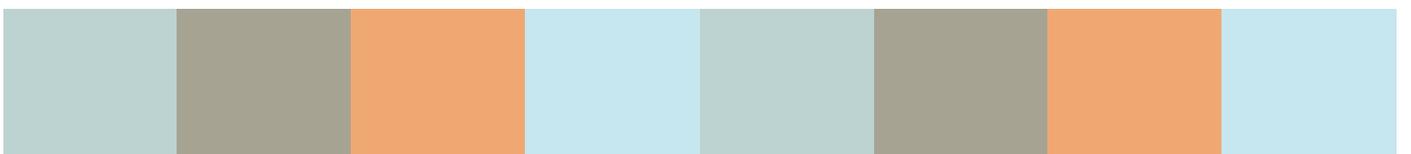




2016 **COMMERCIAL FOODSERVICE MARKET FORECAST REPORT**



# MAFSI 2016 MARKET FORECAST

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## WELCOME TO MAFSI, AND OUR 2016 COMMERCIAL FOODSERVICE MARKET FORECAST.

MAFSI is a 66 year-old non-profit trade association comprised of 270 independent manufacturers' representative sales companies and 265 manufacturing companies in North America selling, marketing, and producing commercial foodservice equipment, supplies, tabletop, and furnishings.

And as members, they reinvent it. They make it different, and they make it better.

Representing over 2,400 sales and marketing professionals and manufacturing executives across North America; MAFSI provides market forecasting, networking and partnership opportunities, industry stewardship, education and resources, and member advocacy for the \$12 billion commercial non-foods industry.

MAFSI REP firms are independent professional providers of field-level sales and marketing services to manufacturers and/or suppliers. They typically handle a portfolio of related but noncompetitive product lines, working under a contractual arrangement within a defined geographic region, and on an exclusive basis within their assigned field of responsibility.

On behalf of their manufacturers, MAFSI REPS exclusively represent approximately 12-18 foodservice manufacturers in their defined geographic region. There are typically 10-20 MAFSI REP agencies in each marketing region.

MAFSI REP firms come in all shapes and sizes, but on average generate 10 - 18 million dollars in gross sales, and typically employ three to four field representatives, with an additional two to three inside customer service personnel. A strong majority of firms have showrooms and test kitchens to assist customers in project planning.

The value that MAFSI REPS bring—both to those they sell to, and those they sell for—emerges in large part from the synergy created through the representation of multiple manufacturers. Their product portfolios allow MAFSI REPS to present broad-based solutions to customer problems, rather than the price-and-delivery model typical of single-product selling. Their consultative approach not only opens the door for the other manufacturers they represent, but also adds value and fosters a partnership with the buyer as the purchase progresses through an entire project.

# MAFSI 2016 MARKET FORECAST

Our manufacturers' representative members are also the window to the foodservice marketplace. From mom and pop restaurants, to colleges, hospitals, and major chains—our members are there. With the people, the products, and the relationships that move an entire industry further than ever before.

MAFSI is home to 71% of all manufacturers' representative firms in the US and Canada; with 56% of our representative firm members participating in our annual Commercial Foodservice Market Forecast--a prime reflection of our members' commitment to this industry. Moreover, since MAFSI REPS call on almost all facets of commercial foodservice, there is no one better equipped to report the market dynamics that affect our industry.

And this report isn't only relied on by our industry, but by incredibly influential trade and mainstream media outlets including the *Wall Street Journal*, *Yahoo! Finance*, and many, many more.

We thank our representative members not only for their contributions to this report, but for the hard work and pride they bring to this industry each and every day.

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For more information about MAFSI and our members, please visit [www.mafsi.org](http://www.mafsi.org), or call 404-214-9474.

## MAFSI STAFF

Alison Cody  
Executive Director

Tom Jedlowski  
Associate Executive Director

Ramsey Ruether  
Administrative Assistant

# MAFSI 2016 MARKET FORECAST

Most reporting agencies have adjusted their overall forecasts to reflect a more positive economy that was expanding faster than previously anticipated.

MAFSI REPS are forecasting another year of positive growth for 2016 with a gain of +4.5% overall. This represents an overall gain over last years forecast of +4.1%.

The year-end numbers for 2015 will exceed the previous forecast of +4.1% at about +4.8%. Most reporting agencies have adjusted their overall forecasts to reflect a more positive economy that was expanding faster than previously anticipated. Overall, the foodservice equipment and supply market is poised to continue its seven-year positive tract.

That's good news for everyone.

The US Economy is particularly strong with a steady decline in the unemployment rate to 5.0%, from a staggering 10% in 2009. The Federal Reserve predicts that number will shrink to 4.8% in 2016. Many of those jobs are being created in the retail foodservice sector, and crude oil is sitting around \$45 a barrel due to an increase in domestic oil production. With so many of our constituents dependent on the price of gas and a full employment economy; this current trend gives a sizable boost to the foodservice industry.

