a commercial restaurant with fairly large menu selection, offering table service and cooked-to-order food. It is definitely not fast food. Some coffee shops have recently begun 24 hour service. There is a great similarity in internal layout and food used with this segment and transportation, as it relates to stationary facilities in terminals and on major highways. In recent years some coffee shops have obtained permits to become licensed, with either beer & wine and/or all alcoholic beverages, but this does not represent the majority.

Coffee Shops are also very similar to the food and beverage service obtained in Mass Merchandisers which includes Woolco, K-Mart and Zellers and also similarities can be found in some aspects of Department Store feeding.

7.2. Scope of Operations

The 8 firms interviewed in aggregate represent 110 units, with combined volumes in 1977 of \$83.2 million for the seven reporting.

Total meals/transactions amounted in 1977, to 39.8 million for the 7 reporting while full and part-time employees totalled 2,745 Canadians for 5 firms reporting. The average hourly wage of service personnel was \$3.39 for 7 firms reporting. The wages ranged from a low of \$2.75 to a high of \$4.33.

7.3. Operating Statistics

Cheque average for coffee shops was \$2.09, ranging from a low of \$1.25 in unlicensed premises to a high of \$3.00 in licensed premises.

Variable costs were on average: food 32%, labour 33%, for a combined total of 65%, among 7 of the 8 firms who reported.

Comments on variable costs are: food ranged from a low of 30% to a high of 34%, with 3 of the 7 firms having a median figure of 33%. Labour ranged from a low of 29% to a high of 39% with 33% being the median. Combined food and labour ranged from a low of 61% to a high of 70%, with 2 firms reporting 65% and two firms reporting 68%.

7.4. Major Food Items Purchased

Of the major foods used, 4 firms were able to report specifics otherwise the balance used varied menus. With ground beef, 4 firms reported using 2.978 million pounds, while 2 firms reported using 139,000 pounds of strip loins, 156,000 pounds of roast beef, 308,000 pounds of pork products including bacon, ham and sausages, 21,000 pounds of frozen breaded chicken and 60,000 pounds of turkeys. One firm reported using 22,000 gallons of ice cream. 4 firms reported using 5.2 million pounds of french fries.

7.5. Buying/Distribution Systems

The buying/distribution systems used in this segment are listed here for the 3 firms that are characterized as being principally in the coffee shop business, while comments for the others which are Commercial Food Management firms are found in 17 or in the case of A & W in 1. Central buying is the principal characteristic of the coffee shop business. One large operator in Quebec maintains his own commissary, buys centrally and operates his own trucks. He takes direct delivery into this commissary and then reships to each store. Only produce in his instance is store-door delivery.

On the West Coast, one chain buy meat products from Canada Packers to its specifications, principally 85% chemically lean meat, and Canada Packers makes direct delivery to the stores. Perishables such as produce, bread and dairy items are delivered locally.

In Ontario another chain purchases all meat products centrally with direct delivery, including the french fries and the dry grocery products while the produce, dairy and bakery are local deliveries. This chain, which also has operations in Alberta and Quebec uses regional suppliers in those regions as there is an insufficient concentration of stores to warrant going centrally.

7.6. Perceived Current Problems and Opportunities

Major problems faced by this segment are:

- 1 A.I.B. The A.I.B. has impacted on profits of those firms in their formative years when the base year was declared. This restricted the ability of these firms to raise their menu prices which in turn stopped all further investment from cash flow funds.
- 2 Shortage of Trained Employees. Several operators complained there were not enough management people graduating from technical colleges to fill the labour pool. This was especially so with the operator in Quebec who felt the need for French-speaking Managers and Assistants and felt much more should be done in the training area. This was a complaint raised fairly universally during the tenure of this study by almost every segment.
- 3 U.I.C. At the minimum wage, the U.I.C. program is widely considered as a disincentive for people to work.
- 4 Minimum Wages. These have recently risen in Quebec to \$3.25 per hour, and impact on prices in coffee shops which are reasonably labour intensive, as a third of the retail price reflects labour costs.
- 5 Cost Increases. Concern was expressed about rising food, alcohol and labour costs. The lack of a wholesale price for alcoholic beverages to licensed premises impacts on the consumer. It must be remembered that the pricing policy in foodservice is to add a factor onto the basic cost. If for example, the beverage costs run 35%, then there is a 65% add-on for any increases in the base price of the alcoholic product. The same applies to food and labour costs. However, in the retail grocery trade, product costs represent 75-80% of the retail price, the add-on being on the average 20% or less. It is for this reason that coffee shops, which frankly are perceived as having menu prices in the higher ranges, are extremely sensitive to any cost inputs that will force them to raise their menu prices even further, and obtain most reluctantly an image of a high-priced foodservice establishment.

7.7. Prospects for Future Growth

In the coffee shop segment these are reasonably encouraging. Several operators report that it is going to be very competitive and reasons for that are outlined in the above paragraph which describes the dilemma of operators faced with rising costs inputs who are trying to

hold down their menu prices and also their perceived price image among the consumers. Several firms reported that frankly in their opinion there is a better climate for investment in the U.S.A. However, of 5 firms reporting there were indications that there would be 43 new units in the next five years, representing 2,235 potential new jobs. Therefore, the five firms who reported represent an increase of 81% of the existing employment base of the eight firms who reported. In short it can be anticipated that the coffee shop business will double in the next five years, certainly in terms of new employment. The majority of these new units will be located in all parts of Canada although one of the anomalies of the survey was that there was no one who indicated expansion in Manitoba.

7.8. Perceived Future Trends

The new techniques anticipated in this segment are major renovation, changing to softer decors with green tones, hanging plants, licensed premises and increased seating. Several operators have introduced children's menus to opens up new markets. The average seating would be in the vicinity of 150 seats including bar facilities. Coffee shop operators clearly see themselves as bridging the gap between fast food chains and the family and/or major dinner houses which cater to the family market. Several operators are embarking on marketing pushes to create more business lunch volume.

7.9. Major Firms in this Segment

- 1 General Foods Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 2 Controlled Foods International, Burnaby, British Columbia. See Commercial Food Management Firms.
- 3 J.B.'s Restaurant Ltd., Toronto, Ontario, founded in 1970, operate 18 J.B. Big Boys Coffee Shops and Restaurants of which 5 are in Alberta, 12 in Ontario and 1 in Quebec. This firm is also the franchisor of the Big Boy name originating from the Marriott Corp. in the U.S. It is also the franchisor of Roy Rogers Roastbeef Sandwich Restaurants of which there are 5 in Ontario making a grand total of 23 units. Sales in 1977 were estimated by a trade magazine to be \$17 million.
- 4 Les Restaurants Marie Antoinette Inc., Quebec, Quebec, operates 14 licensed coffee shops in the province of Quebec, several of which are located in the Quebec City area and some are as far away as Rimouski and Sherbrooke. Sales in 1977 were reported in a trade magazine to be \$12 million.
- 5 Orangerooft Canada Ltd., Rexdale, Ontario, is a franchisee of Howard Johnson, Braintree, Mass., operating coffee shops and Hotels. See Commercial Food Management Firms.
- 6 Denny's of Canada Ltd., Vancouver, B.C. was established in Canada in

1970 and is a wholly-owned subsidiary of Denny's Inc., California. It operates 8 units in British Columbia and 2 in Alberta making a total of 10 in Canada. A recent trade magazine reported sales in 1977 of \$7.3 million.

- 7 Cara Operations Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 8 A & W Food Services Canada Ltd., North Vancouver, British Columbia, is a wholly-owned subsidiary of Lever Bros. Ltd., of Toronto. See Fast Food Burgers.

8. Steak Houses

8.1. Definition

The steak house segment is defined as a commercial restaurant whose principal menu item is steaks. This runs all the way from family-oriented budget steak houses to major dinner houses. A separate category was arbitrarily created for steak houses, which really could be included in the Family Restaurant and Major Dinner Houses classification because of the former's orientation on the menu toward beef products.

8.2. Scope of Operations

The 7 firms interviewed, in aggregate represent 257 units, with a combined volume in 1977 of \$103.9 million. Total meals/transactions in 1977 amounted to 27.4 million, while full and part-time employees totalled 2,475 for 6 of the 7 firms reporting. The average hourly wage of service personnel was \$3.54 for 6 firms reporting, ranging from a low of \$2.75 to a high of \$4.25.

8.3. Operating Statistics

Cheque average for this segment was \$3.79, ranging from a low of \$3.00 to a high of \$13.00. Two of the budget steak houses, Foodex (Ponderosa) and Mister Mike's pulled down the cheque average which is a weighted average. The white-tablecloth quality steak houses were in the \$12 to \$13 range.

Variable food costs were on average: food 41%, alcoholic beverages 35%, food and beverage combined 37% (based on 4 firms reporting) and labour 29%, for a combined total of 66%.

Comments on these variable costs are as follows: food varied from a low of 35% to a high of 44%, beverage from a low of 28% to a high of 47%, food & beverage combined from a low of 33% to a high of 43% and labour of a low of 22% to a high of 33%. Combined grand total ranged from a low of 58% to a high of 85%.

8.4. Major Food Items Purchased

Of the major items purchased, two firms reported using a combined total of 7 million pounds of beef loins and 2.25 million pounds of ground

beef. One chain reported using 1.5 million pounds of french fries while other items used for only one respondent were 4.5 million pounds of finished dinner rolls and 1.8 million pounds of head lettuce with the latter being imported from the U.S.A. and Mexico for 10 months of the year.

8.5. Buying/Distribution Systems

Those used in this category are mixed. One firm, Foodex/Ponderosa, uses its own commissary and imports oceanic utility grades D1 and D2 cows to its fabricating plant in Bramalea, Ontario for break-up and transshipment to stores. Other firms use a central purveyor and send meats to stores by common carrier. The commissary operation is run like any food processing plant buying direct.

On the West Coast, Mr. Mike's obtain all their meat products from a local purveyor/fabricator who then delivers all of the meat products, burgers and frozen pies to the stores. Fresh potatoes are purchased locally as are bread products, dairy and salad vegetables. Comments for the distribution systems used by the Commercial Food Management firms will be found in section 17.

8.6. Perceived Current Problems and Opportunities

Major problems faced in this segment are:

- 1 Oceanic Beef. Serious concerns exist here with the quotas on oceanic beef, as they do with Fast Food Burgers. The steak house operators were unanimous in their concern over the possibility that oceanic beef imports will be further restricted. In the West, Mr. Mike's use New Zealand and Australian Grade B sirloin tip knuckles, comparable to Canadian Blue Brand. If this oceanic supply is banned or severely restricted, the following will occur. On the day of the interview the market price of red brand beef was \$3.65 per pound, which for a 7 oz. portion is \$1.60 a steak. If firms are forced to use red brand, a meal now costing \$2.99 would have to cost \$1.67 more to result in a final price of \$4.64. This would be a 54% increase in the menu price and in the opinion of management would force them out of business.

Steak houses or budget steak houses have established a market among consumers in the \$3.00 range. Mr. Mike's and Ponderosa serve in aggregate over 20 million of these budget steak meals. To be cut off or restricted from utility grades not available in sufficient quantity in Canada will seriously imperil their business prospects.

Foodex (Ponderosa) reported that it purchased 1.5 million pounds of domestic D1 and D2 cows, approximately 20% of its purchases and paid a premium of up to 50¢ a pound to do so. The climatic conditions of Australia have allowed that country to specialize in grass fed cattle, providing specialized products for the foodservice trade in North America.

- 2 P.S.T. on Meals. A perception that the PST on meals of 10% impacts an additional cost on the consumer.
- 3 Lack of Trained Personnel. Foodservice tends to take the unskilled overflow labour force from other secondary industries. When a secretary joins a company she at least possesses basic typing skills and can learn the work in a matter of a few hours. Not so with foodservice, where basically unskilled help is hired to do jobs that require some skills such as busboys, waitresses, waiters, fast food cooks. Many respondents indicated that there was not a sufficient labour pool. One chain has created 5,000 new jobs since October, 1971, and the executives of that firm estimated that 4 secondary jobs are created for every primary job in foodservice. With this growth, manpower recruitment of sufficiently dedicated service personnel and managers is one of the major problems.
- 4 Minimum Wages. Like other segments, the steak house operators indicated that provincial minimum wages seriously affect menu prices and also have a negative effect on tourism.
- 5 A.I.B. The AIB has acted as a restraint on productivity for at least one firm as the base year was one of extremely low profitability. Productivity increases have substantially increased profits, but these were not allowed to be retained in cash flow, as normal menu price increases were denied. Subsequently normal planned growth and expansion from cash flow funds was retarded.

8.7. Prospects for Future Growth

For the steak house segment, growth prospects are fairly encouraging. One chain expects to expand into Ontario and also to Quebec depending on the stabilization of the political scene. Expansion is planned into Washington State and other states in the Pacific Northwest. Another executive reported he was planning to build 20 - 25 units a year for the next 5 years if there is a favourable investment climate. He would have built 30 a year had the AIB regulations not acted to restrain cash flow. Total new units planned in 1978 and through to 1982 are 157 for five firms reporting, representing 4,675 potential new jobs. The majority of these units will be located across Canada.

8.8. Perceived Future Trends

New techniques anticipated in this segment are:

- 1 Continuing renovation to make the stores more comfortable.
- 2 To widen the menu, to compete for a broader customer base as customers become more affluent because of changing lifestyles and as there are an increasing percentage of working wives.
- 3 Building designs will change from those which have previously been in strip stores and shopping centres going to more free standing units.

- 4 More lower priced, a la carte menu items, which will allow item building on the menu and maintain the perceived image of a budget steak house and also avoid waste. This segment is characterized at the budget level, by individually priced items and you build your plate depending on how hungry you are and how much you can afford during that visit.

8.9. Major Firms in this Segment

- 1 Foodex Systems Ltd., Scarborough, Ontario, established in 1971. It operates Ponderosa Steak Houses and Frank Vetere's Pizzeria & Tavern (see Fast Food Pizza). The Ponderosa Steak House chain operates in Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and had 93 stores open at the end of 1977 as well as 7 Frank Vetere's Pizzeria & Tavern Stores. The company's 1977 sales were reported in a trade magazine to be \$56 million.
- 2 Mr. Mike's North America Steak Franchise Ltd., Richmond, British Columbia was established 1960, and operates under the name Mr. Mike's and several other steak house names. It has 61 locations in British Columbia, 1 in the Yukon, 6 in Alberta and 1 in Saskatchewan making a total of 69 stores. A trade magazine reported sales in 1977 of \$17.5 million.
- 3 Maisonneuve Food Service Ltd., St. Laurent, Quebec. See Commercial Food Management Firms.
- 4 Winco Steak 'n Burger Restaurants Ltd., a subsidiary of Cara Operations Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 5 Jimbees Foods Ltd. (Gentleman Jim Steak & Burger) Guelph, Ontario established in 1968 operates 11 steak houses in Ontario, 3 in Nova Scotia, 1 in Prince Edward Island, and 5 in Newfoundland for a total of 20 units plus 3 fast food N.E.P. units in Ontario making for a grand total of 23. A trade magazine reported that 1977 sales were \$9.1 million.
- 6 Saga Canadian Management, Oakville, Ontario. See Commercial Food Management Firms.
- 7 Allarco Developments Ltd., Edmonton, Alberta. See Commercial Food Management Firms.

9. Family Restaurants and Major Dinner Houses

9.1. Definition

This segment is characterized by family-priced restaurants and major dinner houses. Sometimes the latter enter the white-tablecloth category but because they are a chain, have been included in this segment. The growth of the family-oriented business is rather

substantial and it, along with fast food, offers the greatest potential for growth. The white-tablecloth market is not doing as well, particularly those that are independently operated, a characteristic shared by the majority. However, such chains as Hy's (nationally) and Olivers in the Prairies (Allarco) and Concorina (The Ports, Toronto) cater to the high end of the market and do extremely well because of their systems, more astute marketing practices and buying powers. The cheque average ranges from \$1.80 all the way up to \$13.50 for the equivalent of white-tablecloth service in a major dinner house chain.

9.2. Scope of Operations

Of the 22 firms interviewed, they in aggregate represent 254 units for the 20 firms reporting. Combined sales volume in 1977 was \$216.9 million for 20 of the 22 firms reporting.

Total meals/transactions in 1977 amounted to 51.6 million for 20 of the 22 reporting, while full and part-time employees for only 8 of those who were able to break down employees in this category, amounted to 10,618 Canadians. The average hourly wage of service personnel was \$3.52 for 18 of the 22 firms with a low of \$2.75 to a high of \$5.00. It is interesting to note that the high was in British Columbia, where generally speaking labour costs are higher than in the rest of Canada.

9.3. Operating Statistics

The cheque average was \$4.20 for 21 of the 22 firms, running from \$1.80 to \$13.50, the median being approximately \$2.75 at the lower end and approximately \$12.00 at the higher end of the service and menu scale.

Variable costs were on average: food 39% of the food dollar for 20 firms reporting of 22; alcoholic beverages 34% of the beverage dollar for 15 of 22 firms reporting; food and beverage combined of 36% of the food and beverage dollar for 16 firms reporting; labour 32% for 19 reporting and a grand total of 68% for 20 of 22 firms reporting.

Food costs varied from a low of 28% to a high of 39%; beverage costs ranged from a low of 38% to a high of 50%; food and beverage combined ranged from a low of 29% to a high of 47%; labour ran from a low of 16% to a high of 42%, while combined costs of food, beverage and labour ranged from a low of 61% to a high of 73%.

9.4. Major Food Items Purchased

These were difficult to obtain although one operator indicated that in his restaurants he uses a million pounds of pasta products. Another indicated almost a million pounds of primal beef cuts were used per year. And in yet another response, approximately 1.5 million pounds of beef butts, strip loins and tenderloins were indicated. Further responses indicated using 325,000 pounds of Cuban lobster tails, 750,000 pounds of Mexican shrimp in an assortment of sizes, while yet another response indicated that 750,000 pounds of frozen Alaskan crab legs, Kodiak #1's were utilized.

One chain reported that its calculations on beef products indicated that it used 115,000 pounds of long loins per restaurant per year or the equivalent of 600 head of cattle per year per restaurant. Other responses were either difficult to obtain because these data are not retrieved easily or due to the confidentiality of the information supplied it cannot be reported.

9.5. Buying/Distribution System

The buying/distribution systems used in this segment seem to vary by the geographic dispersal of the units and the policies of the firms. When the restaurants are clustered in one geographic area such as Vancouver, a monthly or bi-monthly contract for meat products is usually negotiated with a packer or a purveyor such as Bradley, Windsor or Centennial, and then the product is shipped directly to each unit. Most of the poultry, vegetables, produce and fresh fish come from local suppliers. A review of the responses indicated that most chains arrange centrally for supplies, either on a national or regional basis, and then leave the ordering and the market price to their managers and suppliers. Traditionally, bakery, dairy and produce are delivered directly to the store-door.

One operator in Ontario runs a commissary with 4 refrigerated trucks as well as a central purchasing store for dry merchandise with 1 truck. The exception to his commissary delivery policy is that sausage meats, ham and bacon are delivered directly to the store-door as are the soft drink beverage syrups. Major products such as cheese, flour, pasta, mushrooms, oil and dry groceries are delivered to the commissary. Produce is also delivered to the store-door. Many dinner houses purchase their dry grocery products from a general food service wholesaler.