## OVERALL SALES FORECAST FOR NORTH AMERICA

2016 vs. 2015

+4.5%

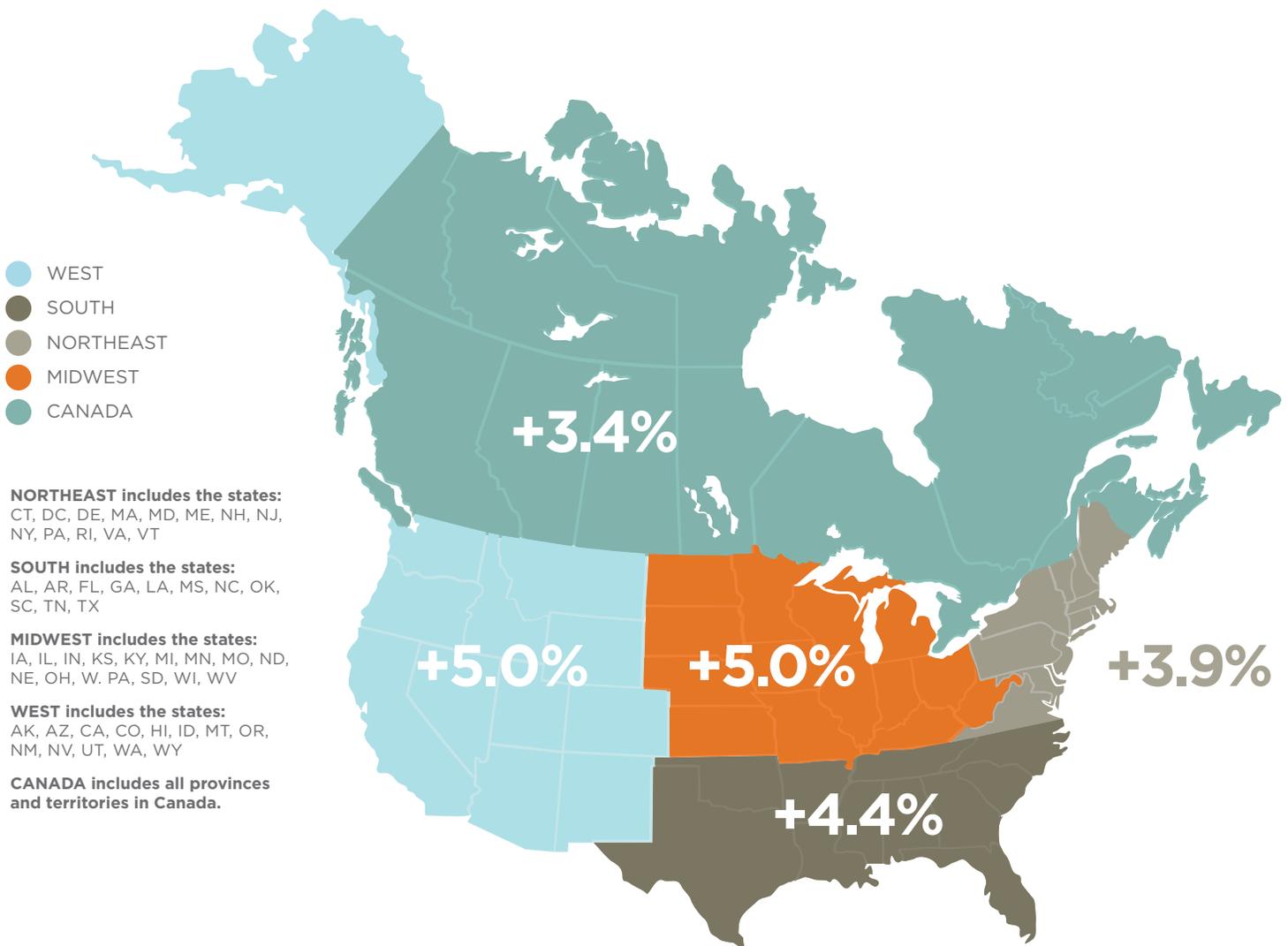
# MAFSI 2016 MARKET FORECAST

For foodservice E&S, the percentage growth numbers across North America reflect the upward trend. Growth is expected in all regions of the US and Canada, as well as in all product segments\*, and expanded equipment sub-categories.\* Geographically, the Midwest and West lead the pack at +5%, followed by the South at +4.4%, the Northeast at +3.9%, and Canada at +3.4%. This reflects greater balance between regions than has been reported over the last several years.

By product, MAFSI Reps forecast Tabletop at +5.1%, Supplies at +5%, Furnishings at +4.6%, and Equipment at +4.4%. (Note, Equipment is 77% of the market according to NAFEM's "Size & Shape of the Industry Study.")

## OVERALL SALES FORECAST BY REGION

2016 vs. 2015



# MAFSI 2016 MARKET FORECAST

The good news for foodservice E&S, and thus the current positive outlook, is driven by the underlying factors that both directly and indirectly affect our industry.

For instance, 65% of reps expect to quote more work in 2016, with only 7% reporting less. With a similar uptick, 50% expect an increase in consultant activity, while only 5% of firms see less.

These gains are echoed in firms' staff numbers, too. The average rep firm added 0.8 personnel in 2015, with an equal amount of new hires slated for 2016. Line cards are burgeoning, too. The average firm plans to add 0.9 lines in 2016; a full two tenths of a percent higher than just two years ago. Compared nationally, the foodservice E&S industry looks to outpace the overall gross domestic product of the US economy. In September, Goldman Sachs cut their initial 2016 U.S. economic (real growth) projection to +2.4%, down from a previous estimate of +2.8%.

This new estimate for 2016 dovetails with other factors weighing on the US economy: chiefly, the Federal Reserve has all but promised to hike short-term interest by the end of 2015; the first time they've done so in nine years. Although this hike would express confidence in the U.S. economy's strength, some experts fear even a small uptick in borrowing costs could curb growth, and reduce the flow of "easy money" that's fueled the gains during the post-recession bull market. The good news for Foodservice E&S, and thus the current positive outlook, is driven by the underlying factors that both directly and indirectly affect our industry.

## MAFSI BUSINESS BAROMETER HISTORY

### Overall Sales Per Quarter for 2002-2015



Y axis is the percentage of change from comparable quarter of prior year.

# MAFSI 2016 MARKET FORECAST

Lower crude oil means more competitive shipping costs for equipment, and more disposable income to spend on dining out. With a near full-employment economy, folks are busier, and have the wherewithal to leave dinner up to someone else. This increase in sales, coupled with a drop in wholesale food prices, means increased margins and more to spend on equipment and other capital goods.

MAFSI Reps continue to move the market with increased end user bookings, order quoting, and rep firm facility expansions abound. 2016 looks to be an incredibly strong market for E&S, and for the rep-manufacturer method of marketing.

## PRODUCT CATEGORIES SALES FORECAST BY REGION

2016 vs. 2015

					
<b>WEST</b>	<b>+4.9</b>	<b>+4.8</b>	<b>+5.8</b>	<b>+4.9</b>	<b>+5.0</b>
<b>SOUTH</b>	<b>+4.2</b>	<b>+5.3</b>	<b>+5.0</b>	<b>+5.1</b>	<b>+4.4</b>
<b>NORTHEAST</b>	<b>+3.9</b>	<b>+4.4</b>	<b>+5.0</b>	<b>+1.7</b>	<b>+3.9</b>
<b>MIDWEST</b>	<b>+4.9</b>	<b>+5.4</b>	<b>+5.1</b>	<b>+4.9</b>	<b>+5.0</b>
<b>CANADA</b>	<b>+3.0</b>	<b>+4.9</b>	<b>+4.3</b>	<b>+6.5</b>	<b>+3.4</b>

\*The overall industry sales growth is calculated using a weighted average based on the percentage of the total sales volume for the overall industry represented by the various sales categories: Equipment (77%), Supplies (6%), Tabletop (11%), and Furnishings (6%). Market numbers are based on the North American Association of Food Equipment Manufacturers (NAFEM) biennial "Size & Shape of the Industry" study.