A good example of how a major dinner house endeavours to establish a "signature" for itself, by using specific foods that meet its perception of its own specifications to achieve uniqueness, is an operator in Vancouver who purchases local salmon and supplies his 4 dinner houses with over 200,000 pounds per year with a value of over \$500,000. Due to a recent salmon shortage in Vancouver, he was forced to obtain substantial quantities from nearby Bellingham, Washington. The particularly interesting aspect is that he imports Bibb Limestone Lettuce from Terre Haute, Indiana all year round. In terms of developing a national food policy for Canada, it must be borne in mind that unlike the retail grocery business, a foodservice establishment is known and perceived by the uniqueness of its food. Contrast this to a typical industrial cafeteria which has a sameness to it which makes eating there a routine activity rather than one of extreme enjoyment. Time and time again during these interviews, foodservice operators stressed the need to have free access to foods from anywhere in the world that were not readily available in Canada, as they felt that by putting them on the menu they would add uniqueness or a "signature" to their operation.

9.6. Perceived Current Problems and Opportunities

The major problems faced by this segment are:

- 1 Labour Costs. Provincial minimum wages and lack of tip credit except in Quebec are passed on to the consumer in a segment in which labour is a third of the retail price.
- 2 U.I.C. U.I.C. is a disincentive at the lower levels, and one operator indicated that at \$2.90 an hour he had difficulty attracting employees.
- 3 Lack of Trained People. This was reported by most operators. In the tableservice business characteristic of the family restaurants and dinner houses, they need large volumes of waitresses, busboys and cashiers. As reported elsewhere the analogy was given of hiring a secretary who at least brings basic business and specific typing skills to her job even if she has no knowledge of the company. There is a great feeling that shorter courses for waitresses, busboys, cashiers and store managers are required.
- 4 Internal Revenue Service (U.S.) The existing I.R.S. restrictions on foreign conventions have affected dinner houses operating in major cities. One operator indicated that his own volume was off 5% and he felt that the Hotel industry had been set back almost 10 years.
- 5 Immigration. Specific comments were made in this category along with several others, that immigrants were the key to foodservice in kitchen work. It is felt that Greek, Portuguese, Chinese and Italians were willing to take the jobs Canadians considered too menial. The current immigration restrictions enforced since last summer, which severely reduced all immigration, is causing serious concern to operators who still need large numbers of minimum wage personnel in the "backroom". It is a problem that is still occurring in the winter of 1978 when national unemployment has affected almost one million Canadians.
- 6 Marketing Boards. Several operators commented about the higher costs demanded for eggs and poultry through supply management boards, as opposed to buying them on the open market. They would prefer to give the consumer greater value, and all indicated that when food is running in the 30% range, increases are passed on to the the consumer with 70% add-on.

It is felt that the Ontario Milk Marketing Board, along with the Pork Marketing Board, gave very little notice in Ontario of its forthcoming price increases. For example, menus were designed and ready for January 1978, reflecting price increases known in advance, and the operator went ahead and printed a 3 months supply. Recently the Ontario Department of Labour agreed to give a 90 day notice of minimum wage increases which at least helps give notice on labour cost increases when pricing. However, a recent 3¢ increase in the cost of cheese along with a noticable increase in the cost of pepperoni through

the Pork Board has impacted on prices and profits with a specific chain in Ontario.

- 7 Live Cattle Exports. Again in the meat area, one articulate respondent outlined the problem of live cattle being exported to the U.S. and grain-fed, slaughtered there and then being sold for 24% less than it did in Canada. For example, foodservice prices for 90% lean 1 inch cube diced stewing beef in December of 1977, were 89¢ a pound f.o.b. Vancouver and 64¢ a pound f.o.b. Seattle, Washington, and it was the opinion of the respondent that the cattle in both cases originated from Canada.
- 8 A.I.B. The A.I.B. caught a number of firms in a low base year and definitely retarded their expansion.
- 9 Provincial Regulations on Liquor Mark-ups. In British Columbia and Alberta, specific legislation has been passed on the retail prices of liquor. The foodservice establishment must purchase liquor at retail price and take a 50% buying cost in British Columbia and a 45% buying cost in Alberta. This favourably affects the consumer and results in a substantially lower price than the average beverage cost in the rest of Canada, which ranges near 30% depending on the ratio of wine, spirits and beer. Some operators perceive this as a means of restricting profits.
- 10 Duties on Crab Legs and Lobster Tails. There is an 8% ad valorem duty on imported Alaskan crab legs and warm water lobster tails. These products are not available in Canada and therefore the costs of the 10% exchange plus the 8% duty are passed on to the consumer. According to one articulate respondent, Cuban lobster tail contains 17% shell and 83% meat while the North American lobster, indigenous to the eastern coast of Canada, is 22% shell, and yields only 72% usable meat. There is no consistency of supply for the large volume required in the dinner house segment where lobster tails are an integral part of the menu.
- 11 Cattle Marketing Board. There is great fear and concern among many of the dinner house operators, who principally use loin cuts, that a cattle marketing board will be created. They feel concerned that the marketing board, when constituted, will not understand the needs of the foodservice industry or the mechanics of the free market. The Canadian supermarket industry, an oligopoly of the principal players: Steinberg's, Dominion, Loblaws, IGA and Safeway, due to the size of their business, virtually dictates the meat prices in Canada, whereas in the U.S., where there are many more suppliers, there is a much larger market. As a result of a concentration of this power, in Canada among the retail chains, long loins are priced, according to several respondents, at a \$1 or more for fabricated cuts than are the chucks and hips which are in a lower price range. Consequently, the loin users in foodservice are penalized and that penalty is charged back to the consumer, the dining public, in the final food cost.

- 12 JET Program. The current JET program launched by the Department of Employment in the foodservice industry is viewed by some of the larger chains as not helping their operations. Most feel they cannot afford to give basic training to unskilled labour and feel training should be the responsibility of governments. It is their perception that federal and provincial governments have always treated the restaurant industry as a second-rate citizen which soaks up the unskilled labour left over from other secondary manufacturing jobs. Proper short term training facilities are urgently needed, as reported in other segments, for the large quantities of waiters, waitresses, busboys, and cashiers required in this segment of the industry.
- 13 Lack of Tip Credit. A dramatic illustration of how the lack of tip credit affects wages was given by an articulate respondent. A waiter in a dinner house earns \$3.75 an hour and works 35 hours a week, four weeks a month, for a total of \$525.00. (33 hrs. x \$3.75 x 4 equals \$525.00) He earns an average of \$35 in tips per shift of seven hours, works 5 shifts per week for 4 weeks and earns \$700.00. (\$35 x 5 shifts x 4 = \$700) The total in wages and tips is therefore \$1,225 a month which amounts to almost \$15,000 and according to several respondents is at the lower end of income received by waiters. With overtime even this low end figure can rise to \$17, \$18, \$19 or \$20,000. Most operators feel there should be a minimum wage for non-service personnel and any other personnel who are working in a non-tipping environment, but a 50% tip credit should exist for those employees who provide direct service. For example, in a fast food restaurant, tipping is rare, yet in a white-tablecloth service restaurant or coffee shop it is almost obligatory. If the provincial minimum wages are adjusted by implementing a tip credit, it is reasonable to assume that the consumers will benefit from lower menu prices or at least will be spared substantial increases.

9.7. Prospects for Future Growth

These views range from mixed to pessimistic. Some operators perceive Ontario as still being a growth market, but the majority of Canadian-equity firms feel that more opportunities are provided in the U.S. At the higher end, the white-tablecloth style of major dinner house is under great pressure as a result of high land costs, high construction costs and the general depression of the economy which has affected expense account meals. One chain has indicated that no more ventures in Canada will be planned after 2 which are presently under construction are completed. This respondent indicated that the U.S. offered a much more stable climate for investment and there was more co-operation at the municipal and state level. For example, it took 9 months from start to finish to open a restaurant in Honolulu. The track record in most Canadian cities is 18 to 24 months. The different tax rate, base and tax shelters available in the U.S. contribute to produce a higher return on investment than can be obtained in Canada. One operator said he was prepared to expand provided it was with other people's money, because he felt the current cost of money is a disincentive for expansion. He claims he can borrow in the U.S. at the

prime rate of 8%, whereas in Canada it is 11% or more as the restaurant industry is classified as a high risk business.

New units planned in 1978 and through to 1982 for 8 of the 22 firms reporting amounted to 156 units which represents 8,835 potential new jobs for eight firms. This is interestingly enough an 83% increase over the current 10,600 Canadians reported by 8 firms. Therefore, in spite of the pessimism exhibited, specific expansion plans would indicate a substantial increase in the number of dinner houses. However, it is to be noted that more of these will be in the family price range such as Crock & Block, Keg & Cleaver, Corkscrew, Mother Tucker's Food Experience, Old Spaghetti Factory, etc. rather than at the high end with more expensive places such as Oliver's in Western Canada, Hy's nationally, or Cara's Wellingtons in the Commerce Court West, Toronto. Substantial growth is anticipated in family priced restaurants where the cheque average runs from \$5 - \$10. The majority of these new units will be located all across Canada.

9.8. Perceived Future Trends

The new techniques anticipated in this sector are:

- 1 Decor changes to maintain an informal, casual atmosphere.
- 2 More creative vegetable side dishes.
3. More creative advertising to communicate the value and ambiance of family dining.
- 4 Serious attempts to keep the prices down in order to maintain the perceived public image of providing good value. This would be achieved by using more fresh vegetables and natural foods and reviewing menus every six months in an attempt to cut out the items that were no longer in great demand.
- 5 The Market. Some have identified the family market as being between the ages of 19 and 35 years of age, while others have indicated that it is between 18 and 49. In any event, it is not a young children market nor for adults over 50. It is those young and early middle-age wage earners who have the highest disposable income and who are also conditioned through their childhood training to accept the drive-in form of fast food. They grow older, alter their lifestyles, and can now trade up and eat out in a family-priced dinner house where the cheque runs from \$5 - \$10, and where with their changed lifestyles they eat with their wives, friends and/or children on a frequency of 3 to 4 times per month.

9.9. Major Firms in this Segment

- 1 Smitty's Pancake Houses Ltd., Calgary Alberta, established in 1959, and operates 74 domestic units and 8 foreign units, the latter located in Taiwan. The firm operates family-oriented restaurants with a pancake

theme in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and the North West Territories. It plans to expand into the remaining provinces of New Brunswick, Prince Edward Island and Newfoundland in 1978. Sales in 1977 were reported in a trade magazine at \$31.5 million total, with \$1.5 million foreign for a net domestic total of \$30 million.

- 2 Mother's Restaurants Inc., Hamilton, Ontario, operates 22 sit-down and licensed pizza and related Italian food restaurants in Ontario cities. Established in 1971, the firm recently reported its 1977 sales to be \$25.2 million, according to a trade magazine.
- 3 General Foods Ltd., Toronto, Ontario, operates Crock & Block restaurants through Canterbury-Grenadier division in Ontario. See Commercial Food Management Firms.
- 4 Keg Restaurants Ltd., Vancouver, British Columbia, established in 1971, it operates 27 steak and seafood dinner houses in Canada, with 16 in British Columbia, 5 in Alberta, 1 in Manitoba and 5 in Ontario. There are 5 foreign units: 1 in Washington State, 1 in Illinois, 1 in Texas, 1 in Louisiana and one under construction. Keg Restaurants have recently entered into an agreement with Cara Operations Ltd. in Toronto on a 50-50 basis, whereby Cara invested in the 5 Ontario Keg Restaurants while management is still vested in the Keg head office in Vancouver. Sales are reported in a recent trade magazine at \$20.3 million for 1977.
- 5 Old Spaghetti Factory Ltd., Vancouver, British Columbia, was established in 1970 and operates 15 units in Canada 3 of which are located in British Columbia, 2 in Alberta, 1 in Manitoba, 7 in Ontario plus 4 foreign outlets in the U.S. As well as the Old Spaghetti Factory, it operates discos such as Brandy's and Delaney's in Toronto. Sales were reported in a recent trade magazine at \$17 million in total with \$2 million in foreign, for a total of \$15 million domestic.
- 6 Hy's of Canada Ltd., Vancouver, British Columbia, established in 1955, operates a total of 13 dinner houses in Canada, 7 of which are in British Columbia, 1 in Alberta, 1 in Saskatchewan, 1 in Manitoba and 3 in Ontario plus 3 in the U.S., in Chicago, Honolulu and Palm Springs plus one under construction. It operates two hotels in Vernon, British Columbia and Duncan, British Columbia, has one public cafeteria under its management, a family restaurant and also a discotheque in Vancouver. A public company, Hy's sales were reported in a trade magazine to be \$18 million in 1977, with an estimate that \$3 million were foreign with a net domestic figure of \$15 million. The Hotel operations are joint ventures.
- 7 Controlled Food International Ltd., Burnaby, British Columbia, are operators of the Corkscrew Restaurants which feature steak and seafood. See Commercial Food Management Firms.

- 8 C..N. International Hotels, Montreal, Quebec, see Hotels.
- 9 Champs Food Systems Ltd., Winnipeg, Manitoba, operate 4 Mother Tucker's Food Experience restaurants, nostalgia-oriented family dinner houses which offer roastbeef, steak and seafood and operate in Edmonton, Calgary, Winnipeg and Ottawa, with two Butcher Blocks in Winnipeg (similar to Keg & Cleaver and Corkscrew) along with 3 other specialty restaurants in Winnipeg. This company is principally known as the Kentucky Fried Chicken franchisee of Manitoba. See Commercial Food Management Firms.
- 10 Food Services Ltd., Montreal, Quebec, operates Murray's Restaurants in Ontario and Quebec. See Commercial Food Management Firms.
- 11 Allarco Developments Ltd., Edmonton, Alberta, operates Olivers Restaurant in British Columbia, Alberta and Manitoba. See Commercial Food Management Firms.
- 12 Beaver Foods Ltd., London, Ontario, a subsidiary of Signet Food Systems Ltd., Toronto, operates a restaurant division in Toronto, comprised of The Fish Market, Vines, Casa Mendosa and two Viennese cuisine restaurants called Graf Bobby.
- 13 V.S. Services Ltd., Toronto, a wholly-owned subsidiary of ARA Services, of Philadelphia, Penn., operates a number of contract restaurant operations in Canada.
- 14 Consortina Ltd., Toronto, established in 1975, operates the Ports Restaurant in Toronto, the Jarvis House, Toby's Goodeats (nostalgia hamburger theme), Bemmelmans, The Ascot 27 Motor Hotel, near Malton airport, and the Riversidse Hotel in Oakville, Ontario. Sales information has not been published for Consortina, although it is a wholly-owned subsidiary of a major resource firm.
- 15 Hefru Food Services Ltd., Vancouver, British Columbia, established 1969, operates 4 dinner houses in Vancouver: The Wharf, a seafood theme, the Salmon House on The Hill in West Vancouver, and the Three Greenhorns in downtown Vancouver and an additional white-tablecloth restaurant in the same area. It also operates two hotels, one in Vancouver on a management contract and one in Olympia, Washington with a Sheraton franchise. This is a private firm and no information on volume has been published.
- 16 Cara Operations Ltd., Toronto, Ontario, operating several dinner houses in major urban areas. See Commercial Food Management Firms.
- 17 Skyline Hotels Ltd., Toronto, Ontario, operating the Old Mill, Toronto plus other dinner houses in downtown Toronto office complexes. See Commercial Food Management Firms.
- 18 Winco Steak 'N Burger Restaurants Ltd., Toronto, Ontario, a

wholly-owned subsidiary of Cara Operations Ltd., Toronto. See Commercial Food Management Firms.

- 19 E & C Restaurants Ltd., Vancouver, British Columbia, established 1975, operates the Elephant & Castle, an English food style dinner house in The Pacific Centre complex, with 4 more units planned in major Canadian cities. The firm is privately held; sales figures have never been published.
- 20 Heublein (Canada) Inc., Rexdale, Ontario. Heublein operates in Kingston, Ontario and in other centres. It runs Mexican style dinner houses and seafood restaurants, licensed, for a total of 4 units. The Canadian firm is a subsidiary of Heublein Inc., of Hartford, Conn. See Fast Food NEP.
- 21 Maisonneuve Food Services Ltd., St. Laurent, Quebec, operates a steakhouse, Curly Joe's Restaurant Ltd., in downtown Montreal and La Diligence (The Stagecoach) in Montreal. This is principally a Commercial Food Management Firm.
- 22 Scott's Restaurant Co., Weston, Ontario, operators of several sit-down family oriented dinner houses featuring Kentucky Fried Chicken, but also have a varied, but limited menu of other entrees. This firm is the principal KFC franchisee in Ontario and Quebec. See Commercial Food Management Firms.

Listed but not reported:

- 23 Diana Sweets Ltd., Toronto, Ontario, operates 7 units in the Metro Toronto area in both the downtown and urban areas, with family-oriented and theme dining. Sales were reported in a recent trade magazine to be \$5.5 million in 1977.

10. Department Stores -
Food and Beverage

10.1. Definition

The Department store segment is categorized by major full line department stores which operate foodservice units in their stores as departments within the overall operation of the department store business. The principal reason that department stores are involved in the foodservice business is to provide food and beverage facilities for their patrons when these patrons become hungry or thirsty, so as not to lose them to other food and beverage outlets in surrounding shopping areas.

10.2. Scope of Operations

The five firms interviewed in aggregate represented 442 units with a combined volume in 1977, of 118.5 million. In 1976, all department stores in Canada were estimated to account for \$154 million in retail food and beverage which when projected to 1977, with a 12% growth rate,

equals \$172.5 million. Therefore, the five firms reported represent 67% of the total volume in 1977.

Total meals/transactions in 1977 amounted to 97.2 million, employing 17,450 Canadians full and part-time. The average hourly wage of service personnel was \$4.42 running from a low of \$3.80 to a high of \$5.25.

10.3. Operating Statistics

For this segment, cheque average was \$1.22 ranging from a low of \$1.00 to a high of \$1.40. The higher ranges reflect those who run licensed premises.

Variable cost were on average: food 38%, labour 38%, for a combined total of 76%.

Comments on these variable costs are as follows:

Food costs range from a low of 36% to a high of 40%, while labour costs range from a low of 31% to a high of 43%. Food and labour combined range from a low of 68% to a high of 82%.

10.4. Major Food Items Purchased

These were fairly varied and reporting only those two or more who indicated their specific purchases, it can be said that the department store segment used 1.4 million pounds of roast beef, 4.750 million pounds of poultry, 1.4 million pounds of fish, and 1.81 million dozen fresh eggs in 1977. Other items were reported but cannot be disclosed due to the confidentiality and limited sample.

10.5. Buying/Distribution Systems

Those used in this segment varied somewhat due to the geographic dispersal of the units. One department store which operates its own retail food supermarkets handled all distribution with its own trucks. This chain buys direct into its own distribution centre where it maintains ambient and zero degree fahrenheit storage facilities and handles its own distribution in its own trucks, which are properly refrigerated for frozen and perishable products. The other chains principally relied on a variety of regional and local suppliers for the principal items of beef, seafood, pork products, poultry, dairy, produce and bread products. One major chain was moving to limited vendor shopping, concentrating its frozen and dry grocery items on a regional basis.

10.6. Perceived Current Problems and Opportunities

The major problems faced by this segment are:

1. Multiplicity of Regulations. A perception exists of significant

interference by all levels of government with their operations. For example, in department stores the non-smoking by-law in certain jurisdictions requires the operator to enforce a local statute, at the cost of productivity. Other examples were given in the sanitation area of municipal inspectors enforcing the National Sanitation Act with local interpretations. Another example of inconsistency is the case of a meal including a soft drink beverage which up to \$5.00 in one jurisdiction is Provincial Sales Tax (P.S.T.) exempt. However, the soft drink itself if purchased alone is subject to P.S.T., whereas milk, classified as a food, is P.S.T. exempt. The general practice therefore, is after protracted negotiation, to pro rate the P.S.T. using a formula worked out with Provincial sales tax authorities and the individual chains.

- 2 Tip Credit. The lack of tip credit in provincial minimum wage standards with the exception of the Province of Quebec is considered detrimental to the industry and definitely impacts on prices charged to consumers.
- 3 Concern with Nutritional Labelling. Many respondents indicated concern that there might be nutritional labelling required in foodservice and they felt that it was not relevant to the eating out consumer, particularly as it is almost impossible commercially to guarantee consistency of ingredients and trace levels in on-site food preparation, compared with the food processing sector that produces food products to a specific formula.
- 4 Lead Time for Permits. The various levels of government clearances required to obtain a building permit for liquor license are extremely time consuming and costly and this discourages more rapid expansion of foodservice sections within department stores.

10.7. Prospects for Future Growth

These are mixed and certainly tied to the economy in general. These major corporations only build department stores which in turn have foodservice units within them, based on an overview of the economic prospects of the country. The new units planned in 1978 and through to 1982 total 36 foodservice operations (not stores) from a total of 4 firms reporting, which represents 850 potential new jobs. The majority of these will be located in all parts of Canada.

10.8. Perceived Future Trends

New techniques anticipated in this segment include: streamlining fast service to make it more comfortable, changing the decor to a softer more pleasant and homier atmosphere while doing away with the cafeteria type image.

Food Fairs, commonly seen in urban shopping malls are becoming more popular and offer informal service to reflect new life styles and in effect are replacing cafeterias.

Several operators predicted the use of more salad bars, buffets, new foods like quiche and crepes and constant upgrading and improvement of the menu.

10.9. Major Firms in this Segment

- 1 T. Eaton Co., of Toronto, Ontario. The year it was established in foodservice was not available. It operates department stores and foodservice units within these stores in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick and Nova Scotia. A recent trade magazine reported its estimated sales in 1977 to be \$36 million.
- 2 Bay Foodservice (Hudson's Bay Co.), Toronto, Ontario, established 1670. It operates department stores in Quebec, Ontario, Manitoba, Saskatchewan, British Columbia and has 110 units among those stores. A trade magazine estimated its 1977 sales at \$34.5 million.
- 3 Simpsons-Sears Co., Toronto, Ontario, established 1953, operates department stores in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec and New Brunswick with a total of 62 units comprised of 33 cafeterias and 29 coffee shops. Sales for 1977 are estimated by a trade magazine at \$20 million.
- 4 Woodward Stores Ltd., Vancouver, British Columbia, established in 1928, operates 20 stores in British Columbia and Alberta with a total of 70 foodservice units among these stores. Dollar sales in foodservice have not been published and are not available due to corporate policy.
- 5 Robert Simpson Co. Ltd., Toronto, Ontario, established 1929 and operates 41 units among its stores in Saskatchewan, Ontario, Quebec and Nova Scotia. Foodservice sales have not been reported due to a corporate policy not to release information by department.

11. Mass Merchandisers - Food and Beverage

11.1. Definition

The Mass Merchandiser segment is represented by discount stores and general merchandise Stores, other than department stores which also have Foodservice as a department within the store. Principal food service activity is snack bars, lunch counters, cafeterias and coffee shops. No attempt has been made to differentiate within this segment the various types of Foodservice operations because of the limited number of firms and as they do not recapture information by functional foodservice operation. Rather, it is reported for the foodservice department as a whole.

11.2. Scope of Operations

The three firms interviewed in aggregate represent 568 foodservice units with a combined volume in 1977 of \$100.4 million of retail foodservice sales.

Total meal/transactions in 1977 amounted to \$71 million. Full- and part-time employees involved an estimated 6,600 Canadians. The average wage for service personnel was \$3.55 per hour, ranging from a low of \$3.15 to a high of \$3.75.

11.3. Operating Statistics

For the Mass Merchandiser segment, the cheque average per transaction was \$1.41 ranging from a low of \$1.00 to a high of \$2.00.

Variable costs were on average: Food 38%, labour 32%, for a total of food plus labour of 70%. Food costs ranged from a low of 35% to a high of 43% and labour ranged from a low of 28% to a high of 34%.

11.4. Major Food Items Purchased

These were typical of broad spectrum menus and include hamburger beef, fish (especially sole), pork products, french fries, table vegetables, salad vegetables, bakery and dairy products. No information on annual food volume was provided.

11.5. Buying/Distribution Systems

In the Mass Merchandiser segment there are a series of local deliveries to each unit using local suppliers. There are some exceptions in dairy and bakery where regional contracts are undertaken. For example, Silverwoods, Bordens and Quebec Lait are the authorized suppliers of dairy products for one of the respondent firms and in the bakery area Canada Bread, General Bakery and McGavin Toastmaster supply bakery products in their respective areas. Frozen foods are usually obtained from local frozen food wholesalers. Meat products are usually obtained locally from a variety of local purveyors including Swifts, Canada Packers, Peter McGregor, Schneiders, Readyfoods and La Belle Fermiere. With at least one respondent some dry grocery items are shipped direct by the manufacturer to the stores using the manufacturer's own vehicles or common carrier.

11.6. Perceived Current Problems and Opportunities

The major problems facing this segment are:

- 1 Labour Rates. A feeling that labour rates are rising rapidly thus affecting the prices charged. All respondents felt that in their competitive coffee shop/snack bar business they were obliged to keep retail meal prices as low as possible, even if it meant accepting slightly higher food and labour costs rather than passing those on directly to the consumer, particularly with every labour cost increase.
- 2 Ice Cream Business Lost. One respondent commented that the Ice Cream business was being phased out in his chain. Formerly it was quite high

and quite profitable but now the price of ice cream has become too high and they are faced with margins so low that they have become unacceptable. This was blamed on the dairy support system.

- 3 Free Market for Food Stuffs. Most respondents felt that the government should stay out of the food business and should not force commercial feeders into higher priced menu items. Specifically these respondents felt there should be a free flow of food so that foodservice operators could put on their menus foods that were economically priced.

11.7. Prospects for Future Growth

Prospects were optimistic according to all respondents. As the population expands and changing lifestyles cause more of the population to eat away-from-home, the Mass Merchandisers feel that their competitively priced snack bars/cafeterias/coffee shops offer good value and should attract increasing numbers of customers.

In 1978 and through 1982, approximately 110 new units are planned which are keyed to store expansion. These represent approximately 1,730 potential new jobs in the next five years. The majority of these units will be located in all provinces, as respondents predicted that future growth will be nationwide.

11.8. Perceived Future Trends

New techniques anticipated in the segment are remodelling and renovating existing units, improving the consistency of the food, establishing more uniformity in products' physical characteristics and developing more business on shopping evenings by featuring Family Night Specials.

11.9. Major Firms in this Segment

- 1 F.W. Woolworth Co., Toronto, Ontario, was established in 1920 and operates 297 units across Canada, trading under the name of Woolworth as well as Woolco Department Stores. This chain operates nationally, including stores in the Yukon. A recent trade magazine report estimated that foodservice sales in 1977 were \$51 million.
- 2 K-Mart Canada Limited, Toronto, Ontario, was established in 1929, and operates 158 units nationally with the exception of the Yukon and North West Territories. This firm trades under the name Kresge and K-Mart. A recent trade magazine reported its sales for 1977 to be \$28 million.
- 3 Zeller's Limited, Montreal, Quebec. Established in 1932, these stores are operated nationally with the exception of the Yukon and North West Territories. It runs 113 foodservice units in Canada. A recent trade magazine reported its 1977 sales to be \$17 million.

12. Hotels

12.1. Definition

Hotels, unlike most other segments, are characterized by operations that are principally in the business of providing accommodations. In order to service and attract customers, they offer food and beverage facilities as well.

The nature of hotel food and beverage services are quite varied. Most operations include a coffee shop, a main dining room which is almost always licensed, room service and in most instances in urban centres, a catering department. Smaller operations particularly like Wandlyn Inns in the Maritimes do not have room service in every property. In addition, quite frequently there are theme restaurants, bars and/or discos located in the larger properties. Where possible, the consultants asked how many hotel properties were involved, but in all instances asked the number of units involved. i.e., the specific number of food and beverage control centres per property. This then allowed the consultants to report the hotel information on the same basis as that for other segments such as department stores and mass merchandisers who record their information by individual departments.

Certainly, many hotels have within their premises food and beverage establishments that apply to many of the specific segments of the commercial sector: Fast food N.E.P., coffee shops, steak houses, family restaurants and major dinner houses. Yet, for purposes of this report and preserving the confidentiality of information provided, it was deemed sensible to include hotel food & beverage service overall instead of endeavouring to break down separate functions.

12.2. Scope of Operations

In dollar volume, the hotel segment represents the largest single category among the subsegments of the food-away-from-home market identified in this report as shown in Appendix A. According to Statistics Canada information projected through to 1976, total hotel food and beverage sales were \$1.468 billion which when an adjustment is made for a 12% inflation factor brings it to \$1.644 billion in 1977. Of the 19 firms interviewed, they in aggregate represent 604 units for the 16 firms reporting, with a combined volume in 1977 of \$447.2 million for the same 16. According to the consultants' estimate, this means that 27% of the hotel business in Canada, food and beverage only, is surveyed in this report.

Of the 16 firms who reported, their aggregate meals/transactions in 1977 amounted to 89.6 million while full and part-time employees totalled to 29,235 for 15 of the 19 who reported. The average hourly wage of service personnel was \$3.83 for the 15 of the 19 who reported. Wages ranged from a low of \$3.00 to a high of \$5.50. The median was \$3.50.

12.3. Operating Statistics

For the Hotel segment the cheque average for food and beverage combined was \$5.00 ranging from a low of \$3.50 to a high of \$13.00. The range was so varied that a median could not be calculated.

Variable costs were on average: food 35%, alcoholic beverages 30%, combined food and beverage 33% for the 16 firms who reported and 36% for labour for 15 firms who reported. Grand total was 69% for 15 of 19 who reported.

Comments on variable costs are: food ranged from a low of 32.5% of the food dollar to a high of 40%, with the median being 35%, beverages ranged from a low of 24% of the beverage dollar to a high of 46% with the median being 29%. Combined food and beverage ranged from 29% of the food and beverage dollar to a high of 39% with the median being 33%. Labour ranged from a low of 21% to a high of 44.8% with the median being 33%. Combined food and beverage and labour ranged from a low of 51% to a high of 83.7% with the median being 68%, for the 15 firms reporting.

12.4. Major Food Items Purchased

It was difficult to obtain information on food items purchased in this segment although 5 chains representing 60 hotel properties indicated they spent in 1977, \$7.167 million on beef loin cuts. Hotels operate broad spectrum menus in their coffee shops, snack bars, dining rooms, room service, catering departments, etc. and almost all rely on local purchasing and local delivery.

12.5. Buying/Distribution Systems

The buying/distribution systems common to this segment tend to be primarily on a local basis. One chain, Commonwealth Holiday Inns, London, Ontario, which operates 47 properties in Canada, is endeavouring to go to a one-stop shop or limited vendor concept. Meat items are delivered by a purveyor across Canada, while dry grocery and frozen products are delivered regionally by full line frozen and dry grocery wholesalers. This same chain has a national dairy contract with a major dairy. However, this seems to be the exception, as other hotel chains buy locally. Where sufficient units exist, say in Southern Ontario or the West, there would be regional suppliers for meat, butter and cheese, and dry grocery and frozen items. One hotel operator who has units in the more remote areas of Canada indicated that while he still obtained beef locally, sometimes he buys a large lot of Alberta beef and fly it to his units in his own private aircraft.

Typically it can be said that hotels buy beef, poultry, fish and pork products from local purveyors, french fries from a frozen distributor, who is sometimes the same dry grocery distributor, produce and potatoes from a local produce wholesaler and then dairy and bakery products are delivered locally by local suppliers.

12.6. Perceived Current Problems and Opportunities

- 1 Rising Costs that Cannot be Reasonably Passed on to the Consumer. With labour running at 36%, hotel operators are extremely conscious of every increase in the minimum wage. A tip employee in the main dining room in Toronto can make \$20-25,000 a year in a major hotel. There was a commonality among all operators pleading for a tip credit so that dining room menu prices could be lowered. Rising food costs also substantially impact on prices as in both instances approximately 65% add-on is aggregated to any cost input for either food or labour.
- 2 U.I.C. Although tip personnel do quite well as has been illustrated, the UIC program is still perceived as a disincentive to work at minimum wage jobs in the back of the house including busboys, kitchen helpers, dishwashers, etc.
- 3 Lack of Trained Personnel. Lack of trained personnel is almost a universal complaint in the hotel industry. Canada desperately needs a co-ordinated educational centre to train hotel service personnel, in the opinion of almost all operators. The European market has dried up as wages have increased in Europe, and immigration restrictions have tightened in Canada.
- 4 IRS. As might be expected, this segment particularly felt the acute pain of the IRS restrictions in the U.S. on foreign conventions. One operator, a Canadian-equity firm well established in this country, felt that the IRS policy has set the hotel industry back 10 - 15 years. In fact, while this chain is not big in convention business due to its site locations and size, the reduction in the occupancy rate in the major downtown hotels in the major cities has had an indirect effect of lowering the occupancy rate of hotel chains who lie on the fringes in smaller cities and nearer large airports. The occupancy rate of most cities are well known. The only encouraging signs are from Southern Ontario particularly Toronto, and from Edmonton and Calgary. Montreal and Vancouver have not been faring well, while Quebec City and Halifax have also been suffering. Most of this can be directly attributed to overbuilding, which when combined with a depressed economy resulted in disastrously low occupancy rates which in turn has affected food and beverage volumes. Many hotels which are very concerned about their image have had to raise menu prices as occupancy rates have slid in an effort to recapture some additional dollar volume from existing customers. Even those operators who have undertaken such a pricing policy are filled with apprehension.
- 5 PST. The Provincial Sales Tax of 10% in some jurisdictions on food and beverage impacts on consumer prices and is considered a form of double taxation. Provincial taxation on cooking equipment and furniture in the foodservice and accommodation sector is especially acute to those in the hotel industry as it is in the other segments of the foodservice industry, particularly the tax on cooking equipment. Hotels consider that they are a factory that provides an accommodation service along

with a food processing factory that produces meals and retails them at the front. Likewise foodservice establishments consider themselves as mini-food processing factories. They ask, should they have to pay sales tax on equipment they use to cook food and in the case of hotels, to provide accommodation? Land costs are high, building costs are high and all these factors impact on the consumer. It was the general consensus that Canada because of all the factors just indicated, is almost pricing itself out of the tourism business. It is considerably more expensive to travel to the urban cities in Canada and sleep and eat there than it is to conduct similar activities in the major urban centres in the U.S.A.

12.7. Prospects for Future Growth

Prospects for future growth are mixed. Some feel that the U.S. offers greater opportunities and are concerned with what will happen to wage rates when controls are lifted. On the other hand some chains are very optimistic about prospects, despite the state of the economy, attributing to shifting consumer lifestyles the potential increases in accommodation and foodservice revenue. Seven of the 19 firms who reported, indicated that in the next five years there will be 42 new properties with a total of 3,275 potential new jobs. The majority of these units will be located in British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia.

12.8. Perceived Future Trends

New techniques anticipated in this segment are decor changes, either nostalgia themes or ultra-modern themes; the promotion of special dinners which are non-standard items including British Columbia salmon and Alberta pheasant in Ottawa and Toronto to add more variety and excitement to the menu; continuing redecorating and upgrading of older facilities and finally the use of more dining rooms divided up into small intimate dining areas.

It is felt that there should be a reduction in the menu variety where possible and more involvement of the patrons through carveries, salad bars, and theme promotions on a seasonal or opportunity basis.

It is interesting to note that several hotels in the luxury category have as their "signatures" the reputation for only using fresh ingredients including meats, seafoods, vegetables, produce, etc. This undoubtedly is the reason that their food and labour costs are among the highest in the industry. It goes to prove however that there is still a carriage trade market, while the more family-oriented non-convention trade hotels, which cater to the travelling business men and families are starting to use more frozen convenience foods and are even experimenting with fast food concepts.

12.9. Major Firms in this Segment

In some instances at the discretion of the consultants, some firms which are principally in the hotel business but also have varied

interests, are listed among Commercial Food Management Firms. The decision to categorize a principal player into Hotels or into Commercial Food Management Firms was totally arbitrary and was done at the discretion of the consultants.

- 1 Canadian Pacific Hotels Ltd., Toronto, Ontario, a wholly-owned subsidiary of Canadian Pacific Limited, Montreal, founded in 1886, operating 19 hotel properties in Canada and 7 foreign for a total of 26. CP operates hotels in urban and resort areas in all the principal provinces of Canada and has among those 19 domestic properties a total of 139 food and beverage operations. In addition it operates restaurant and fast food services in the Royal Bank Plaza in Toronto, and operates Chateau Flight Kitchens in Montreal, Toronto and Vancouver providing food and beverage services for its own airline, CP Air, as well as servicing other foreign and domestic carriers. Sales in food and beverage were reported in a trade magazine for 1977 at \$83.5 million, with \$4.9 million foreign, leaving domestic food and beverage revenue at \$78.6 million.
- 2 Commonwealth Holiday Inns of Canada Ltd., London, Ontario, operates 47 Canadian properties, 19 foreign, for a total of 66. These 28 domestic properties represent 147 food and beverage operations. Commonwealth is also in commercial food management, operating in-plant feeding, a contract design and furnishing firm in Toronto, providing turnkey service for its own and other accommodation properties. It also owns a bus company, Charterways, London, Ontario. Commonwealth Holiday Inns was established in 1962 and is one of the two franchisees in Canada of the Holiday Inn name, the franchisor being Holiday Inns Inc., of Memphis, Tenn. Like its co-franchisee Atlific Inns (see #5), Commonwealth is a Canadian-equity firm. Food and beverage sales were reported in a trade magazine recently to be \$68 million with \$14.5 million in foreign sales for a net domestic figure of \$53.5 million.
- 3 Hilton Canada Ltd., Montreal, Quebec, established 1958, operates 6 properties in British Columbia, Ontario and Quebec. Among these 6 properties it has 53 units in food and beverage and was reported to have sales in 1977 of \$41.5 million.
- 4 Canadian National Hotels, Montreal, Quebec, operates 7 Canadian properties and 1 foreign. CN's hotels are located: 3 in the Maritimes,, 1 in Ontario and 3 in Western Canada, plus there is one in Paris, France. It also has the CN Tower, Toronto, which is a dinner house. In addition there are dinner houses operated by Hilton for it in the Queen Elizabeth Hotel/Place Ville Marie complex, Montreal, which provides substantial food and beverage volume. Also CN runs two public cafeterias in railway terminal facilities. CN has a total of 48 foodservice operations and it was reported in a recent trade magazine that sales in 1977 were \$19 million. It has since been discovered by the consultants that the \$19 million did not include the leased properties so that actual dollar sales although not published, were substantially higher but cannot be released due to confidentiality.