## PRODUCT CATEGORIES SALES FORECAST—OVERALL

2016 vs. 2015



## EQUIPMENT SUB-CATEGORIES SALES FORECAST BY REGION

2016 vs. 2015

	Primary Cooking	Refrigeration & Ice Machines	Storage & Handling	Serving	Food Preparation	Warewashing & Sanitation	Ventilation
<b>WEST</b>	<b>+5.6</b>	<b>+4.3</b>	<b>+5.0</b>	<b>+4.9</b>	<b>+4.4</b>	<b>+5.1</b>	<b>+3.5</b>
<b>SOUTH</b>	<b>+4.1</b>	<b>+4.6</b>	<b>+4.3</b>	<b>+3.9</b>	<b>+4.3</b>	<b>+3.9</b>	<b>+4.0</b>
<b>NORTHEAST</b>	<b>+4.3</b>	<b>+4.2</b>	<b>+3.6</b>	<b>+3.0</b>	<b>+4.0</b>	<b>+3.4</b>	<b>+3.7</b>
<b>MIDWEST</b>	<b>+5.2</b>	<b>+5.1</b>	<b>+4.5</b>	<b>+4.4</b>	<b>+5.2</b>	<b>+4.6</b>	<b>+4.1</b>
<b>CANADA</b>	<b>+3.1</b>	<b>+4.3</b>	<b>+4.0</b>	<b>+0.2</b>	<b>+2.9</b>	<b>+2.0</b>	<b>+5.5</b>
<b>OVERALL</b>	<b>+4.7</b>	<b>+4.6</b>	<b>+4.3</b>	<b>+3.8</b>	<b>+4.4</b>	<b>+4.1</b>	<b>+3.9</b>

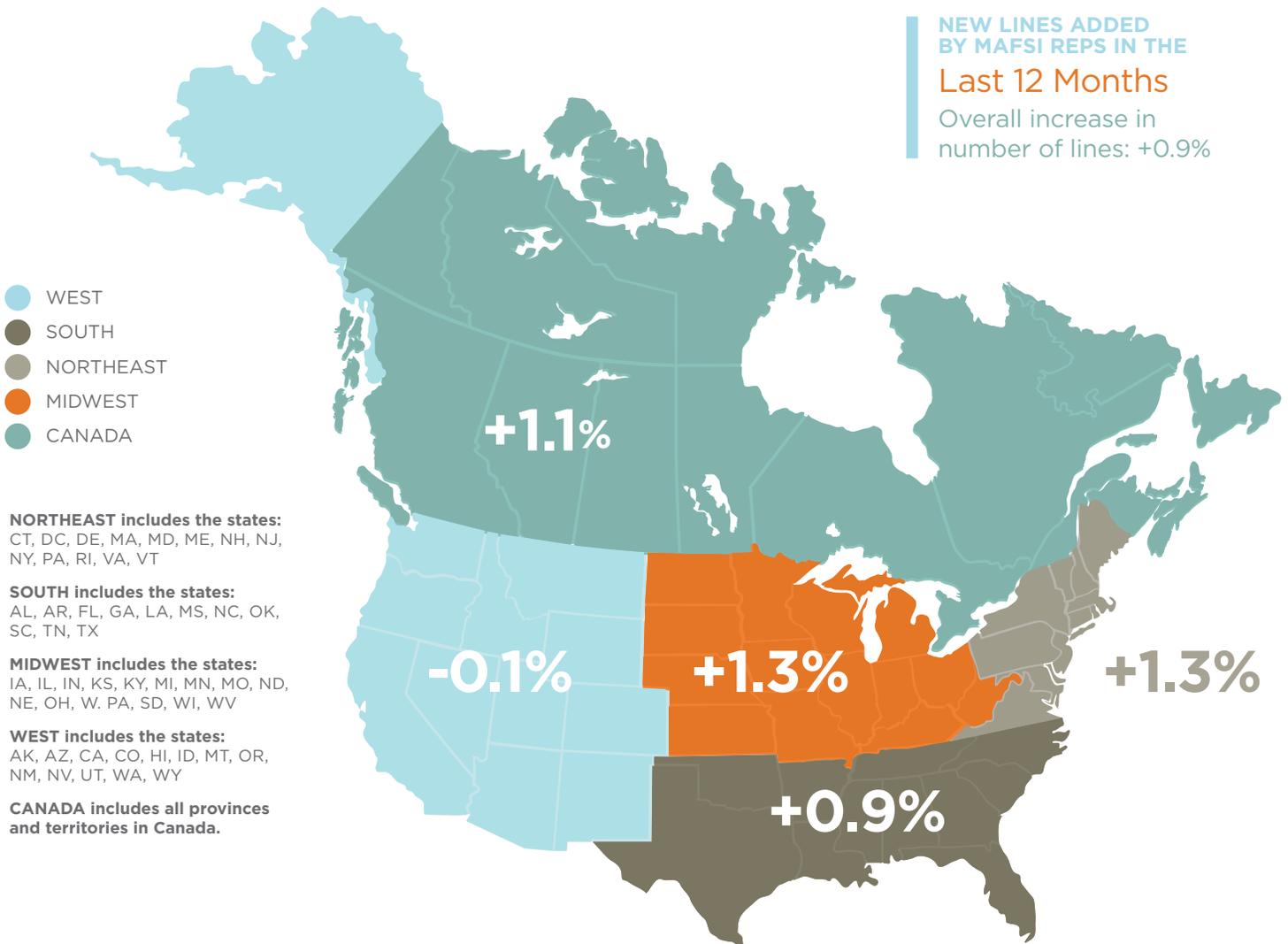
\*The equipment sub-category sales growth is calculated using a weighted average based on the percentage of the equipment sub-category sales volume represented by the various sales categories: Primary Cooking (26%), Refrigeration/Ice Machines (32%), Storage/Handling (9%), Serving (16%), Food Prep (7%), Warewashing (10%) from the (NAFEM) biennial "Size & Shape of the Industry" study. Ventilation not weighted.

# MAFSI 2016 MARKET FORECAST

Though the falling currency may not be ideal for everyone, it may be of particular benefit to many foodservice operators.

A similar tone can be found in the Canadian economy.

Like the US, Canada is experiencing moderate growth, and continues to adjust to lower prices for oil and other commodity products. Unique to their economy is the depreciation of the Canadian dollar, and some level of inflation. Many monetary policies are in place to combat those concerns, and the results of these strategies are working their way throughout the country's economy. Though the failing currency may not be ideal for everyone, it may be of particular benefit to many foodservice operators. A sharply lower dollar attracts tourists to an already affordable country, while also creating an increase in Canadian net exports. Despite notable foodservice sales growth in Ontario and British Columbia, foodservice operators across Canada continue to face challenges in regards to labor, food, and beverage costs.