- 5 Atlific Inns Inc., St. Laurent, Quebec, established 1961, operates 18 hotel properties in British Columbia, Alberta, Quebec, Ontario, New Brunswick, Nova Scotia and Newfoundland that have a total of 50 foodservice units. In addition to being the other Holiday Inn franchisee in Canada (see Commonwealth Holiday Inns London, Ontario), Atlific Inns is in contract food management, having the food and beverage facilities in the Toronto-Dominion Centre. Also, it has recently acquired the franchise rights for Wendy's Restaurants from the parent franchisor in Columbus, Ohio. See Fast Food Burgers. Food and beverage sales were reported in 1977 at \$27 million.
- 6 Four Seasons Hotels Ltd., Don Mills, Ontario, established 1961, operates 6 hotel properties: 1 in British Columbia, 1 in Alberta, 3 in Ontario and 1 in Quebec comprised of 44 food and beverage units. A new property is scheduled to go up in Edmonton in June, 1978. Food and beverage sales in 1977 were reported in a trade journal at \$31.7 million.
- 7 Western International Hotels Ltd., Vancouver, British Columbia, established 1933. Canadian food and beverage operations are directed from the firm's offices in Seattle, Wash. It operates 6 hotel properties with 1 in British Columbia, 2 in Alberta, 1 in Manitoba, 1 in Ontario and 1 in Quebec. A trade magazine recently reported that there were 18 units and sales were \$30.1 million.
- 8 Delta Hotels Ltd., Richmond, British Columbia, established 1961, with 8 hotel properties, of which there are 5 in British Columbia, (with one opening in Victoria in April 1978), 1 in Manitoba and 2 in Ontario. An opening for Halifax in the Spring of 1979 is scheduled. Among the 7 existing properties, they total 20 food and beverage units and a recent trade magazine reported sales at \$18 million.
- 9 Orangerooft Canada Ltd., Rexdale, Ontario, the Canadian franchisee of Howard Johnson of Braintree, Mass. While this company operates 7 hotel properties, it also operates coffee shops and has been classified by the consultants as a Commercial Food Management Firm.
- 10 Skyline Hotels Ltd., Rexdale, Ontario, while principally in the hotel business with 4 properties, 3 in Ontario and 1 in Quebec, also operates a dinner and banquet house, the Old Mill Restaurant in Toronto and some foodservice facilities of the dinner house style in some downtown office towers, Toronto. For further details see Commercial Food Management Firms .
- 11 Ramada Inns of Canada Ltd., Montreal, Quebec, established 1972, operates 10 properties in Manitoba, Ontario and Quebec. The precise number of units is not known but sales in 1977 were reported at \$12.5 million by a trade magazine.
- 12 Wandlyn Inns, Fredericton, New Brunswick, established 1956, operating 20 properties: 1 in Manitoba, 1 in Ontario, 2 in Quebec and 16 in Atlantic

Canada. There are a total of 30 units in food and beverage representing these 20 properties and a recent trade magazine estimated that sales were \$10 million.

- 13 Constellation Hotel Corp., Rexdale, Ontario, established 1962, with 2 properties which comprise a total of 12 units. Sales in 1977 in food and beverage were reported at \$9.5 million.
- 14 Vollan Construction Ltd., Edmonton, Alberta, established 1972, operating 5 hotel properties: 1 in British Columbia and 4 in Alberta. In total these 5 properties account for 23 food and beverage units and it was estimated in a recent trade magazine that sales for 1977 were \$9 million.
- 15 Mont Royal Hotel, Montreal, Quebec. Established as an independent operation separate from the Sheraton in 1977 and operating 1 property which comprises a total of 5 food and beverage units. Sales volume has not been released. The Sheraton chain is now controlled through Boston and follows on the next list.
- 16 Hefru Food Services Ltd., Vancouver, British Columbia, established in 1969, operates 2 hotels; 1 in Vancouver under management contract, and the other in Olympia, Washington which it owns under a Sheraton franchise. For further details see Major Dinner Houses.
- 17 Allarco Developments Ltd., Edmonton, Alberta, established 1954, operating 1 hotel in Alberta. Sales volume was not disclosed. See Major Dinner Houses.
- 18 Cara Operations Ltd., Toronto, Ontario, established 1883, operating one property, the Cara Inn at the Toronto airport. Sales volume was not available. See Commercial Food Management Firms.
- 19 Hy's of Canada Ltd., Vancouver, British Columbia, established in 1955, operating 2 hotels; 1 in Vernon, the other in Duncan, British Columbia. Sales volume was not available. See Major Dinner Houses.
- 20 V.S. Services Ltd., Toronto, Ontario, has one property off Highway 27 North in Metro Toronto, The Heritage Inn. No sales volume details are available. See Commercial Food Management Firms.

Listed but not Interviewed:

- 1 Sheraton Hotels Ltd., Boston,, Mass., operates 19 properties in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec for a total of 47 units in food and beverage for which 1977 sales were estimated at \$26.8 million recently by a trade magazine.
- 2 Hyatt International Corp., Chicago, Ill., operates 4 properties in British Columbia and Ontario comprising an estimate of 10 units with estimated sales in 1977 of \$15.3 million, according to a trade magazine.

- 3 Prince Hotel (Toronto) Ltd., Don Mills, Ontario, part of the Prince Hotel chain from Tokyo. Operates 1 property in Toronto with 5 food and beverage units for a total of \$7 million as reported in a recent trade magazine.
- 4 Auberge Des Gouverneurs, operated by La Societe Delta Inc., St. Foy, Quebec. This Quebec based chain operates 11 properties in that province. Details for food and beverage units are not available and sales for 1977 were estimated to be \$6.2 million.
- 5 Ruby Foo's (Montreal) Ltd., Montreal, Quebec, comprised of 1 property in Montreal which is a motor hotel adjacent to a well established restaurant with sales for 1977 reported in a trade magazine of \$5.5 million.
- 6 Seaway Hotels, Toronto, Ontario, operating 5 properties in Ontario and Quebec with a total of 16 food and beverage units and sales reported at \$5.5 million.
- 7 Best Western Inc., Phoenix, Arizona, with franchise operations in British Columbia, Saskatchewan, Alberta, Manitoba, Ontario and Quebec as well as the U.S.A., Australia and New Zealand. There are 29 properties in Canada but precise number of food and beverage units is not available. In a recent trade magazine food and beverage sales were reported at \$5.3 million.
- 8 Sutton Place Hotels, Toronto, Ontario, with 2 properties in the Metro Toronto area as well as a major family dinner house, the Peel County Feed Co. near the Toronto Airport. Precise number of food and beverage units is not known, but food and beverage sales were reported in a trade magazine for 1977 at \$5.2 million.
- 9 Ritz-Carlton Hotel, Montreal, Quebec, with 1 property. Precise number of food and beverage units is not known but sales were reported recently in a trade magazine at \$3.7 million.
- 10 Villacentes Ltd., Calgary, Alberta, operates 3 hotel properties plus 9 other accommodation facilities including nursing homes in Alberta, Manitoba, Ontario, Quebec and Nova Scotia. Total food and beverage sales for all activities were reported at \$3.6 million.
- 11 Loews Hotels, New York, N.Y., operates 2 properties in the Province of Quebec. Precise number of food and beverage units is not available, while sales in 1977 were reported at \$3.6 million.
- 12 The Valhalla Companies, Toronto, Ontario, operating 2 properties in Ontario, comprised of 8 units with 1977 sales reported to be \$2.7 million.
- 13 Friendship Inns International, Salt Lake City, Utah. Canadian Headquarters are in Richmond Hill, Ontario. This is a referral and

franchise group and is represented in all provinces except Newfoundland and North West Territories. In 1977 it was reported that there were 84 members. The number of units is not known. Food and beverage sales were not reported in 1977 but in 1976 were \$2.1 million.

- 14 Territorial Hotels Ltd., Calgary, Alberta, operating 4 properties in Alberta and North West Territories for a total of 8 units. Estimated sales in 1977 were reported by a trade magazine at \$2.0 million.
- 15 Harwood Hotel (1963) Ltd., Moose Jaw, Saskatchewan, operates 3 properties in the Prairies; number of units now known, food and beverage volume reported in 1977 at \$2.0 million.
- 16 Gray Rocks Inn, Ltd., St. Jovite, Quebec, comprised of 2 properties; number of units now known; food and beverage volume in 1977 reported at \$1.5 million.
- 17 National Traveller Hotels, London, Ontario, operates 2 properties; number of units not known; food and beverage volume reported at \$1.2 million for 1977.
- 18 Concord Hotels Ltd., Victoria, British Columbia, comprised of 3 properties; number of units not known; food and beverage volume reported in 1977 at \$1.2 million.
- 19 Lord Elgin Hotel, Ottawa, Ontario, comprised of 1 property; number of units not known; food and beverage volume in 1977 reported at \$1.2 million.
- 20 Empire Motor Hotels, Timmins, Ontario, comprised of 3 properties, number of units not known; food and beverage volume reported at \$1.0 million in 1977.
- 21 Slumber Lodge Development Corp., Vancouver British Columbia, comprised of 17 properties of which 10 are owned and operated and 7 are franchised. Precise number of food and beverage units not known; food and beverage volume in 1977 reported at \$0.9 million.
- 22 Travelodge International Inc., El Cajon, California, a franchisor operating 32 properties in British Columbia, Alberta, Saskatchewan, Ontario, Quebec and the Yukon. No estimate is available for food and beverage sales for 1977, although in 1976 these sales were reported at \$5.5 million.
- 23 Preferred Hotels Assoc., Don Mills, Ontario, an international franchisee referral group with 5 properties in Canada and no reported sales in food and beverage published to-date.
- 24 Sandman Inns Ltd., Vancouver, British Columbia, operating 15 properties in British Columbia and Alberta. No reported food and beverage sales have been published.

- 25 Master Hosts Inns Ltd., Montreal, Quebec, Operating 6 properties on a franchise basis in British Columbia, Alberta, Ontario and Quebec. No estimate of food and beverage is available.
- 26 Westwater Management Inc., Vancouver, British Columbia, operating 6 properties in British Columbia and Ontario with food and beverage sales reported in 1977 at \$1.5 million.

13. Cafeterias - Industrial

13.1. Definition

An Industrial Cafeteria serves a captive audience of industrial or office workers and is not open to the general public. Quite often it is subsidized, but in operational technique it is identical to Cafeterias - Public. In some respects, the foods used are not dissimilar to a coffee shop, except that the layout is typified by the self-serve, walk-through concept and most of the entrees are kept in steam tables. Historically, this has been one of the less inspiring aspects of the business as far as decor and design is concerned, yet it must be remembered that the premises are almost invariably those provided by the employer and the contract food management firm merely provides the expertise in efficient foodservice management.

13.2. Scope of Operations

Industrial Cafeterias is a category dominated by Commercial Food Management Firms. During the tenure of this study 12 firms were interviewed. Six were able to report the number of units without a lot of detailed breakdowns and those 6 reported 862 units. Combined volume in 1977, for 9 who reported was \$137.3 million. Total meals/transactions in 1977 for those 9 amounted to 145.85 million while full and part-time employees totalled approximately 5,700 Canadians for 7 firms reporting. The average hourly wage of service personnel was \$3.90 for six firms reporting, ranging from a low of \$3.25 to a high of \$5.00.

13.3. Operating Statistics

For this segment the cheque average was 94¢, ranging from a low of 50¢ to a high of \$1.50. Variable costs were on average: food 43%, for 9 firms reporting, and labour 37% for the same 9 firms for a combined total of 80%. Comments on these variable costs are as follows: food ranged from a low of 34% to a high of 49% while labour ranged from a low of 31% to a high of 47%. In many instances the Commercial Food Management Firm must use the union that is dominant in the industry or firm of the client, which explains why some places have higher rates than those which pay at the minimum wage or slightly above it.

It should be noted that a great deal of coffee is sold in Industrial Cafeterias which substantially pulls down the cheque average. The firm reporting a 50¢ cheque average indicated that there was considerable volume of coffee transactions in that figure. The median for 7 of the 12 firms reported was \$1.00.

13.4. Major Food Items Purchased

These are contained in the Commercial Food Management, Section 17 and represent broad spectrum menus. However, one operator was able to report that he uses a million pounds of french fries per year strictly in industrial feeding. It should be noted that french fries and ground beef are a substantial component of this type of feeding, even though the menus are varied.

Comments on the buying/distribution systems and major problems, are contained in Commercial Food Management Firms.

13.5. Prospects for Future Growth

It is difficult for contract caterers to predict the number of new units because these really are dependent on the general economy and expansion of office and industrial facilities. However, interesting enough, two firms reported that they anticipate obtaining contracts for 300 new units within the next five years, while those two firms plus another which did not indicate the number of units, did aggregate 9,000 potential new jobs, the majority of these being located right across Canada. Based on these calculations, 3 firms reporting would almost double the number of jobs that currently exist among the 9 reporting.

13.6. Perceived Future Trends

New techniques anticipated in this segment are contained in Section 17.

13.7. Major Firms in this Segment

- 1 CNIB CaterPlan Services, Toronto, Ontario, operates nationally except in the Yukon and North West Territories. This firm was established in 1928, and has 498 units, which is 58% of the total reported for this category. Unlike the Commercial Food Management Firms, CNIB is principally concerned with creating employment for the blind, yet is the largest single operator interviewed in this category. Sales in 1977 were reported in a trade magazine at \$37 million.
- 2 Canteen of Canada Ltd., Rexdale, Ontario. See Commercial Food Management Firms.
- 3 Parnell Foods Ltd., London, Ontario. See Commercial Food Management Firms.
- 4 V.S. Services Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 5 Canada Catering Co. Ltd., Toronto, Ontario. See Commercial Food Management Firms.

- 6 Food Services Ltd., Montreal, Quebec, trading under the name Crawley & McCracken in British Columbia, Manitoba, Saskatchewan, Ontario and Quebec, and Bona Vista Food Services in Newfoundland, and Anjou Food Services Ltd. in Quebec. See Commercial Food Management Firms.
- 7 Beaver Foods Ltd., London, Ontario See Commercial Food Management Firms.
- 8 General Foods Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 9 Domco Foodservices Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 10 Intercity Food Services Inc., Montreal, Quebec. See Commercial Food Management Firms.
- 11 Saga Canadian Management Services, Oakville, Ontario. See Commercial Food Management Firms.
- 12 Maisonneuve Food Service, St. Laurent, Quebec. See Commercial Food Management Firms.

14. Vending

14.1. Definition

The Vending segment is very similar in function to the preceeding category, Cafeterias - Industrial except that the food retailing is mechanized rather than through traditional cafeteria lines. The decision to go vending versus cafeteria is often taken by the client depending on space available, size of work force, etc. Much vending is an integral part of industrial feeding yet there is also commercial vending open to the general public. In that case they perform the same functions as in Cafeterias, Public.

14.2. Scope of Operations

Of the six firms interviewed none were able to break down their vending operations separately from their industrial cafeterias so no information is available on units or volume.

14.3. Operating Statistics

No information was available for cheque average and variable food costs, purchases or volume.

All the comments on the buying/distribution systems, major problems, prospects for future growth, etc. are included in Commercial Food Management Firms.

The overview of this study did not permit in depth analysis of the vending segment except to the extent that it probed the Commercial Food Management Firms.

14.4. Major Firms in this Segment

- 1 VS Services Limited, Toronto, Ontario. See Commercial Food Management Firms.
- 2 Canteen of Canada Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 3 Food Services Ltd., Montreal, Quebec (Crawley-McCracken). See Commercial Food Management Firms.
- 4 Parnell Foods Ltd., London, Ontario. See Commercial Food Management Firms.
- 5 Scott's Restaurant Co., Weston, Ontario. See Commercial Food Management Firms.
- 6 Maisonneuve Food Service Ltd., St. Laurent, Quebec. See Commercial Food Management Firms.

15. Caterers

15.1. Definition

The catering segment is defined as those commercial firms which take food to homes or offices or other places of business using food prepared in a central kitchen. Of the firms interviewed in this study, there were only two that reported activity in catering so no information is available on units, sales volume, meals served, employees, cheque average, variable costs, food used, etc.

Cara Operations conducts catering in the Commerce Court West building in Toronto to offices on a request basis, while Robert Simpson Co. Ltd. has a sizable catering business in the Toronto area principally for weddings and receptions in private homes or halls, with the food prepared at the Arcadian Court. The bulk of this segment is comprised of small operations using central commissaries. The yellow pages of any city will indicate the substantial number of private caterers. This segment has never been accurately measured but it is estimated by industry sources to be quite significant. A paper goods supplier who manufactures disposable paper tablecloths has indicated that a substantial volume is used by legion halls, church groups as well as the many small and large private caterers in all major cities across Canada.

15.9. Major Firms in this Segment

- 1 Cara Operations Limited, Toronto, Ontario. See Commercial Food Management Firms.

- 2 Robert Simpson Co. Ltd., Toronto, Ontario. See Department Stores.

16. Transportation

16.1. Definition

The transportation segment is defined as food and beverage service included in the cost of transportation when travelling by air, rail or ship, and also includes terminal foodservice facilities and public restaurants located on highways. The transportation sector is characterized by firms engaged in the movement of people, which provide food and beverage service for the convenience of their patrons. No attempt was made in this study, due to the small number of respondents, to distinguish commissaries from coffee shops, snack bars, cafeterias, etc. Instead the sector is taken as a whole, although it is acknowledged that it is comprised of many disparate parts, some of which have their equivalent in the commercial restaurant field.

16.2. Scope of Operations

The 7 firms interviewed in aggregate represent 219 units with a combined volume in 1977 of \$79.9 million worth of sales. The total meals/transactions in 1977 amounted to 40.8 million, while full and part-time employees totalled 7,300 Canadians. The average hourly wage of service personnel was \$3.93 from a low of \$3.00 to a high of \$8.57. The latter figure applies to a provincial crown corporation, the only public sector participant among the respondents.

16.3. Operating Statistics

For this segment, the cheque average was \$1.95 ranging from a low of \$1.45 to a high of \$3.00. Variable cost were on average: food 32%, labour 41%, for a total of 73%.

Food costs ranged from a low of 29.5% to a high of 35%, while labour ranged from a low of 37% to a high of 50%.

16.4. Major Food Items Purchased

Major food items used were not easy to obtain due to the broad spectrum menus typical in the transportation sector. However, one firm reported using 650,000 pounds of ground beef and 1.6 million pounds of french fries. In the case of B.C. Ferry Corp., the provincial government purchasing system is used as a food broker.

16.5. Buying/Distribution Systems

Those used in this segment vary by the type of foodservice operation. Those on highways usually have store-door delivery from a variety of local suppliers while those operating commissarys buy centrally like any food processor. With highway operations, specialized foodservice wholesalers are used extensively. Comments on the buying/distribution systems for those Commercial Food Management Firms active in transportation are contained in Section 17.

16.6. Perceived Current Problems and Opportunities

The major problems faced in this segment are:

- 1 Gasoline Prices. Spiralling cost of gasoline has affected traffic negatively with a resulting loss of volume.
- 2 AIB. The AIB because of the size of many of the companies in this group has restrained price increases.
- 3 U.I.C. Many operators feel that the U.I.C. program is a disincentive to work at minimum wage jobs.
- 4 Oceanic Beef. There is concern that if oceanic beef is further restricted the price of domestic beef will rapidly rise and as ground beef is an essential part of highway and terminal feeding, this particularly concerns these operators who feel it will sharply impact on menu prices.

16.7. Prospects for Future Growth

These are not encouraging. Of the firms listed below, other than the Commercial Food Management Firms, none were planning any expansion in the next five years.

16.8. Perceived Future Trends

New techniques anticipated in this segment include the possibility of expanding more self-serve units along highway locations and plans to operate smorgasbords in conjunction with cafeterias on a seasonal basis.

16.9. Major Firms in this Segment

- 1 Cara Operations Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 2 Voyageur Restaurant Div., Imperial Oil Ltd., Don Mills, Ontario, established in 1967 in foodservice. There are 62 units, with 2 in British Columbia, 18 in Alberta, 11 in Saskatchewan, 2 in Manitoba, 22 in Ontario, 5 in Quebec and 3 in the Maritime Provinces. A recent trade magazine estimated sales in 1977 at \$18 million.
- 3 B.C. Ferry Corp. Victoria, British Columbia, was established in 1960, in foodservice. A crown corporation of the provincial government, it operates restaurants, cafeterias and coffee shops on board its ships and coffee shops at terminals. There are a total of 27 units and a recent trade magazine estimated sales in 1977 of \$11 million.
- 4 Wayfare Restaurants, Subsidiary of Gulf Canada Ltd., established in foodservice in 1965. Gulf operates coffee shops and self-service cafeterias in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec and has 29 units. A trade magazine recently reported sales in 1977 to be \$8 million.

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- 5 General Foods Ltd., Toronto, Ontario. See Commercial Food Management Firms.
 - 6 Domco Food Service Ltd., Toronto, Ontario. See Commercial Food Management Firms.
 - 7 Scott's Restaurant Co., Weston, Ontario. See Commercial Food Management Firms.

Listed But Not Reported:

- 8 Chateau Flight Kitchens, Montreal, Quebec. See C.P. Hotels.

17. Commercial Food
Management Firms

17.1. Definition

This segment is defined as those multi-activity commercial organizations professionally engaged in foodservice management. They operate in both the commercial and non-commercial segments and earn a profit on their activity. Equity is either publicly or privately held and there is a good mixture of Canadian-equity and foreign-owned firms. This category contains firms that have activities in almost all the other categories. Therefore it is really not a function in itself; rather it is a convenient grouping of multi-activity firms. Total sales of all firms in the segments interviewed except section 17 amount to \$2.650 billion. The multi-activity firms represent \$963 million or 36% of the sample which is in turn spread back over the other 24 categories to arrive at the grand total of \$2.650 billion. Then adjustments were made for duplication, as shown in Appendix B.

The most remarkable factor, however, is that there are only 20 firms represented and that of these, 2 are clearly hotels, Skyline and Orangerooft, but have been mentioned here because of their multi-activity. There were also an additional 9 firms which were identified but did not qualify under the study criteria for personal interviews. While this concentration is by no means as oligopolistic as the retail supermarket industry, it is interesting to note the founding dates of many of these firms listed at the end of this section, to determine that multi-activity firms are a recent phenomenon.

As mentioned in Part I, it is the evolution from a basically Mom & Pop business where the family ran the restaurant to the professional Foodservice Management concept that has caused the food-away-from-home market to grow so rapidly and to capture such an ever-increasing share of consumer food expenditure. A few years ago it would have been impossible for 20 firms to corner such a significant share of the market.

Viewed against the perspective of the total market, the \$963 million for the 20 firms interviewed represents 12% of the total food and beverage volume in Canada as referred to in Table 2, page 15. Without doubt, the firms described in this section are the major players in the industry, although it is acknowledged that there are other significant players in other segments who dominate their respective categories.

17.2. Scope of Operations

The 20 firms interviewed represent in total 3,436 units with combined sales in 1977 of \$963 million. Total meals/transactions in 1977 amounted to 529 million while full and part-time employees totalled to 44,465 Canadians of the 19 reporting. Using as an estimate that the total foodservice industry employs 450,000 people, the multi-activity firms surveyed employed 10% of the total foodservice labour force. The average wage of service personnel for 17 of the 20 firms reporting was \$4.04, going from a low of \$3.00 to a high of \$10.50 with the median being approximately \$3.50.

17.3. Operating Statistics

The cheque average on a weighted basis was \$1.82. This is distorted because of the weighting and ranges from a low of 75¢ to a high of \$13.00. The median is \$1.00, particularly for those firms active in industrial cafeterias and those active in health care and in the education segments of the non-commercial sector. In the middle-price range the median would be \$3.00.

Variable costs were on average: for 18 firms reporting food was 40%, while labour was 33% for 17 firms reporting, for a combined total of 73%. Comments on variable costs are: food ranged from a low of 33% to a high of 51%, the median being 36%; labour ran from a low of 17% to a high of 45%, with the median at 31%. Food and labour combined ranged from a low of 63% to a high of 95% with the median at 71%.

17.4. Major Food Items Purchased

Determining the major food items purchased was most difficult as the very nature of multi-activity means a wide menu variety. The largest operator in this category, Cara Operations Ltd., Toronto, has 4,800 authorized ingredients for which IBM numbers are assigned. Local or regional buying decisions makes it difficult if not impossible for Head Office to retrieve the precise number of french fries or pounds of ground beef used per year. However, when contracting or supply arrangements were made on any given commodity, it was sometimes possible to arrive at volumes of food used. For example, 7 firms indicated that they use 7.7 million pounds of ground beef and 27.9 million pounds of french fries while another firm indicated 7.2 million pounds of fresh raw potatoes. 3 firms use 1.6 million pounds of fish, 2 firms use 310,000 pounds of hot dogs and two other firms use 2.1 million gallons of ice cream. 2 firms use 6.0 million pounds of strip loins while another firm use 1.65 million pounds of various beef products.

17.5 Buying/Distribution Systems

The buying/distribution systems used in this segment were varied, depending upon the geographic dispersal of the units. Those widely distributed across the country often used regional or local suppliers. However, where there was concentration of units, commissaries were almost invariably used.

In Winnipeg, Champs Food System Ltd. has a central commissary along with its own separate bakery. All meat, seafood and grocery items are delivered directly to the commissary. Only french fries are drop shipped to the stores by the local frozen food distributor.

In Ontario, Orangeroot operates a manufacturing plant and distribution centre in Welland, Ontario using its own truck. There it makes its own ice cream. It also uses a meat purveyor for store-door delivery. Dry and frozen products either go on the commissary truck or are supplied by a wholesaler to the store door. Dairy products come from a regional dairy, bread from a regional bakery, produce from local wholesalers and coffee from a national firm on contract. However, soft drink beverages are manufactured in the commissary and delivered to the stores in the commissary truck.

Scott's Restaurants, Weston, Ontario, the largest Kentucky Fried Chicken franchisee in Canada, operates 6 commissaries in Windsor, London, Toronto, Ottawa, Montreal and Chicoutimi. A variety of local processors make store-door delivery of fresh chicken while frozen foods wholesalers deliver the french fries. The shortening is supplied from a variety of firms such as Swifts, Kraft, Canada Packers and P & G. A local farmer in each area delivers cabbage in 1200 pound crates to the commissaries where all salad preparation occurs.

Canteen of Canada Ltd., in Rexdale, Ontario operates commissaries in Toronto, Kitchener and Hamilton with similar delivery systems.

Parnell in London operates commissaries in Toronto and London and maintain warehouses in Toronto, Hamilton, Kitchener, London and Sault Ste. Marie where direct deliveries can be taken from food processors.

General Foods operates commissaries in Vancouver and Toronto. All purchasing is done centrally. With the White Spot Coffee Shops in the British Columbia area only milk and ice cream is store-door delivered, everything else comes on the commissary truck.

Intercity Food Services Ltd., Montreal, a subsidiary of Steinbergs Ltd. uses central purchasing only, which sharply reduces the number of trucks.

Most of the others surveyed have gone considerable distances in reducing the number of trucks but because of dispersal of their units,

usually rely on local or regional purchasing and store-door delivery.

Two firms which are active in remote feeding make special arrangements to get products to remote camps. Domco has a Montreal warehouse where all products are assembled into two containers, one frozen and the other heated. Food Services Ltd., Montreal, make deliveries to such remote areas as James Bay by using central locations to marshall all supplies which are then picked up by refrigerated and heated trucks using common carriers.

17.6. Perceived Current Problems and Opportunities

The major problems faced by this segment are:

- 1 AIB. The majority of firms were caught in a low base year in 1974 and feel that expansion through cash flow has been restricted by the AIB. One multi-activity firm indicated that its chain of steak houses would have definitely expanded had it not been for the AIB. Others felt that the AIB restrictions on profits were harmful overall. On the other hand, there were several firms which felt that the AIB had been quite useful. One firm, which is well run and quite profitable felt that even though its base year was low, the AIB had enabled it to control wages and even to give money back to 3 hospitals it had on contract. Another respondent indicated the AIB had helped him to stop the wage and cost spiral. These comments, however, were the only positive ones, as all others indicated that profits and expansion had been given up at the expense of AIB regulations.
- 2 Oceanic Beef. Many of the firms in multi-activity are also in steak houses, dinner houses and fast food burgers and, therefore, are greatly concerned about any tampering with the normal supply of less expensive cow meat entering Canada from Australia and New Zealand. This has been covered in both Fast Food Burgers and Steak Houses.
- 3 Marketing Boards. Several of the multi-activity firms are very big in the chicken business and here the comments on marketing boards were very specific. Kentucky Fried Chicken are pleased with the operation of the Ontario Board but feel that the needs of the foodservice operator are not clearly understood especially by the processors. Other comments would indicate that in the opinion of most foodservice operators Marketing Boards tend to protect inefficient growers some of whom for example would only raise 50,000 birds a year. Scott's, who operate in Ontario, Quebec and Florida pay 49¢ a pound for chicken in Florida and 70¢ in Ontario, a spread of 21¢. As there are no quotas in the U.S. and as the feed prices for both countries are based on Chicago futures, and as the labour differential is only 2-3¢ a pound, the question was raised, where is the spread? It has to be in additional costs which are eventually passed on to the consumer caused by less efficient operators.

Another large chicken user indicated that marketing boards are not

sensitive to the seasonality of chicken used in foodservice. In the summer months Kentucky Fried Chicken sales go up by about 40% and the "signature" of Kentucky Fried Chicken insists on the use of fresh birds only, no frozen. However, the boards do not up the quotas 30 - 34% in the summer, they only raise them approximately 5%. This puts a great burden on the operator who sometimes has to take oversized birds when he really wants them 2 1/4 to 2 1/2 pounds, fresh.

- 4 U.I.C. In the opinion of most of the multi-activity firms the current U.I.C. program is a disincentive to work in the urban areas. Those operating in the rural areas have no problems in small towns obtaining dedicated help from teenagers, young adults and working women. In the cities, however, it is a chronic problem with constant turn-over and training costs that are always present. Several operators indicated that they did not believe that Canadian-born adults would take jobs as dishwashers.
- 5 Immigration. Continuing on the same thought, an operator on the West Coast felt that only Asians and East Indians were prepared to wash dishes and take menial jobs. He like others, showed concern for reduction in immigration, yet acknowledged the high unemployment in Canada, but still has not been offered a solution. The general feeling was that the local Department of Employment offices were not able to be very helpful in obtaining dedicated help at the minimum wage level for menial work.
- 6 Economy. Much concern was expressed over the current political uncertainty in Quebec which was curtailing further investment in that province by many of those interviewed. The Canadian economy is felt to be stagnating and this has curtailed some expansion. To a great extent, however, it is offset by rapidly changing lifestyles, of which eating out is an integral part. So in spite of the economy, foodservice operators are optimistic and confident, but it relates to the consumers' changing habits and not the economic well being the country.
- 7 Strikes. The major contractor for airport terminal feeding and airline feeding is very vulnerable to strikes of airline personnel or airport controllers. A 2 week strike is devastating when the costs keep rolling on and there is no income because there are no sales. Therefore, strikes and other airport related costs definitely impact on food prices to the consumer. These are particularly noticeable to the public at airport terminals where the menu prices are posted, compared with food obtained on an airline where the public does not know what the carrier pays the caterer for the meal.
- 8 Tip Credit. It is generally felt that a tip credit would lead to lower prices and staff would be more motivated. This should apply in all fairness, only to direct service personnel and not to those who do not have contact with the dining public.

17.7. Prospects for Future Growth

The major prospects for future growth are mixed as the majority are pessimistic and feel there are more opportunities in the U.S. than there are in Canada. Those who operate Hotels feel that the Hotel community is overbuilt and unprofitable. Tourism is in a slump and the current taxation structure in Canada is such that it produces a lower return on investment than the U.S. Other respondents indicated that they are moving south because of cheaper land and labour and greater disposable income.

On the other hand firms that are subsidiaries of multi-nationals and by company policy only operate in Canada are generally optimistic. One very large company sold off its West German operations and is using that equity to concentrate on more acquisitions in Canada. A Canadian-equity chain felt that foodservice offered more return than any other form of retail outlet, in spite of all the problems with the economy, obtaining proper help, etc. A contract management firm felt that the Health Care field offered good potential. Another contract caterer was so confident in Canada that he is expanding and has recently purchased a company in Quebec with 4 units. Another firm grew 22% in 1977 and expects that growth in the next 5 years will be 12-15%.

New units planned in 1978 and through to 1982 are 788 for 17 of the 20 firms reporting, representing 20,985 potential new jobs among those 17 firms. The majority of these will be located across Canada. That indicates a startling 47% increase in jobs of those surveyed, above the current base. Therefore, in spite of the pessimism and the fact that the majority of firms feel that the economy is in trouble and that return on investment is greater in the United States, the changing lifestyles of the consumer and rapid growth in the last few years are so encouraging that the employment prospects amount to almost a 50% increase among the multi-activity firms surveyed.

17.8. Perceived Future Trends

- 1 More Marketing. Advertising and promotion will definitely play a significant role in the next 5 years.
- 2 Menus. There will be constant changes to appeal to the changing consumer. In general, however, it is not expected that menus will be widely expanded. Rather, items will be substituted after testing to obtain greater sales and appeal to a wider base of consumers.
- 3 Decor. There will be a trend to more earth tones and natural colours, in many of the commercial sectors.
- 4 Ethnic Foods. Several firms are considering Mexican food for Canada. This cuisine theme is rapidly growing in the U.S. and leading U.S. trade magazines predict it is the forthcoming new trend. It is a cuisine comprised basically of ground meat and beans with relatively low food cost and offers appeal to those operators who have already

done everything they can with hamburger patties, chicken, fish and pizza.

17.9. Major Firms in this Segment

- 1 Cara Operations Ltd., Toronto, Ontario, founded 1883, operates a total of 300 units among its various subsidiaries. These are comprised of 58 types of commercial restaurants including dinner houses, coffee shops, fast food, bars, cafeterias, etc. In the transportation area it has 15 flight kitchens in Canada and one foreign in Milwaukee, Wisc., and a total of 82 transportation-related facilities in terminals, both airport and train, all across Canada. These are located in Saint John-New Brunswick, Halifax, Moncton, Sydney, Mirabelle, Toronto-Terminal 1, Toronto-Terminal 2, Winnipeg, Saskatoon, Regina, Calgary, Edmonton, Vancouver, Montreal Central Station and Toronto Union Station. This brings Cara to a total of 155 units. In addition a wholly-owned subsidiary, Foodcorp Ltd., Toronto, operates 80 Harvey's and 15 Swiss Chalets in Ontario, Quebec, New Brunswick and Nova Scotia. The Swiss Chalets are in Fast Food Chicken; the Harvey's are in Fast Food Burgers. Also, Cara has another wholly-owned subsidiary, Winco Steak 'n Burger Restaurants Ltd., Toronto, operating in Eastern Canada with 25 Steak 'n Burgers, 9 Rib-o-Beefs, 8 Mug & Burgers and 8 Snack Bars in Fast Food N.E.P. for a total of 50. The grand total for all Cara units is therefore 300. It has acquired a 50% interest in the 5 Keg 'N Cleaver stores in Ontario. Consolidated sales reported for Foodcorp and Cara in a recent trade magazine aggregate to \$149.25 million in 1977.
- 2 Scott's Restaurants Co., Weston, Ontario, established 1929, operates 267 units, comprised of 210 Fast Food Chicken (KFC) in Ontario and Quebec, 4 family restaurants in Ontario, 25 industrial cafeterias and vending operations in Ontario, 6 highway restaurants in Ontario, and the balance unspecified. Sales were reported in 1977 in a trade magazine at \$90 million. Of the chicken restaurants, 110 are in Ontario and 100 in Quebec for a total of 210. There are also several chicken stores in Florida.
- 3 VS Services Ltd., Toronto, Ontario, established 1954, a wholly-owned subsidiary of ARA Services Ltd., Philadelphia, Penn. This firm operates in almost every sector for a total of 475 units. As well as every type of restaurant category, it is in the educational, Health Care field, amusement and recreation, seasonal children's camps and also operates a hotel. Locations are spread all across Canada. Sales in 1977 were reported at \$93 million domestic by a trade magazine.
- 4 Food Service Ltd., Montreal, Quebec, established 1912, a wholly-owned subsidiary of Burns Ltd., of Calgary, Alberta. This firm operates a grand total of 165 units across Canada. It operates restaurants under the name Murray's in Ontario and Quebec and remote feeding under the name Crawley & McCracken in West and Central Canada, Bona Vista Food Services Ltd., in Newfoundland, Anjou Food Services Ltd. in Quebec, and also International Catering Services Ltd. It is fairly significant in

in-plant feeding but is by far the largest operator in remote feeding in Canada. Sales for 1977 were reported at \$85 million.