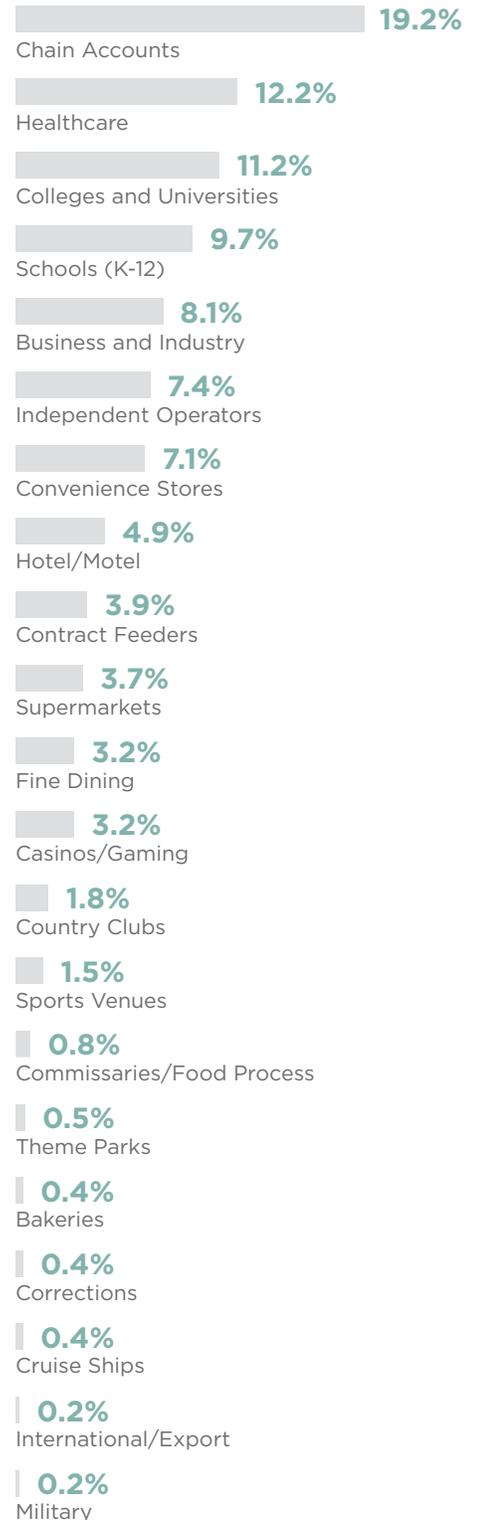
# MAFSI 2016 MARKET FORECAST

Special thanks to Michael Posternak, PBAC, Eastchester, NY for his 2016 forecast commentary. We also extend sincere thanks to our industry partners at *Foodservice Equipment Reports*, *Foodservice Equipment & Supplies*, *Foodservice & Hospitality*, Technomic, and AutoQuotes for sharing their data and expertise in our forecast report.

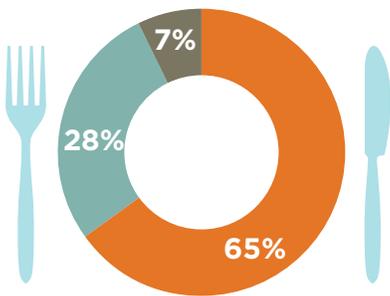
Visit [MAFSI.org](http://MAFSI.org) to learn more.

## 2016 FASTEST GROWING SEGMENTS

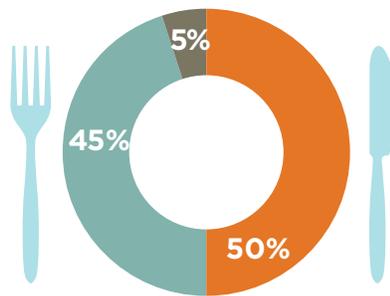
by Percentage of Respondents



## QUOTING ACTIVITY FORECAST 2016

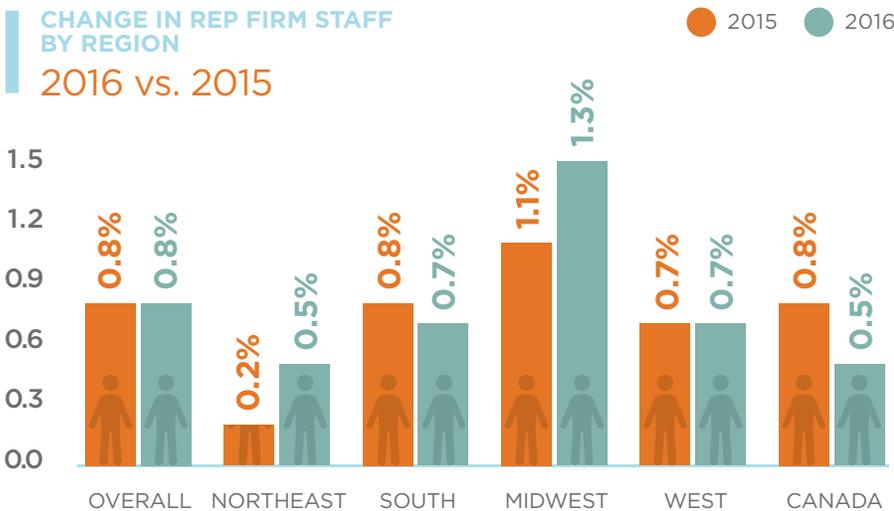


## CONSULTANT ACTIVITY FORECAST 2016



● MORE ACTIVITY ● NO CHANGE ● LESS ACTIVITY

## CHANGE IN REP FIRM STAFF BY REGION 2016 vs. 2015



# MAFSI 2016 MARKET FORECAST

## HOW MANY MAFSI REPS WILL MOVE

### with the Market in 2016?

MAFSI Reps were asked to identify significant actions taken and/or planned for 2015-16. The leading responses were:

#### Capital Investments

1. Hire and train more concentrated/segmented sales force.
2. Implementation of enterprise resource planning (ERP) systems and customer relationship management (CRM) software.
3. Increase of travel budgets to reach broader audiences, and develop new markets.
4. Add additional inside sales support, and portion them to support specific market segments.

#### Marketing Investments

1. Hiring full time marketing experts.
2. Hiring corporate chefs.
3. Construction of, or expansion of, test kitchens, showrooms, and demonstration centers.
4. More attention and engagement paid to regional associations and sales conferences.

#### Operations Investments

1. Greater emphasis on staff and processes to expedite quotations for faster turnaround times.
2. Streamline reporting and communication efficiencies with manufacturers.
3. Hold more comprehensive training for internal staff, as well as dealers.
4. Establish long range plans, and position operational processes for growth.

#### Strategic Product Realignment

1. Increase operator meetings and demonstration bookings.
2. Train dealers and end users on the path to market, service network, and backend support. Not just features and benefits.
3. Emphasize Food Service Consultants as key market for both new projects and major remodels.
4. Use training classes to further staff's understanding of specialty customers like corrections, healthcare, chains, and schools.

By Robin Ashton, Publisher  
Foodservice Equipment Reports

Growth is good. The U.S. foodservice equipment and supplies market continues to expand and is likely to do so for the next several years. We forecast that the market at the manufacturers' level will grow 4.8% in current dollars this year, 2.5% after factoring out price increases. Next year, we forecast growth of 4.6% nominal and 2.5% again in real terms. Next year should be the fourth consecutive year of nominal dollar growth exceeding 4% and real growth above 2%, and the seventh year of real growth for the E&S market since the Great Recession.

Underlying this growth is a foodservice operator market that has finally recovered after years of very tepid growth. The surge in new jobs and the dramatic fall of gasoline prices that began mid-year 2014 have buoyed consumer confidence. Stilled traumatized by the recession, however, consumers have responded by spending carefully. But they are celebrating by eating out somewhat more often and spending more when they do.

Technomic Inc. currently forecasts that the total operator market, including segments beyond restaurants, will grow 5.2% in current dollars this year and 2.3% after factoring out price increases. The firm's 2016 forecast is for nominal growth of 4.9%, but with 2.5% real growth as expected lower food-price increases lead to slower menu-price inflation. Compared with nominal growth of 3.1% and only 0.7% real growth in 2014, the operator market has improved dramatically.

The U.S. foodservice equipment and supplies market continues to expand and is likely to do so for the next several years.

## EQUIPMENT, SUPPLIES, TABLETOP, FURNISHINGS AND EQUIPMENT SUB-CATEGORIES

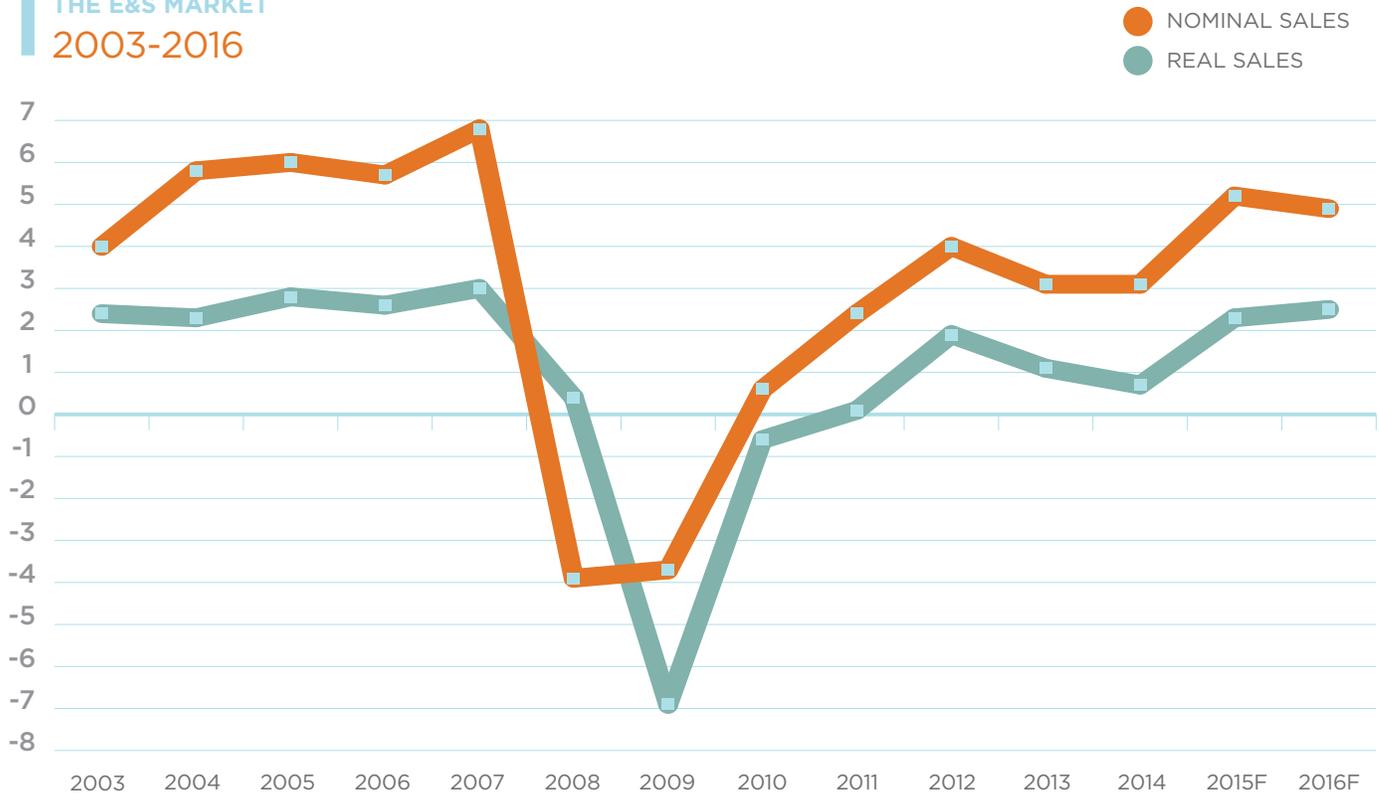
### 2016 FER Forecast

	% OF MARKET	SALES \$ FORECAST	NOMINAL GROWTH	PRICES	REAL GROWTH
Equipment	77%	\$ 8717.195	4.6%	2.1%	2.7%
Smallwares	6%	\$ 707.686	104.7%	2.2%	2.5%
Tabletop	11%	\$ 1227.179	104.5%	2.4%	2.1%
Furnishings & Custom Fabrication	6%	\$ 723.223	104.3%	2.2%	2.1%
<b>TOTAL INDUSTRY</b>	<b>100%</b>	<b>\$ 11375.283</b>	<b>4.6%</b>	<b>2.3%</b>	<b>2.5%</b>
Primary Cooking Equipment	27%	\$ 2343.224	4.8%	2.1%	2.7%
Refridgeration & Ice Machine	32%	\$ 2793.779	4.7%	2.1%	2.6%
Storage & Handling Equipment	9%	\$ 790.284	4.2%	2.0%	2.2%
Serving Equipment	15%	\$ 1329.112	4.5%	2.1%	2.4%
Food Preparation Equipment	6%	\$ 540.407	4.4%	2.1%	2.3%
Warewashing & Sanitation Equipment	11%	\$ 920.389	4.7%	2.2%	2.5%
<b>TOTAL EQUIPMENT</b>	<b>100%</b>	<b>\$ 8717.195</b>	<b>4.5%</b>	<b>2.1%</b>	<b>2.5%</b>