- 5 General Foods Ltd., Toronto, Ontario, established in foodservice in 1968, a wholly-owned subsidiary of General Foods Inc. of White Plains, N.Y. This company is a large food processor in its own right in Canada, yet it operates 65 Kentucky Fried Chicken Stores and 21 coffee shops under the name White Spot in British Columbia. In Ontario, it operates 14 dinner houses under the name Crock & Block, 8 highway coffee shops under the name "1867", and in addition has 45 industrial cafeterias. The transportation coffee shops and cafeterias are managed by a subsidiary: Cantebury-Grenadier, Toronto. These amount to a grand total of 153 units. Foodservice sales in 1977 were reported at \$83 million in a recent trade magazine.
- 6 Beaver Foods Ltd., London, Ontario, established approximately 1957, is now a subsidiary of Signet Food Systems Ltd., Toronto, which also owns Cal-Van Canus Catering Ltd., Vancouver, British Columbia (see Remote Feeding). Beaver operates in all provinces with a total of 376 units, which when the 50 Cal-Van Canus units are added, amounts to 426. Sales for Beaver and Cal-Van Canus combined have been reported at \$75.5 million. The parent company, Signet Systems Ltd., also operates a distribution business to the foodservice industry. Beaver has 325 school units, 36 hospitals, 15 industrial cafeterias and operates 5 major dinner houses in the Toronto area.
- 7 Canteen of Canada Ltd., Rexdale, Ontario, established 1953 and operates 532 units including a captive hotel for railway personnel. It is mainly in industrial cafeterias and vending but also is active in hospitals, education and amusement and recreation. It operates in Ontario and Quebec only. Sales in 1977 were reported at \$35.3 million.
- 8 Controlled Foods International Ltd., Burnaby, British Columbia, operates a total of 94 units comprised of 44 A & W franchisees of which there are 13 in British Columbia, 12 in Alberta, 18 in Ontario and 2 in Quebec; a total of 12 Snack Bars: 1 in Alberta, 11 in Ontario; 24 Coffee Shops under the name Fullers, comprised of 1 in British Columbia, 9 in Alberta, 2 in Saskatchewan, 1 in Manitoba, 10 in Ontario and 1 in Quebec; 13 dinner houses under the name Corkscrew, 1 in British Columbia, 6 in Alberta and 6 in Ontario. Sales in 1977 were reported at \$35.5 million.
- 9 Saga Canadian Management Service, Ltd., Oakville, Ontario, a subsidiary of Saga Corporation, Menlo Park, California, operates 1 steak house in British Columbia, 4 industrial cafeterias in Ontario, 4 hospitals of which 1 is in Ontario, 2 in New Brunswick and 1 in Nova Scotia and a total of 35 educational units comprised of 1 in Saskatchewan, 2 in Manitoba, 10 in Ontario, 6 in Quebec, 2 in New Brunswick and 4 in Nova Scotia. Sales in 1977 were reported at \$26 million.
- 10 Champs Food Systems Ltd., Winnipeg, Manitoba, established 1958,

operates 25 Kentucky Fried Chicken Stores of which 20 are in Manitoba and the other 5 are in North Dakota and Minnesota; 10 dinner houses: 2 in Alberta, 7 in Manitoba, 1 in Ontario, and 6 fast food burger stores under the name Grubees: 1 in Saskatchewan and 5 in Manitoba. Sales in 1977 were reported at \$19.7 million domestic.

- 11 Intercity Food Services Ltd., Montreal, Quebec, established 1960, a wholly-owned subsidiary of Steinbergs Ltd. operating a total of 164 units in Ontario and Quebec, comprised of 158 Fast Food N.E.P. (mostly Snack Bars), 6 public cafeterias and 1 dinner house. Sales have not been reported for this company, a division of publicly-held Steinbergs Ltd.
- 12 Parnell Foods Ltd., London, Ontario, a wholly-owned subsidiary of Labatts Ltd., established 1955, operates 282 units principally in Ontario comprised of 224 industrial cafeterias and vending installations, 11 hospitals, 40 schools, 3 Fast Food N.E.P., 1 Racetrack in the recreational field and 3 Provincial Correctional Institutions in the penal feeding field. Sales in 1977 were reported at \$23.3 million.
- 13 Domco Foodservices Ltd., Toronto, Ontario, established 1945, has a total of 106 units comprised of 5 highway coffee shops in the transportation field in Ontario, 90 remote feeding installations across Canada and 5 industrial cafeterias in Canada and 6 in the U.S. Sales in 1977 were reported at \$14.9 million.
- 14 Skyline Hotels Ltd., Rexdale, Ontario, established in 1961. This firm operates 4 hotel properties which comprise a total of 27 food and beverage units, plus 3 public cafeterias, 1 dinner house and 1 bar. The hotels are located in Toronto, Ottawa, Brockville and Montreal. The dinner house is the Old Mill in Toronto. Sales in 1977 were estimated by a trade magazine at \$16.5 million.
- 15 Orangerooft Canada Ltd., Rexdale, Ontario, the Canadian franchisee of Howard Johnsons, Braintree, Mass. It was established in 1970 and operates 7 hotel properties, several of which are franchised, and has coffee shops in hotel properties and free standing. There are a total of 18 food and beverage units in the hotels and 13 in coffee shops for a grand total of 31 units. Sales in 1977 were reported at \$13 million.
- 16 Canada Catering Co. Ltd, Toronto, Ontario, established in 1944, operates 87 units in Canada, in Ontario, Quebec, New Brunswick, Nova Scotia, North West Territories, comprised of 50 industrial cafeterias, the galleys on 15 lake ships in the Great Lakes, 6 hospitals and related institutions, 4 in the educational field, 4 Army Cadet Camps for the Department of National Defence in the summertime, 3 religious institutions in Ontario, and a total of 4 remote feeding operations: 1 in Ontario, 1 in Quebec, 2 in North West Territories. Sales were reported in 1977 at \$16.5 million.

- 17 Maisonneuve Food Service Ltd., St. Laurent, Quebec, with a total of 48 units, operating in the dinner house business with the Stagecoach and Curly Joe's in Montreal, plus coffee shops and industrial cafeterias in Quebec and Ontario. Sales in 1977 were reported at \$13 million. It was established in 1964.
- 18 Allarco Develoments Ltd., Edmonton, Alberta, established in 1954. The restaurant division is a subsidiary of a land development firm. It operates 1 steak house, 7 dinner houses and 1 hotel in B.C., Alberta and Manitoba. Sales in 1977 were reported at \$11.7 million.

The follloing other multi-activity firms were listed but not interviewed as they had identified sales of less than \$10 million.

- 1 J.A. Hubert Ltee., Montreal, Quebec, with 52 locations in Quebec operating in-plant feeding, industrial cafeterias, vending and remote feeding. Sales in 1977 were reported at \$8 million.
- 2 Kebec Restaurants & Management Inc., Dorval, Quebec, operating 19 units in Quebec Province in the major dinner house, restaurant and fast food categories with sales of \$6.8 million.
- 3 Ali-Baba Steak House Ltd., Waterloo, Ontario, operating 9 units in Ontario most of which are in the steak house trade. It also operates a motel and a small frozen food plant. Sales in 1977 were reported at \$6.5 million in food and beverage.
- 4 Dalmar Foods Ltd., Toronto, Ontario, with 20 units reported. Active in bar-taverns, vending, industrial cafeterias, club and banquet feeding. Sales were reported in 1977 at \$6 million.
- 5 Chatelaine Restaurants Ltd., Montreal, Quebec, operating in Ontario and Quebec with 15 units. Active in bars, dinner houses, fast food, industrial cafeterias. Operates highway coffee shops for B.P. Canada Ltd. and acquired Swanson's of Canada, an ice cream chain with 3 units open. Sales in 1977 were reported at \$5.2 million.
- 6 Capital Food Service Ltd., Ottawa, Ontario, with 14 units in fast food, vending and industrial cafeterias. 1977 sales were reported at \$4.6 million.
- 7 Jack Rice Caterers Ltd., Aylmer, Ontario, with a total of 50 units in Ontario, active in dinner houses, bar-taverns, fast food, in-plant feeding and the health care and educational field. Sales in 1977 were reported at \$4 million.
- 8 Bob's Drive Ins, Calgary, Alberta, with 10 units, a franchisor of a fast food concept, also in the commercial restaurant area. Sales in 1977 reported at \$3.4 million.
- 9 Germer Holdings Inc., Montreal, Quebec, comprised of 3 units in the

dinner house, fast food and bar field, with total sales reported in 1977 at \$2.7 million.

18. Amusement and Recreation

18.1. Definition

This segment is defined as food and beverage service related to amusement parks and other public attractions usually found in urban areas or in conjunction with tourist-oriented amusement activities. Included in the amusement and recreation section are: all sporting activities, particularly foodservice in stadiums used for football, baseball and hockey; food and beverage service in cinemas including drive-ins; food and beverage service in cultural facilities such as museums, science centres and theme attractions.

Among the type of outlets serviced by contract firms, typical examples are the food and beverage facilities at the Canadian National Exhibition, the African Lion Safari, Upper Canada Village, the Ontario Science Centre and the Royal Ontario Museum.

There were only three firms reporting and they are all included in the Commercial Food Management section. The mandate of this study did not facilitate interviews with small operators.

No information is available on number of units, transactions, employees, cheque averages, variable costs and items purchased.

18.2. Major Firms in this Segment

- 1 Canteen of Canada Limited, Rexdale, Ontario. See Commercial Food Management Firms.
- 2 VS Services Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 3 Parnell Food Ltd., London, Ontario. See Commercial Food Management Firms.

19. Private Clubs

19.1. Definition

This segment is defined as social and recreational clubs of a limited membership basis not open to the public, and is comprised of downtown social clubs, golf clubs, yacht clubs, curling clubs and other related sports including private ski clubs. Due to the mandate of this study to interview firms of \$10 million sales and up, no individual private clubs were contacted. However, it is estimated that private clubs had a total of \$43 million in food sales in 1977 and \$30 million in alcoholic beverages sales, for a total of \$73 million. Some of the private clubs use Commercial Food Management Firms, the majority do not, but run their own kitchen and liquor facilities, under the supervision of a Club Manager.

No information was available on cheque averages, food, alcoholic beverage and labour costs.

19.2. Buying/Distribution Systems

The buying/distribution systems used are not dissimilar to individual single unit commercial restaurants, in that the buying is done individually, using a variety of local suppliers.

19.3. Major Firms in this Segment

No major firms interviewed.

20. Remote Feeding

20.1. Definition

The remote feeding sector includes all construction, mining, woodland and petroleum related camp feeding usually associated with isolated areas. There are various remote feeding activities in all provinces and territories of Canada, except Prince Edward Island.

20.2. Scope of Operations

Of the 5 firms interviewed they in aggregate represent 380 units for 4 of the 5 who reported, with a combined volume in 1977 of \$125.5 million.

Total meals/transactions in 1977 amounted to 30.8 million. Full and part-time employees totalled to 3,250 Canadians.

The average hourly wage for service personnel was \$6.30. The reason the labour rate is so high is due to the fact that the foodservice personnel used by the contract caterer, in almost all instances, must join the principal union on the job at the remote camp.

20.3. Operating Statistics

For this segment, the cheque average was \$4.07. The remote feeding industry operates on a man day basis with a range of \$10-\$12 in Eastern Canada with large camps, up to a high of \$16-\$18 per day in Western Canada and the High Arctic, at smaller camps of 25 to 40 men. The man day price includes a factor for housekeeping services also provided by the caterer. This latter amount was deducted from each calculation to arrive at an approximate man day food cost which was then divided in 3 to get the equivalent cost per meal. No allowance was made for snacks. Cheque averages ranged from a low of \$3.33 to a high of \$5.50.

Variable costs were on average 37% for food and 42% for labour for a combined total of 79%. Food cost ranged from a low of 33% to a high of 40%, labour ranged from a low of 33% to a high of 55%. The combined food and labour ranged from a low of 66% to a high of 94%.

20.4. Major Food Items Purchased

Details of these items were not available, due to the broad spectrum menu characteristics of this type of foodservice.

20.5. Buying/Distribution Systems

The systems used in this segment are unique and show the difficulty in consistently supplying products to remote areas, particularly the High Arctic regions. One remote feeder operates its own depots in Alberta and British Columbia and maintains a beef fabricating plant in Edmonton. Using the depots of Fort Nelson, British Columbia and Fort St. John, British Columbia as gateways, supplies are trucked to remote camps in company vehicles. Supplies to the North West Territories are flown in by contractor's aircraft from Alberta from both Peace River and Edmonton. Most grocery items come from wholesalers and are shipped to the nearest company-run depot. Another remote feeder runs a meat fabricating plant with three refrigerated trucks, and a wholesaling operation that supplies 200 independent restaurants in Alberta. This particular remote feeder uses a combination of contractors' vehicles and common carriers by either truck or plane to reach his camps.

Another remote feeder who buys meat items from Swifts, Burns or Canada Packers and frozen foods or dry groceries from Kelly Douglas or Scott National uses the rather unusual procedure of having the supplier with the largest load pick up all other merchandise for which he is reimbursed with a fee for this cartage. In some instances Swifts will pick up the seafood, vegetables, produce, dairy and dry groceries from Scott National and deliver it directly to the camp while in other cases Scott National will pick up the meat products from Swifts or Burns and deliver the whole load. This particular feeder has only one truck arriving at each camp.

20.6. Perceived Current Problems and Opportunities

The major problems faced by remote feeders are universal and are as follows:

1. Shortage of Labour; U.I.C. Extreme shortage of unskilled labour willing to work is common to all those interviewed. All respondents indicated that it is difficult to motivate good people to stay in the camps to work and even though the wage rates are high compared to other foodservice jobs, because of the union contracts under which foodservice people are governed, it is the opinion of all the remote operators interviewed that the current U.I.C. program is a total disincentive to encourage people to work. The specific U.I.C. abuse that was reported is that some foodservice camp workers request that holiday pay, which by law the employer is required to deduct from the payroll and withhold, be paid on a pro rata basis each week so that when the employee quits or leaves he does not have to declare this as income. Apparently U.I.C. has been notified of this on a local basis. Some employees also request that they be paid interest on the money if it is withheld.

- 2 Lack of Skilled People. Another complaint is that there are not enough skilled new people coming into the foodservice business and willing to work in remote camps. The local colleges are not providing a sufficient quality or quantity of graduates and the European market is almost all dried up for chefs, sous chefs, etc. due to the new immigration restrictions.
- 3 Food Costs. Food costs impact severely on prices. As most drilling contracts are annual, food price increases occurring during the year cannot be passed on.

20.7. Prospects for Future Growth

The prospects for future growth are encouraging. Most operators felt that there was good opportunity for expansion in North America, and several expect to participate in the remote feeding activity related to the Alaska-Yukon Pipeline. It is also reported that there is good opportunity for camp feeding by skilled Canadian firms in Saudia Arabia, Central Africa, Iran, Argentina, Venezuela, Mexico and Brazil.

While it is difficult for contractors and remote feeders to clearly identify how many units they expect to establish in the new year due to the nature of the business which is on a bid basis, it is expected that there will be 220 new units in the industry in the next five years, representing 2,000 new jobs. The majority of these will be in Northern Ontario, the North West Territories, Yukon and Western Canada. It is interesting to note that if new employment occurs as is expected, it will represent a 51% increase in the total employees in remote feeding which would indicate that this sector is in for rapid expansion.

20.8. Perceived Future Trends

New techniques anticipated in this segment are not applicable to remote feeders who have a captive audience and merely provide housekeeping and foodservice facilities.

20.9. Firms in this Segment

- 1 Food Services Ltd., Montreal, Quebec, a wholly-owned subsidiary of Burns Foods Ltd., Calgary, operating as Crawley & McCracken in British Columbia, Saskatchewan, Manitoba, Ontario and Quebec; Bona Vista Food Services in Newfoundland; Anjou Food Services Ltd., Quebec and International Catering Services. See Commercial Food Management Firms.
- 2 Domco Food Services Ltd., Toronto, Ontario, see Commercial Food Management Firms.
- 3 Crown Caterers (Div. Bralorne Resources Ltd.), Edmonton, Alberta. This firm was founded in 1965, has 100 units. It was estimated in a recent trade magazine that its 1977 sales were \$11 million.
- 4 Cal-Van Canus Catering Services Ltd., Vancouver, British Columbia, is a wholly-owned subsidiary of Signet Systems Ltd., of Toronto, Ontario,

and is also affiliated with Beaver Foods Ltd., London, Ontario. See Commercial Food Management Firms. This firm was established in 1950, and operates in British Columbia, Alberta, Saskatchewan, Manitoba and North West Territories. It has 40 units and was reported in a recent trade magazine that 1977 sales were \$13.5 million.

- 5 Fortier & Associates, Edmonton, Alberta. This firm was established in 1949 and operates a total of 150 units: 60 in Alberta, 50 in British Columbia, 25 in the North West Territories with the balance in Alaska and the Northwest U.S.A. It has formed a joint venture named Unifor Catering & Support Services, Edmonton, Alberta and Seattle, Washington, with Universal Services, Inc., Seattle, Washington, to handle international and no doubt Alaska-Yukon pipeline related contracts. No published information has ever been released on this company's sales volume as it is privately held.

21. Tourist Resorts, Hunting
and Fishing Lodges

21.1. Definition

The tourist resort and sport lodge segment also includes seasonal summer camps and is distinct from the amusement and recreational sector which generally includes stadiums and amusement parks. Under the mandate of the study to contact foodservice operators with sales of \$10 million up, no individual operators were contacted in this section. There is some contract management. No information was available on meals served, cheque averages, food and labour costs, foods used, etc.

21.2. Major Firms in this Segment

- 1 V.S. Services Limited, Toronto, Ontario. See Commercial Food Management Firms.

THE NON-COMMERCIAL SECTOR



1. Health Care - Hospitals and Related Institutions

1.1. Definition

The health care segment is defined as foodservice functions in hospitals, nursing homes, homes for the aged, mental and other institutions related to the care of the ill, infirm or unstable. Under the terms of this study individual hospitals were not contacted as they did not qualify as their volume was less than the required \$10 million. Significant portions of the health care market are contracted to Commercial Food Management Firms. There are also buying groups for groups of hospitals which operate their own foodservices, in some of the major cities.

1.2. Scope of Operations

There were six firms contacted, all of which are Commercial Food Management Firms. Five of these six reported units which in aggregate represent 359 hospitals. The combined volume of all 6 in 1977 was the equivalent of \$55.8 million in retail sales.

Total meals/transactions in 1977 amounted to 42.5 million. Full and part-time employees among 5 of the 6 who reported totalled to 2,250 Canadians. The wage of service personnel ranged between \$4.25 and \$5.00 per hour for the two firms reporting.

1.3. Operating Statistics

For this segment, the cheque average was \$1.01, from a low of 75¢ to a high of \$1.50.

Variable costs were on average: food 44% and labour 36% for a combined total of 80%.

Comments on variable costs are as follows: food cost varied from a low of 40% to a high of 49%, labour varied from a low of 31% to a high of 35% and combined food and labour ranged from a low of 75% to a high of 85%.

1.4. Major Food Items Purchased

These were not reported individually, but are referred to in Commercial Food Management Firms.

Comments including buying/distribution systems, major problems, and prospects for growth are included in Commercial Food Management Firms.

1.5. Major Firms in this Segment

- 1 V.S. Services Ltd., Toronto, Ontario. See Commercial Food Management Firms.
- 2 Beaver Food Limited, London, Ontario. See Commercial Food Management Firms.

- 3 Canteen of Canada Ltd., Rexdale, Ontario. See Commercial Food Management Firms.
- 4 Saga Canadian Management Services, Oakville, Ontario. See Commercial Food Management Firms.
- 5 Canada Catering Co., Toronto, Ontario. See Commercial Food Management Firms.
- 6 Parnell Food Ltd., London, Ontario. See Commercial Food Management Firms.

2. Education - Schools, Universities and Colleges

2.1. Definition

The education segment is defined as foodservice functions in institutions of learning where meals and/or beverages are served to the students and staff as a service, while they are on the educational premises. This includes high schools, colleges and universities. Under the terms of the mandate of this study, no individual schools or colleges were contacted. However, a significant portion of this market is contracted to Commercial Food Management Firms .

2.2. Scope of Operations

All the 5 firms interviewed, are in Commercial Food Management. 3 of the 5 firms who reported represented a total of 390 units, with a combined volume in 1977 of \$96.6 million with all 5 reporting. Total meals/transactions in 1977 amounted to 84.9 million while full and part-time employees involved 4,595 Canadians. The average hourly wage of service personnel was \$4.08, from a low of \$3.00 to a high of \$5.00

2.3. Operating Statistics

For this segment the cheque average was \$1.14 ranging from a low of 75¢ to a high of \$1.50, with the median at \$1.00. Variable food costs were on average: food 45%, labour 37%, total food and labour 82%.

Food costs ranged from a low of 40% to a high of 51.3%; labour ranged from a low of 22% to a high of 45% and combined food and labour ranged from a low of 71% to a high of 95.3%.

2.4. Major Food Items Purchased

Those used in this segment are also found in Commercial Food Management Firms, as are as the major problems faced by the industry.

2.5. Prospects for Future Growth

The future prospects for growth are obviously tied to the expansion of

the education infrastructure. The decline in the birthrate has had a braking effect on new school construction and the commercial operators in this segment are now concentrating their attention on a market of fixed size, going after those educational jurisdictions which still do their own foodservice instead of contracting. In addition, the major players in the business are extremely competitive. Each job is on a bid basis and the efficient operator runs his business very scientifically, both in buying properly and using proper systems and controls in the preparation of food.

2.6. Perceived Future Trends

New techniques anticipated in this segment were not available for the education field per se.

2.7. Major Firms in this Segment

- 1 Beaver Foods Ltd., London, Ontario. See Commercial Food Management Firms.
- 2 Saga Canadian Management Services Ltd., Oakville, Ontario. See Commercial Food Management Firms.
- 3 V.S. Services, Toronto, Ontario. See Commercial Food Management Firms.
- 4 Canteen of Canada Ltd., Rexdale, Ontario. See Commercial Food Management Firms.
- 5 Parnell Foods Ltd., London, Ontario. See Commercial Food Management Firms.
- 6 Canada Catering Co. Ltd., Toronto, Ontario. See Commercial Food Management Firms.

3. Religious Institutions

3.1. Definition

The religious institutions category is small and is defined as those religious institutions that are not included in the Health Care and related institutions category or those included in the Education sector. Included are convents, seminaries for priests and other religious orders that are purely religious in nature. The mandate of the study did not include interviewing these institutions per se, although it was indicated from some of the Commercial Food Management Firms that some of the foodservice is contracted.

3.2. Scope of Operations

The commercial firms interviewed in aggregate represented only three units with combined sales in 1977 of \$450,000 in equivalent retail foodservice sales. Total number of meals/transactions in 1977 amounted to 450,000 while the figure for full and part-time employees was not available, nor was the average wage of service personnel.

3.3. Operating Statistics

For this segment the cheque average was \$1.00. The variable food costs were 42% and labour 47% for a combined total of 89%.

3.4. Major Food Items Purchased

The major food items used were for broad spectrum menus and details were not available.

Interview questions of buying/distribution systems, problems and opportunities of the industry, prospects for the future, etc. were not applicable with the respondents interviewed, as they applied to this segment.

3.5. Major Firms in this Segment

Due to the nature of the small sample, the specific Foodservice Management Firms undertaking contract feeding to religious institutions cannot be reported on the basis of confidentiality of information supplied.

4. Military Foodservice

4.1. Definition

The military foodservice segment is defined as the feeding of enlisted personnel and officers by the Department of National Defence. It also includes the feeding of cadets at Summer Cadet Camps, some of which is contracted out to Commercial Food Management Firms.

4.2. Scope of Operations

The Department of National Defence in Ottawa maintains 200 standing kitchens at Canadian Forces bases in Canada as well as 50 galleys in warships. There are 5 fixed based units in Germany for the NATO forces which serve 5,000 men with 14 field kitchens. There are also peace keeping operations in Cyprus and the Middle East. For purposes of this study the comments are restricted to operations in Canada.

4.3. Operating Statistics

While the military express its food allotment in rations per man day, when equated to equivalent retail prices including labour, the equivalent retail volume in 1977 is \$100 million in foodservice sales.

Total meals/transactions in 1977, amounted to 38.5 million, employing 1,800 military and 4,200 civilians, full and part-time, for a total employment of 6,000 Canadians. The average wage of service personnel was not available.

The cheque average was \$2.50.

Variable costs for food were 50%, labour 50%, for a food and labour total of 100%. It is obvious that as the military is not in the commercial sector, it is not organized on a profit making basis and therefore all calculations are based on actual costs.

4.4. Major Food Items Purchased

These were not available, but represent a broad spectrum of menu items.

4.5. Buying/Distribution Systems

Those used in military feeding are quite different from those used in the commercial sector. The D.N.D. maintains supply depots in Nanaimo, British Columbia; Edmonton, Alberta; Winnipeg, Manitoba; Montreal, Quebec; Moncton, New Brunswick and Halifax, Nova Scotia. Items are locally or regionally procured and shipped to these supply depots by the successful food processing bidder, either in its own trucks or by common carrier. Food is then trucked or flown from the D.N.D. supply depots to the Canadian Forces bases that are supplied from each of the regional supply depots. Large military establishments such as Canadian Forces Base Borden, Ontario operate as equivalent supply depots taking in shipments directly. Many major dry grocery categories are procured on a national bid basis.

The standard questions of major problems, prospects of future growth and new techniques to encourage more people eating out do not apply.

4.6. Major Firms in this Sector

The major organization in the segment is, of course, the Department of National Defence, Ottawa, Ontario.

5. Penal Institutions

5.1. Definition

The penal segment is defined as the feeding of inmates, guards and staff. In the Federal system a substantial percentage of the staff is entitled to one free meal per day as part of its contract. With the Provinces, the estimate for inmates included the equivalent of three meals per day, while staff feeding is different as a much smaller percentage of the staff are entitled to a free meal on the premises.

On advice from the Federal and Provincial authorities, no attempt was made by the consultants to estimate municipal foodservice feeding of inmates.

It was reported by some of the Commercial Food Management Firms that some municipal feeding in county jails, etc., is contracted out to the commercial sector.

5.2. Scope of Operations

There are 54 federal penal institutions in Canada plus 50 provincial

correctional centres in Ontario. This study did not include the interviewing of provincial correctional authorities in all the other provinces. Yet estimates have been made for the number of inmates, based on consultations with Federal and Ontario authorities.

In January, 1978, on the day of the interview, there were 9,400 Federal inmates who were served three meals a day, 365 days a year for a total of 9.9 million meals. There were also 3,500 staff and correctional officers who were served one meal a day, 365 days a year for a total of 1.3 million for a combined Federal total of 11.6 million meals.

In Ontario there are approximately 6,000 prisoners, 6,000 are estimated in Quebec, 3,000 estimated in British Columbia for a total of 15,000 with slightly less than 5,000 estimated in the other provinces for a combined total of almost 20,000. Ontario reported that there were 6.4 million staff and inmate meals served in 1977, for the approximately 6,000 inmates. Projecting this nationally, the consultants arrived at a figure of 19.4 million total provincial meals, including staff and inmates, which when combined with the 11.6 million federal figure amounts to 31.0 million meals.

The cheque average is \$1.28, which is identical in both the Federal and Ontario systems, including labour. On that basis, 31 million estimated meals at \$1.28 amounts to a retail equivalent of \$39 million in estimated foodservice sales at equivalent retail prices.

In January, 1978, there were 269 civilian employees in foodservice plus 900 inmates estimated among the 54 Federal correctional institutions. The average wage at the federal level for civilian service employees was \$6.65 an hour and up. Provincial details were not available.

5.3. Operating Statistics

Variable costs were on average: food 50%, labour 35% for a total food and labour cost of 85%.

Both federal and provincial systems operate on a ration allowance per prisoner, which is based on a variable weight basis depending on the type of activity for the different categories of inmates.

5.4. Major Food Items Purchased

Major food items purchased in this segment were not available in specifics. Federally, the major item is beef carcasses, which are obtained from farms run by prison authorities and staffed by inmates. Beef carcasses are obtained either from their own farms or from regional or local suppliers and broken up into beef cuts and ground meat on the premises. Most other foods are obtained from local suppliers on an individual ordering basis. There is some contracting and bidding. Provincial purchasing details were not available.

The standard interview questions of the problems facing the industry, future growth, etc. were not applicable in this Government sector.

5.5. Major Firms in this Sector

The major organization in this segment is:

- 1 Canadian Penetentiary Service, Ottawa, Ontario, which operates 54 penal institutions nationally excepting Prince Edward Island, Newfoundland, Yukon and the North West Territories. It is a division within the Solicitor General's Department.

SUMMARY AND CONCLUSIONS



1. Buying and Distribution Systems

There are a great number of buying practices and distribution systems in the foodservice industry in Canada. It is a complex, multi-faceted industry that does not have any direct counterpart at the retail grocery level. In the latter the chains, large or small, basically buy direct from food processors, ship in their own trucks to their retail stores and the consumer comes in to purchase groceries for cooking at home. Thus retail is uni-faceted. The fact there is no common thread in foodservice is due to the wide differences in concentration or dispersal of units geographically, the limited nature or on the other hand the very broad nature of the menu system and a host of other factors.

It can be said that the limited menu people have an easier job in using central commissaries and/or concentrating deliveries among a few vendors, and this is enhanced when units are concentrated in urban areas such as in the Lower British Columbia Mainland, Southern Ontario, Montreal and area, etc. Some individual firms have made considerable strides in going to the limited vendor concept where as much as possible is put on one truck even if it has to be picked up and marshaled. The classic example of this is remote feeding.

In short, each menu, each grouping of stores, dictates the buying/distribution system. There are some commonalities, but this industry is characterized by a multiplicity of systems to obtain food at the store-door.

2. Perceived Current Problems

The following is an attempt to summarize the most prevalent concerns expressed by the broadest segments of the industry. These are not necessarily in rank order.

2.1. Unemployment Insurance Compensation

Almost universally, operators in each segment reported that the current program, as constituted, is a disincentive for Canadians to work at the minimum wage. As reported in the respective sub-sections, there are unfortunately many menial jobs at foodservice such as dishwashers, bus boys, kitchen help. The economics of the industry are such that these jobs cannot command much over the minimum wage without sharply increasing labour costs, which would then be passed on to the consumer. Most operators felt concern and deep-seated frustration that while unemployment has reached epic proportions in Canada, thousands of jobs are going unfilled because native-born Canadians are really not prepared to work at the menial level in the foodservice industry. This leads into the next subject, immigration.

2.2. Immigration

Many operators express concerns that current immigration restrictions were preventing an adequate inflow of motivated workers. One large multi-activity firm complained most bitterly that the normal supply of skilled German chefs and pastry chefs had dried up because of current immigration restrictions. Another operator indicated that 75% of the employees in his restaurants were Greek-born. He stated they work harder than Canadians, have a much higher productivity and are quite accustomed to working the night shift, alone and unsupervised. He felt that without this supply of Greek-born immigrants, he would have to close down his operations. Others felt that East Indians, Chinese and Portuguese were the backbone of many restaurant operations. Of the Canadian-born, only Newfoundlanders were singled out as having the will to work in this industry at minimum wage jobs.

2.3. Shortage of Trained Labour

One of the greatest ironies perceived by operators in this study is that there is, and will continue to be, a great shortage of trained people in this industry. It is felt that the Federal Government should show some initiative to the provinces so that national standards can be laid down and that the provinces can be encouraged at the technical school level to train waitresses, cashiers, dishwashers and all the other categories of help including managers. Courses need not be of long duration. The example most often given is that a secretary joins an office firm without a knowledge of the company, but at least with a basic knowledge of typing and clerical skills. Not so with unskilled help who are hired by the foodservice industry. It was the perception of most of those interviewed that the local Federal Employment Offices were unable to adequately assist foodservice operators in obtaining either sufficiently trained people or sufficiently motivated people.

The J.E.T. Program of the Department of Employment was perceived by many operators as not being beneficial. While it has been observed that many of the smaller restaurant operators feel the J.E.T. Program is beneficial, the large chains, especially those surveyed in this study, felt that their principal concern was to reduce labour not to increase it. They did not feel that they were able to incur large training costs over the long term as this was really the jurisdiction of the various levels of government.

2.4. The Anti-Inflation Board

There were some instances where operators reported that the A.I.B. had helped keep down wages and prices. However, the majority felt the A.I.B. used an unfortunately low base year as the basis for determining profits and prices in 1976 and 1977. Consequently, expansion through normal cash flow was sharply reduced. Many operators laid the blame for restricted growth and fewer new jobs squarely on the door of the A.I.B. Obviously a trade-off occurred with controls against expanded growth and employment in the foodservice industry.

2.5. Oceanic Beef

As reported in Fast Food Burgers and Steak Houses the quota restrictions on oceanic beef are viewed with considerable alarm. This view was also shared by operators in coffee shops, family restaurants, department stores, mass merchandising, industrial cafeterias, transportation, commercial food management firms, amusement and recreational facilities and health care and education. In fact, in all segments where beef, particularly ground beef, is a large menu item, concern was rampant. As explained in the section on Fast Food Burgers every 5¢ a pound increase in the cost of ground beef impacts back on the consumer at 20¢ a pound. Even those who use Canadian beef feel quite strongly that the restrictions on oceanic imports will cause more bidders to bid-up the limited Canadian supply.

2.6. Cost Increases

There are a number of factors that impact on menu prices. Wages are certainly a factor and great concern was expressed over the rise in provincial minimum wages and the absence of a tip credit, except in Quebec. It was universally felt that a 50% tip credit for tippable personnel should be urged on the provinces in an effort to restrain wage-cost pass along.

The 10% provincial sales tax on meals in many jurisdictions, is a sheer revenue tax which impacts on the consumer. It was frequently questioned whether this was still a valid practice now that the consumer is spending over a third of the food dollar away from home.

With alcoholic beverages, the lack of a wholesale price impacts on what the consumer pays for alcoholic beverages at foodservice. Some provinces even have a surcharge. It must be remembered that if the establishment is operating on a 35% beverage cost, it adds 65% on every pass-along cost component.

The provincial sales taxes on cooking equipment and furniture was considered an additional burden on the operator that were eventually passed on to the consumer in higher menu prices.

2.7. Free Access of Foodstuffs

Many operators commented on the need in their businesses to have free access to any foodstuffs in the world so as to offer meals to their customers at the lowest possible prices. Another aspect of this belief, is the feeling that each operator has the right to determine the particular unique foods including raw foodstuffs and finished menu items that will make his establishment unique from all the others down the street. This is often described in the trade as the "signature". Wendy's Restaurants specify that they must use fresh Canadian beef, never frozen. Another restaurant operator of a dinner house, as indicated in that section, specifies Bibb Limestone lettuce from Terre Haute, Indiana, as an integral part of his "image", thus making his salads unique.

A restaurant is unlike a retail food store. With the latter, the retailer offers a wide variety of ingredients so that consumers can return to their kitchens and prepare an extremely wide spectrum of menu items for their families. A restaurant however, has a very limited menu. In fact, in any given day it is only capable of offering at maximum of 150 to 200 items and quite frequently somewhere between 10 and 30 items particularly among those with restricted menus. It is felt that the uniqueness is obtained through consistency of supply of the specified ingredients. Kentucky Fried Chicken specify that fresh chickens must be used. Over the years, in combination with the breeding and spices specified, its testing has indicated that the most consistent quality and desirable characteristics can only be obtained from using fresh chicken. Any interference with its ability to obtain fresh chickens in effect forces it to put on the market an inferior product for those days when fresh is not available and when it must resort to using frozen.

Not every restaurant operator shares the same convictions about any given ingredient. For example, many operators do use frozen chickens and are satisfied with the result thus produced. Yet, in interview after interview, operators were really saying two things: we must have free access to foodstuffs to keep our prices competitive and we must be able to specify in detail what we use as raw ingredients because the end menu item produced from these raw ingredients distinguishes our establishment from all others.

2.8. Marketing Boards

Specific comments concerning problems with marketing boards have been raised in these individual sections as they applied. The overview of the many comments received would be that marketing boards and the people who constitute them have yet to fully understand the seasonal needs of the foodservice industry, the quality standards that are determined by any given foodservice operator and the need for specific sizes and grades of raw foods. There are not sufficient quantities of cows slaughtered in Canada to provide the loin cuts required for Mr. Mikes and Ponderosa. Nor is there sufficient boneless cow meat to meet the enormous demand of the fast food hamburger trade plus all the other segments in which hamburger patties are an integral menu item.

Chicken operators who buy by the pound and sell by the piece, and who specify 2 1/4 to 2 1/2 pound birds, really do not want anything larger, because it drastically raises their food costs. They are prepared to pay a premium for sized birds that have been properly and efficiently cut.

It would appear that supply management boards have historically in this country been production-oriented. The overview comment from foodservice operators seems to be that these boards and the people who constitute them operate on the basis of "let's grow it or raise it and then put it on the market". But yet the "market", as embodied in the foodservice operators who participated in this study, have very specific needs and inputs that they wish to communicate to those who raise and grow foodstuffs in Canada. When supply management boards

take cognizance of the needs of foodservice operators, they will then be able to produce and raise products for which there is a large stable, year-round market, which is ever growing in importance.

Foodservice is not like the retail market where a product is sold to the public on a catch-weight basis, with much more susceptibility to the supply and demand of the marketplace. If fresh chicken is specified as the principal menu item with Kentucky Fried Chicken, KFC operators must have it, almost regardless of price. This is not so at retail where the retail chain buyer has many more options. If the price of chicken is too high, he may run a price special on pork or other proteins, including a deep cut special on fish filets. Foodservice lacks this flexibility.

Most foodservice operators realize that supply management boards are a reality in this country and that they do protect the grower from wide swings. When the personnel running these supply management boards fully understand and appreciate the stable demand yet specific needs of foodservice operators, they will make a quantum leap to becoming marketing-oriented boards that truly serve all their constituencies.

2.9. Municipal Government Interference

Impacting on food prices, particularly in the commercial sector, are the myriad of municipal regulations that vary from jurisdiction to jurisdiction and prevent Canada from having any national code in sanitation, electrical or plumbing matters, just to name a few. The myraid of provincial liquor regulations makes the retailing of alcoholic beverages a complex business at the foodservice establishment level. Perhaps there is no answer to these overlapping jurisdictions. Yet the confusion resulting from them can be directly attributed to higher costs which are passed on to the consumer.