Market numbers are based on the North American Association of Food Equipment Manufacturers biennial "Size & Shape of the Industry" study. Copyright 2014. Sales are \$Millions. Thus Storage & Handling Equipment sales for 2016 are \$790,284,000. Sales include export sales and are a reflection of North American sales and market size. Base year is 2013. Growth estimates and forecast Copyright 2015 Foodservice Equipment Reports.

The increased sales, combined with a drop in wholesale food prices that began in November last year have increased operator margins and cash flow. And this has translated into increased spending on equipment and other capital goods. The indicator in the NRA's Restaurant Performance Index that tracks capital spending by restaurant operators hit a record in July and intentions to buy equipment remain elevated.

**THE E&S MARKET**  
2003-2016



Source: Technomic Operator Sales Changes

## FULL-SERVICE SEGMENT FINALLY REVIVES

Among the factors behind the higher growth rates have been the rather surprising recovery of full-service restaurants. So-called midscale or family dining restaurants (full-service without alcohol), had seen negative traffic counts every quarter year-on-year since 2006, according to CREST data from the NPD Group. Customer traffic at casual dining concepts (full-service with alcohol), had been negative since 2008. In the fourth quarter 2014, midscale restaurant traffic improved to flat and visits to casual dining concepts grew 1%.

In a surprise twist, Technomic predicts the full-service restaurant segment will grow faster than limited-service in both 2015 and '16. Traditional quick-service behemoths are losing share to both fast-casual concepts and full-service in the current environment.

Growth of full-service often benefits E&S suppliers as such concepts generally have bigger equipment packages than limited-service restaurants. On the other hand, fast-casual concepts, which Technomic includes in the limited-service segment, continue to post remarkable growth. Technomic forecasts the segment will show nominal growth rates of 11.2% this year and 10.7% in 2016.

Among the “beyond restaurants” segments, sales of supermarket prepared foods and lodging foodservice are both forecast to post 8.7% nominal growth in '15. The supermarket segment growth will increase to 9.2% while lodging foodservice is expected to grow 8.7%. All noncommercial segments except corrections, vending and other refreshment services, and military foodservice are growing in real terms.

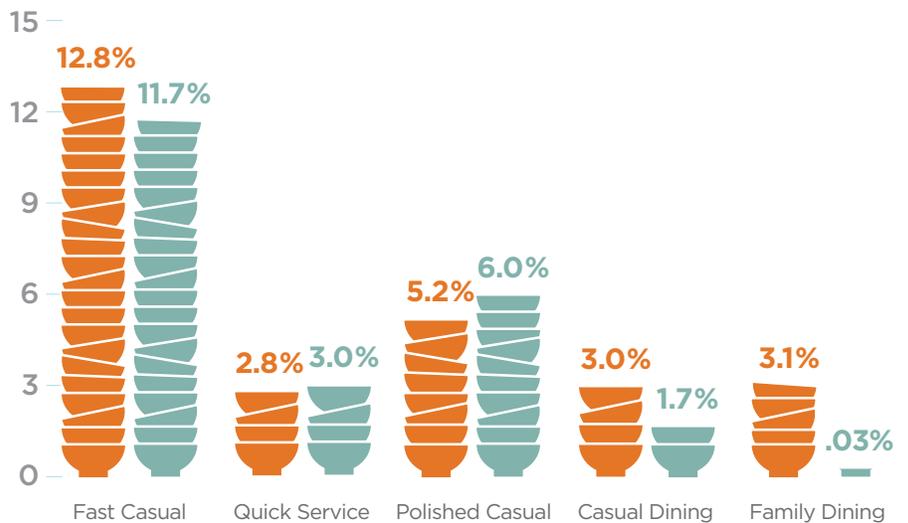
Technomic forecasts the segment will show nominal growth rates of 11.2% this year and 10.7% in 2016.

### TOP 500 CHAINS

## Segment Trends

Sales Growth Rates by Service Type, Technomic Top 500, 2014

-  2014 GROWTH
-  5 YEAR CAGR



**E&S PRICE INCREASES WILL BE VERY MODERATE**

According to data from AutoQuotes Inc., average list prices for E&S products rose 3.3% in the 12-month period ended June 2014. This was up slightly from 3.1% the comparable period in 2013-'14. But the median increase was only 2% vs. 2.9% in the year earlier period. And we expect most manufacturers will be restrained with price increases over the coming year. Prices for all metals used in foodservice equipment and supplies have plunged—in some cases by as much as 60%—since mid-year 2014, mirroring the price of oil. MetalMiner, a Chicago-based firm that tracks and forecasts metal prices, expects very little upward pressure on stainless and other steels, copper and aluminum in the coming year.

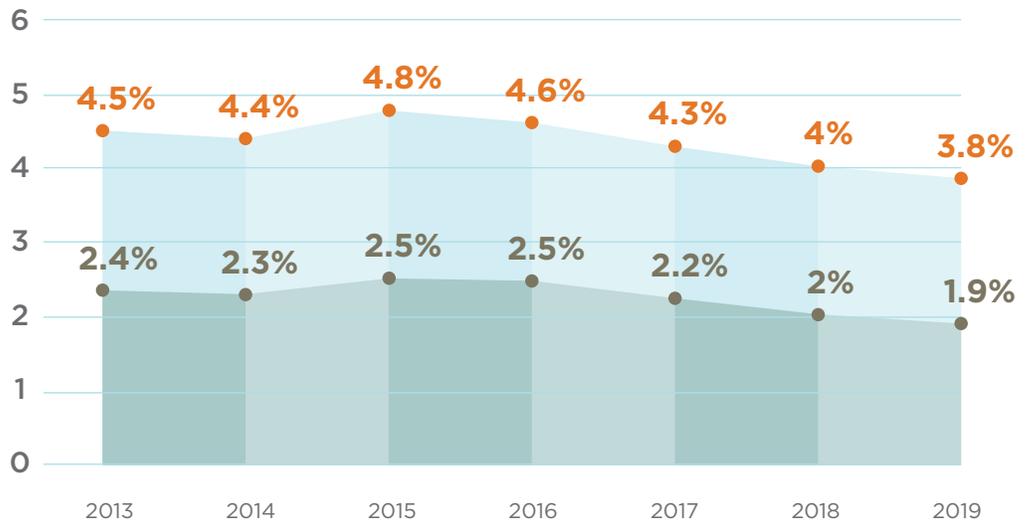
We do believe 2015 and '16 will be the peak of the current market cycle. We believe any pent-up demand in the E&S market has been wrung out as E&S market growth has exceeded that of the operator market every year since the end of the recession until this year.