2.10. Nutritional Labeling

While most operators indicated their understanding of and belief in the correctness of "truth in menus", which is now appearing in the U.S., and their feeling that it was inevitable and proper in Canada, those who commented on this area unanimously felt that nutritional labeling was unnecessary and inappropriate in the foodservice industry. Unlike the food processing industry, where for example Kellogg's Corn Flakes are made usually in one principal processing plant to a specific formula that does not change, the foodservice industry is comprised of a myriad of mini-processing operations (kitchens), that use a wide variety of ingredients to produce a broad spectrum of menus. The industry, of course, runs the gamut from the limited menu people to those who have long menus with 150 - 200 items. It is felt that apart from the expense involved in testing for trace ingredients, there could be no reliable guarantee that specified levels could be maintained. Further it is not felt that the consumer really understands or could meaningfully use information on the number of milligrams of riboflavin, iron, manganese etc. in a specific menu dish. Likewise, it is not felt

that he or she could use information on the ingredients themselves if they were declared, especially as they are subject to changes.

There is genuine concern that nutritional labeling is impractical and if forced on the industry would substantially increase menu prices. The cost of compliance would be awkward, quite possibly unwieldy, but nevertheless would ultimately be passed on to the dining public.

2.11. I.R.S. Ruling

Most of the interviews were conducted prior to U.S. Vice- President Mondale's recent visit to Ottawa, during which intimations were given that the American I.R.S. ruling on foreign conventions might be rescinded. It was the overwhelming view of hotel and major dinner house operators, particularly those in urban areas adjacent to large downtown or convention hotels, that this ruling had seriously affected food and beverage volume in Canada. While this is not news to government authorities, it is reported here as a genuine concern of the industry.

2.12. Uncertainty about the Economy Restrains Growth

The majority of operators are very concerned about the economy and its current sluggish performance. Money is hard to get. The Canadian dollar is at a discount to the American dollar. The political climate is Quebec is uncertain. All of these affect the business decisions to expand and have seriously reduced previously planned construction which in turn has affected jobs in the foodservice industry, the construction industry and all the related supply industries.

Specific examples have been given of how expansion programs were cancelled or curtailed, some of these caused by the A.I.B. restrictions and others by the economy in general. The hotel industry particularly has retrenched during the current economic downturn.

3. Other Perceived Problems

The following were not recorded in their specific sectors to preserve confidentiality, yet are specific examples, rather than overviews of common comments.

3.1. Dairy Marketing Boards

Several respondents indicated they were puzzled that there was no wholesale price to the foodservice trade for dairy products including butter, milk and ice cream. Further, those who used significant amounts of cheese often commented that they had to pay a premium for domestic cheese and in the perception of many, the domestic cheese did not possess the same desirable qualities as some foreign cheeses that were the preferred menu ingredient.

3.2. Frozen Milk Products Sold by Liquid Measure

Current labeling legislation requires that all dairy products, frozen or liquid, be sold in fluid measure: fluid ounces or millilitres. With frozen products, this makes it difficult to properly compare product "A" to product "B" and insure that quality is identical. Ice cream products specifically are made by taking a mixture and adding air to it. The amount of air is referred to in the trade as "the overrun". Some suppliers add 100% overrun, while others use a much lower percentage. Obviously the amount of air pumped in affects the displacement.

It is the feeling of some operators that labeling regulations should be changed so that frozen products can be sold on a weight basis, in ounces or grams, so that the consumer will be able to directly compare the weight, which cannot be done properly with liquid measure.

3.3. Non-Tariff Barriers with Imported Meat

Although it appears to be extraordinary at first sight, one example that was reported was of a foodservice operator who imported a ship load of 22,000 pounds of oceanic beef products that was turned back because the shipping cases were marked "lbs." instead of "pounds".

Another example was the importation of fabricated meat cuts from New Zealand packed five to a sleeve and not for re-sale. The Department of Agriculture has insisted that each sleeve be printed with the same ingredient information and processor address as indicated on the outside of the shipping container. This regulation raised the price of the imported food which was passed on to the consumer; although the factor of the pass-along was not available.

4. Prospects for Future Growth

In spite of the discouraging comment on many subjects, including the ability to employ Canadians and the general state of the economy among others, the expansion plans of those interviewed underscores the strength of the foodservice industry and how it is perceived as a growing force in the retailing of food in Canada. Of those interviewed, there were indications that 3,500 new units would be constructed and that a total of almost 90,000 more jobs, full and part-time, would be created in the next five years. This would indicate a 20% increase over the current employment base of the entire industry, just among the firms interviewed.

The reasons for this are undoubtedly the changing lifestyles, helped along considerably by the vast number of working wives, currently at its highest percentage in the country's history. Not only do working wives eat out, but the additional income enables the family to change its lifestyle. The age group 18-35, is perceived by foodservice operators as the key group who eat out regularly or who go to a take-out store and bring the food back to their home as frequently as once or more a week. No longer is eating out a treat. It is a basic

integral part of the way people live in Canada. It is because this trend continues to grow that the prospects for future growth in the foodservice industry are considered so promising.

5. Perceived Future Trends

There will be greater concentration of buying power and sales volume among chains. The Mom and Pop family-run restaurant is being phased out, in just the same manner that the small corner grocery store has virtually disappeared from urban areas in the retail grocery field. In a competitive market, the operator who uses proper business controls will be able to survive. Few family-run restaurant operations have a true indication of their food and labour costs. Yet almost every respondent interviewed in the course of these 93 interviews could reach for a print-out and within seconds indicate operating statistics.

The areas for growth are in fast food, including the possibility of Mexican fast food, and also in the major dinner houses that appeal to the family market, such as Keg 'N Cleaver, Crock & Block, Mother Tucker's Food Experience, Old Spaghetti Factory, etc. The white-tablecloth, or haute cuisine restaurants would appear to be catering to a market that is exhibiting a softness, due to price resistance when haute cuisine meals including food, alcoholic beverages and provincial sales taxes come out to \$50-\$75 and up for two persons. There is every possibility that Mexican dinner houses will be tested and tried out in Canada and that the current trends in casual dining exhibited by the Keg 'N Cleavers and others will be widely imitated and duplicated in every urban centre.

Decor is changing sharply to more earth tones, more warm, "home like atmosphere" and even in industrial cafeterias the stark hospital-tile image is being transformed into decor that warms the eye and which eventually warms the palate.

There will be a lot more advertising, as the chains compete for an ever-growing share of the food-away-from home dollar. National advertising is still in its infancy. Only a handful of large firms have national coverage: McDonalds, KFC, A & W, Dairy Queen, Ponderosa, CP Hotels, Holiday Inns. Few remember that McDonalds did not begin national advertising in the U.S. until 1967 and not until the early 70's in Canada.

6. Conclusions

- 1 It can be concluded that the foodservice industry is a major contributor to the feeding of the Canadian populace. Currently in 1978, it accounts for almost 40% of the consumer's weekly food expenditure and every indication is that in the next three to five years that percentage will be 50% or greater. Growth in real terms is 5 or 6% while growth in tonnage in the retail grocery trade is at zero. These facts would indicate that in determining a national food policy for Canada, serious in-depth consideration should be given to the needs of the foodservice industry to best serve its eating-out constituency.

- 2 It was not in the mandate of this study to take an in-depth look at the amount of food used. In fact, no communication was undertaken with the specialized foodservice wholesalers who service the foodservice establishments. It is felt that if governmental authorities wish to get a good fix on the amount of food consumed in foodservice and details of the specific sizes and grades required, a follow-up study should be conducted among specific types of end-users and wholesalers. It is a lot easier to contact a small number of wholesalers than to go out in the trade and contact all their customers.
- 3 End-user participation on marketing boards and consultations with officials at Agriculture Canada will give those responsible for producing food and those responsible for planning its growth, a much deeper insight into the specific needs of the foodservice operator. Frequent comments have been made in this report the sharp differences between the food store retailer and the foodservice operator and the foods used in each industry. Now that foodservice represents almost half of the consumer food dollar, dialogue with major producers, processors and Agriculture Canada officials must occur, if efficiencies are to be obtained and the ultimate needs of the producer and the consuming public are to be met both equitably and efficiently.
- 4 There is a great absence in official statistics of reliable information on this growing industry. Statistics Canada in 1977 came out with its most accurate measurement to date of some, but not all, parts of the commercial sector. It is the feeling of the consultants that the non-commercial sector is considerably understated and that those parts of the commercial sector not covered by the Statistics Canada October 1977 release 63-529, may too be understated.

There is a great need for reliable statistical data to serve the planning needs of grower, processor, distributor and foodservice operator.





APPENDIX A



APPENDIX A

TABLE 3

The Total Canadian Foodservice Market
(\$ Billions)

Category	Food	Alcohol	Total
<u>The Commercial Sector</u>			
Commercial Restaurants	3.757	.814	4.571
Department Stores	.154	-	.154
Mass Merchandising	.097	-	.097
Hotels	.589	.879	1.468
Cafeterias - Industrial	.297	-	.297
Vending	.153	-	.153
Caterers	.448	.003	.451
Transportation	.077	.030	.107
Amusement and Recreation	.171	-	.171
Private Clubs	<u>.043</u>	<u>.030</u>	<u>.073</u>
Sub-Total Commercial	5.786	1.756	7.542
<u>The Non-Commercial Sector</u>			
Health Care	.250	-	.250
Education	.154	-	.154
Military Foodservice	.086	-	.086
Penal Institutions	.024	-	.024
PLUS Adjustment for labour and other costs to convert to retail equivalent	<u>.113</u>	<u>-</u>	<u>.113</u>
Sub-Total	.627	Nil	.627
LESS Adjustment to eliminate duplication for catered services	<u>(.168)</u>	<u>Nil</u>	<u>(.168)</u>
Sub-Total Non-Commercial	<u>.459</u>	<u>Nil</u>	<u>.459</u>
GRAND TOTAL (Commercial plus Non-Commercial)	6.245	1.756	8.001

Sources: Commercial restaurants from Statistics Canada 63-529, Actual.
Others from industry projections based on Statistics Canada bases.

APPENDIX A

TABLE 4

The Canadian Foodservice Market, 1977, by Subsegment, Summary of Units, Sales, Meals and Employees among firms interviewed

Category	Units Actual	Sales \$Millions	Meals Millions	Total Employees Actual
Fast Food Burgers	1,004	544.00	339.00	46,022
Fast Food Chicken	753	219.60	62.30	12,440
Fast Food Pizza	348	60.50	17.00	4,030
Fast Food (N.E.P.)	513	115.30	71.67	5,135
Ice Cream	N/A	N/A	N/A	N/A
Cafeterias, Public	6	3.70	4.30	N/A
Coffee Shops	110	83.20	39.80	2,745
Steak Houses	257	103.90	27.40	2,475
Family Restaurants	245	216.80	51.60	10,618
Department Stores	442	118.50	97.20	17,450
Mass Merchandising	568	100.40	71.00	6,568
Hotels	604	447.20	89.60	29,235
Cafeterias, Industrial	862	137.30	145.85	5,650
Vending	N/A	N/A	N/A	N/A
Caterers	N/A	N/A	N/A	N/A
Transportation	219	79.70	40.80	7,300
Commercial Food	3,436	963.00	528.97	44,465
Management Firms				
Amusement & Recreational Facilities	N/A	N/A	N/A	N/A
Private Clubs	N/A	N/A	N/A	N/A
Remote Feeding	380	125.50	30.80	3,250
Tourist Resorts	N/A	N/A	N/A	N/A
Health Care	359	55.80	42.50	2,250
Education	390	96.90	84.90	4,595
Religious Institutions	3	.45	.45	N/A
Military Foodservice	250	100.00	38.50	6,000
Penal Institutions	104	39.70	31.00	269
Total	10,853	3,611.45	1,814.67	210,497
Less Commercial Food Management Firms	- 3,436	- 963.00	- 528.97	- 44,465
GRAND TOTAL	7,417	2,648.45	1,285.70	166,032
Estimated Unduplicated Total	8,000	3,000.00	1,500.00	175,000

APPENDIX A

TABLE 5

The Canadian Foodservice Market, 1977 by Subsegment
Summary of Averages of Firms Interviewed

Category	Hourly Wages	Cheque Average	Food	Paper	Food and Paper Total	Beverage	Total Food and Beverage	Labour	Grand Total
Fast Food Burgers	\$3.59	\$1.60	37.2%	4.6%	41.8%	N/A	N/A	24.0%	65.8%
Fast Food Chicken	\$3.00	\$3.00	42.7%	6.7%	49.4%	N/A	N/A	18.0%	67.4%
Fast Food Pizza	\$3.38	\$3.56	33.0%	N/A	33.0%	N/A	N/A	27.0%	60.0%
Fast Food (N.E.P.)	\$4.16	\$1.61	34.0%	4.3%	37.3%	N/A	N/A	26%	60%
Ice Cream	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cafeterias, Public	\$3.43	\$.83	32%	N/A	32%	N/A	N/A	33%	65%
Coffee Shops	\$3.39	\$2.09	32%	N/A	32%	N/A	N/A	33%	65%
Steak Houses	\$3.54	\$3.79	41%	N/A	41%	35%	37%	29%	66%
Family Restaurants	\$3.52	\$4.20	39%	N/A	39%	34%	36%	32%	68%
Department Stores	\$4.42	\$1.22	38%	N/A	38%	N/A	N/A	38%	76%
Mass Merchandising	\$3.55	\$1.41	38%	N/A	38%	N/A	34%	32%	70%
Hotels	\$3.83	\$5.00	35%	N/A	35%	30%	33%	36%	69%
Cafeterias, Industrial	\$3.90	\$.94	43%	N/A	N/A	N/A	N/A	37%	80%
Vending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Caterers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transportation	\$3.93	\$1.95	32%	N/A	32%	N/A	N/A	41%	73%
Commercial Food Management Firms	\$4.04	\$1.82	40%	N/A	40%	N/A	N/A	33%	73%
Amusement and Recreational Facilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private Clubs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Remote Feeding	\$6.30	\$4.07	37%	N/A	37%	N/A	N/A	42%	79%
Tourist Resorts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health Care	N/A	\$1.01	44%	N/A	44%	N/A	N/A	36%	80%
Education	\$4.08	\$1.14	45%	N/A	45%	N/A	N/A	37%	82%
Religious Institutions	N/A	\$1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Military Foodservice	N/A	\$2.60	50%	N/A	50%	N/A	N/A	50%	100%
Penal Institutions	\$6.65	\$1.28	50%	N/A	50%	N/A	N/A	35%	85%

*N/A indicates Not Available

APPENDIX A

TABLE 6

The Canadian Foodservice Market, 1977, by Subsegment.
Summary of Anticipated New Units and New Employees,
1978 - 1982 Among Firms Interviewed

Category	New Units	New Employees
<u>The Commercial Sector</u>		
Fast Food Burgers	763	32,800
Fast Food Chicken	160	4,400
Fast Food Pizza	322	4,675
Fast Food - Not elsewhere provided	445	6,785
Ice Cream	N/A	N/A
Cafeterias, Public	N/A	N/A
Coffee Shops	43	2,235
Steak Houses	457	4,675
Family Restaurants (including Major Dinner Houses)	156	8,835
Department Stores	36	850
Mass Merchandising	110	1,730
Hotels	42	3,275
Cafeterias, Industrial	300	9,000
Vending	N/A	N/A
Caterers	N/A	N/A
Transportation	5	200
Commercial Food Management Firms	2,839	20,985
Amusement and Recreational Facilities	N/A	N/A
Private Clubs	N/A	N/A
Remote Feeding	200	2,000
Tourist Resorts	N/A	N/A
Total Commercial Sector	3,847	102,535
<u>The Non-Commercial Sector</u>		
Health Care	N/A	N/A
Education	N/A	N/A
Religious Institutions	N/A	N/A
Military Foodservice	N/A	N/A
Penal Institutions	N/A	N/A
	3,847	102,535
LESS 3.3 Commercial Food Management Firms	788	20,985
Grand Total	3,059	81,550
Estimated Unduplicated total	3,500	90,000

Interview Format



INTERVIEW FORMAT

OMI Operational Managment Inc., 77 Davisville Ave., Suite 2001
 Toronto, Ontario 416/481-0976

CODE RANK _____

CATEGORY _____

FIRM NAME _____

Address _____

City _____ Telephone _____

Contact _____ Title _____

Contact _____ Title _____

1 a. To save some time, do you have an annual report, corporate brochure, newspaper clippings, recruiting brochure or any other publication that describes the extent and detail of your various f.s. operations?

b. If not, please describe the specific types of f. s. operations you are in. _____

2 a. Our information indicates you have _____ units and \$vol. _____ in 1977. Can you update that?
 Updated 1977: units _____ \$vol. _____

b. In what year did your firm begin? _____ What was its first years gross? _____ How many employees did you have in your first year? _____

3. Can you separate the current f.s. functions by category, into units and volumes?

CategoryUnits\$Volumes

4. What is your average customer count per week? _____
 By type of operation? _____ By unit? _____ By chain? _____

Interview Format page 2

5. How many meals/customers do you serve per year by type of operation? _____
- 6 a. How many employees do you have per store? _____ per chain? _____
- b. What is your minimum wage? _____ Average wage? _____
7. What is your cheque average? _____
8. What is your food cost average? _____
 beverage cost average? _____
 food and beverage combined cost average _____?
 labour average? _____
 grand total combined _____?
9. To help develop Canada's national food policy, we are anxious to identify the major food items used in the foodservice industry. For example, we know that Canadians spend 33% of the consumer food dollar away from home, but we do not know what foods they spend it on. Therefore, what major food items do you purchase? What is your annual tonnage by item and who are your major suppliers?

Major Food Item

Annual Volume

Supplier

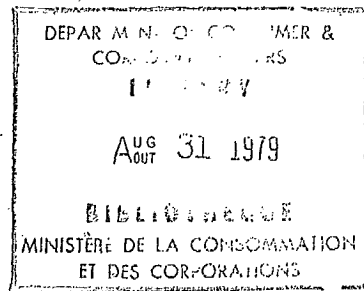
10. How many trucks arrive at the door of a typical unit? How do your major suppliers arrange for delivery, and what do they typically carry with each load?
11. With the major food items described in Questions 9 & 10, what ____% of your total menu have you described?

Thank you. Those are all the operational questions. We now move to the present and the future.

Interview Format page 3

12. What do you see as today's problems and/or opportunities for your company and/or industry as they relate to federal, provincial or municipal regulations or policies that impact on prices and profits? Please feel free to speak on or off the record.
13. What do you feel about the future? Do you feel Canada still offers good ROI opportunities for the foodservice industry? If so, how does this affect you?
- 14 a. How many new outlets are you planning in 1978? _____
b. In the next 5 years? _____
c. Where will they be? _____
d. How many new employees per unit do you expect to hire? _____
15. Currently, 33% of the consumer food dollar is spent away from home. Many industry spokesmen predict that this will rise to 50% shortly. What specific techniques, be they operational, menu, decor changes, or marketing, do you foresee occurring in your f.s. operations in the next 3 years to help accelerate more eating out?

Thank you very much for your co-operation.



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