Slower growth in the general economy is forecast beginning in 2017. The jobs market is already showing signs of being topped out and gasoline prices are bound to rise sometime. Our forecasts out through 2019 call for a gradually slowing rate of growth for the E&S market.

For information on FER's annual President's Preview forecast seminar, held late July or early August each year, or to inquire about purchasing our research and forecast products, call 800/986-9616, or e-mail Robin Ashton at [rashton@fermag.com](mailto:rashton@fermag.com).

**FER E&S  
MARKET FORECASTS**  
2013-2019

- NOMINAL CHANGE
- REAL CHANGE



By Joe Carbonara, Editor  
Foodservice Equipment & Supplies

## OPERATOR OUTLOOK

For 2016, 62 percent of foodservice operators project their sales to increase, and 36 percent anticipate their revenue levels will be on-par with 2015's levels. Among those operators projecting a sales increase, the average rate is 2.83 percent, up slightly from last year's 2.74 percent. Key factors driving operators' anticipated sales growth include increased customer traffic, a stronger economy, and better menu pricing/value for the money.

In terms of their foodservice equipment and supplies budgets, 25 percent of operators anticipate spending more in this area during 2016, which is down 14 percent from last year. In contrast, 62 percent anticipate their expenditures will remain consistent with 2015's levels, which is 20 points higher than last year. Only 13 percent of operators project spending less on foodservice equipment and supplies in 2016. Among those planning to spend more on foodservice equipment and supplies, the average increase is 1.51 percent, down slightly from last year's projection of 1.64 percent.

When purchasing foodservice equipment and supplies, the top three factors for operators are quality and performance, price and service/support.

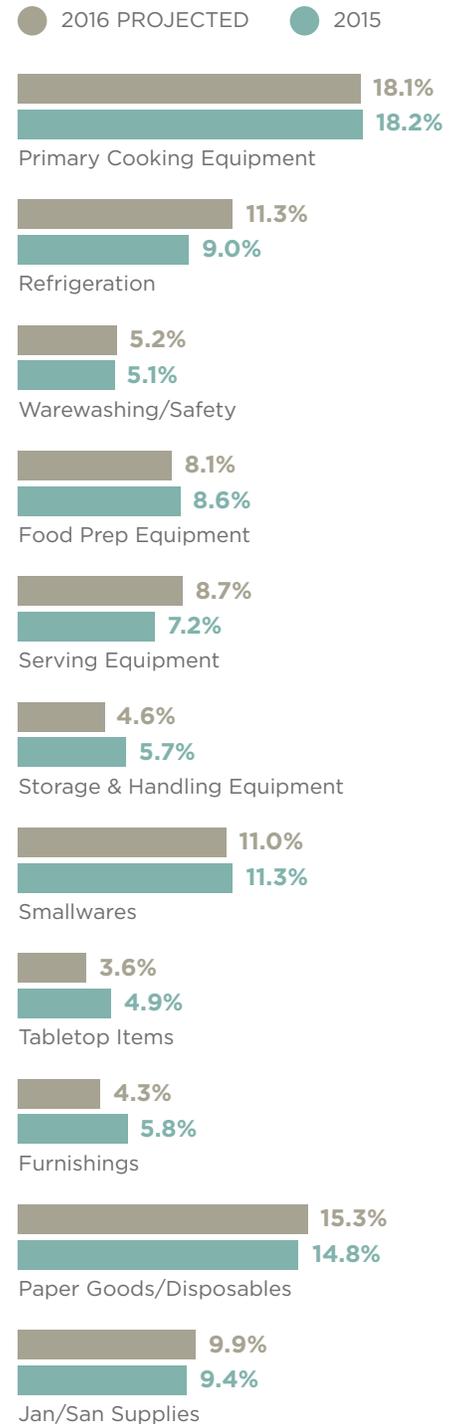
## OPERATORS ACTIVITIES

### Planned for 2016



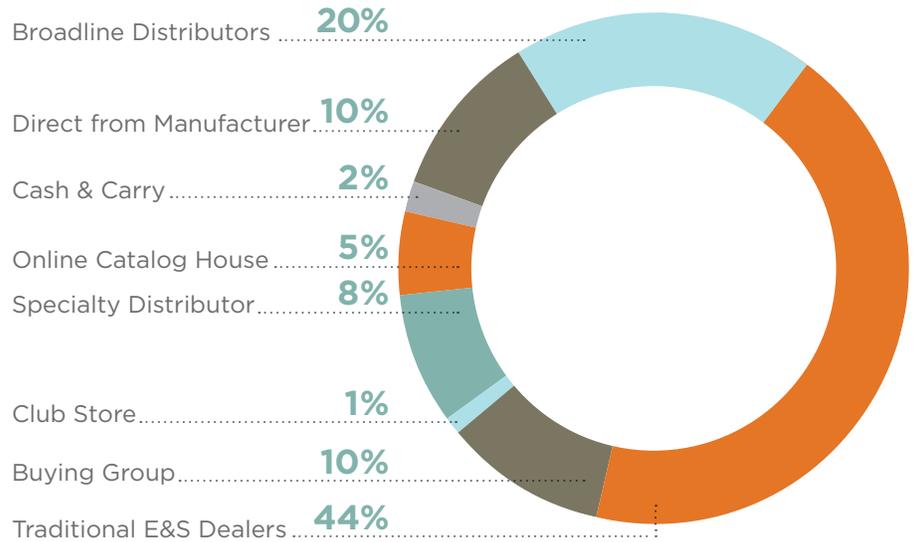
## PRODUCT CATEGORIES

### Percent of Operators' E&S Budget



Only 13 percent of operators project spending less on foodservice equipment and supplies in 2016.

**OPERATORS E&S PURCHASES**  
by Channel



NOTE: Commercial operations (specifically chains) are more likely than non-commercial segments to make E&S purchases direct from the manufacturer.

**IMPORTANCE OF ENERGY EFFICIENCY**  
WHEN SELECTING

New or Replacement Equipment in 2016



## DEALER OUTLOOK

Seventy eight percent of dealers project their sales will increase in 2016, up 13 percent from last year. Only 5 percent of dealers expect their sales to decline in 2016. Among those dealers projecting higher sales, the average increase is 6.96 percent, up from 4.86 percent last year.

The segments driving the dealers' projected sales growth are independent operators (47 percent), chain operators (40 percent) and non-commercial operators (13 percent). It is interesting to note that among commercial restaurants, dealers see full-service independent restaurants showing significant promise.

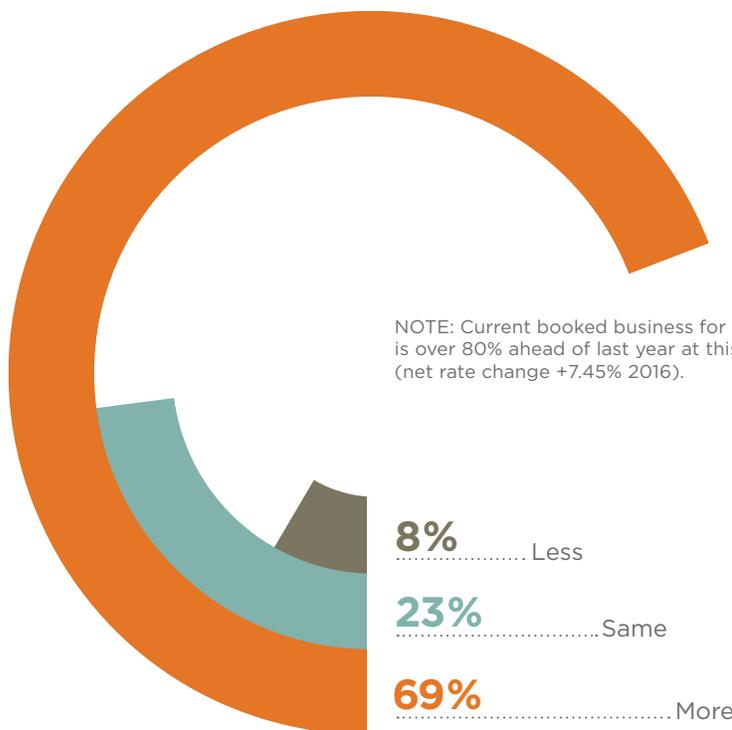
The four operator segments representing the greatest opportunities for dealers are casual dining, lodging/casinos/resorts, long-term healthcare, college and university foodservice and fast-casual.

Despite facing significant headwinds in the form of rising labor costs and increased competition, 65 percent of dealers project an increase in gross profit for 2016 and another 34 percent project their gross profit levels will remain constant with 2015 levels.

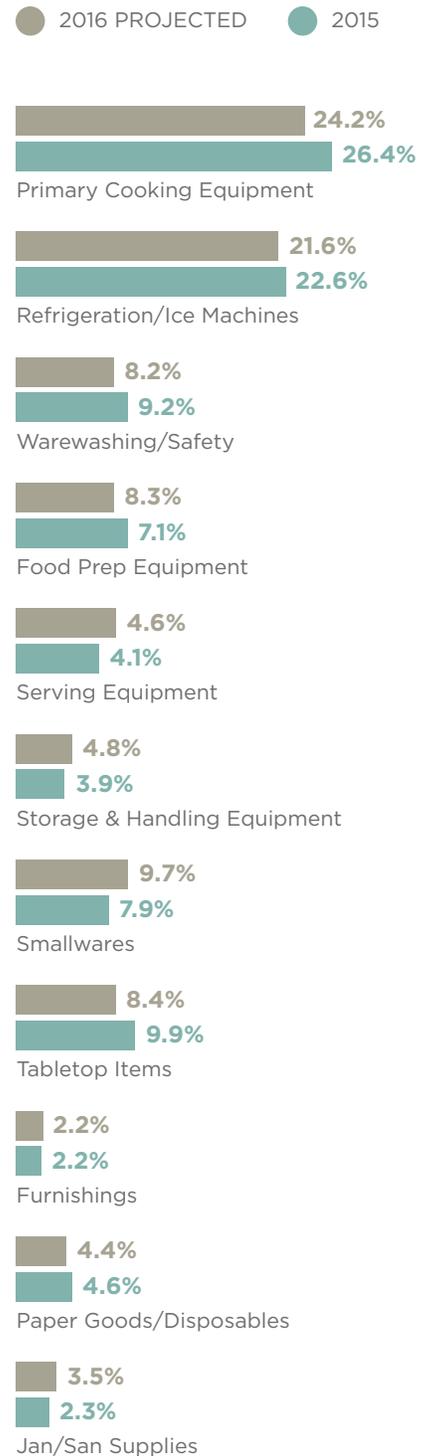
For more information on the FE&S' 2016 Forecast studies call 800/630-4168, or e-mail Joe Carbonara at [joe@zoombagroup.com](mailto:joe@zoombagroup.com).

## BUSINESS BOOKED BY DEALERS

### Fiscal 2016 vs. Fiscal 2015



## PERCENT OF DEALER SALES by Product Category



**By Jackie Sloat-Spencer, Associate Editor**  
*Foodservice & Hospitality*

The Canadian hospitality industry is experiencing a growth spurt but operators are still facing challenges when it comes to increasing labour, food and beverage costs, Restaurants Canada reports. Although sales are expected to grow by 3.8 percent to \$62 billion, operators must contend with a pre-tax margin of 4.2 percent, down from 5.8 percent in 2001.

“Restaurants are a catalyst for the Canadian economy,” says Donna Dooher, president and CEO of Restaurants Canada. “They’re an important part of every community; they account for more than one million jobs, and they generate billions of dollars in spin-off spending for everything from agriculture to technology.”

When non-commercial foodservice in settings such as hospitals and hotels is factored in, restaurant industry sales will add up to more than \$77 billion in 2016. But growing sales won’t be easy, says Chris Elliott, the organization’s senior economist, in F&H’s “2015 Hospitality Market Report,” appearing in the November issue. He cites challenges such as surging labour and food costs, as well as higher rent and leasing costs as cutting into an operator’s profit. “What we’re seeing is more operators saying that food and labour costs are having a negative impact on their business,” he says. “In fact, for Q3, 74 percent of operators said that food and labour costs were having a negative impact compared to the same period last year when 59 percent said food and 57 percent said labour.”

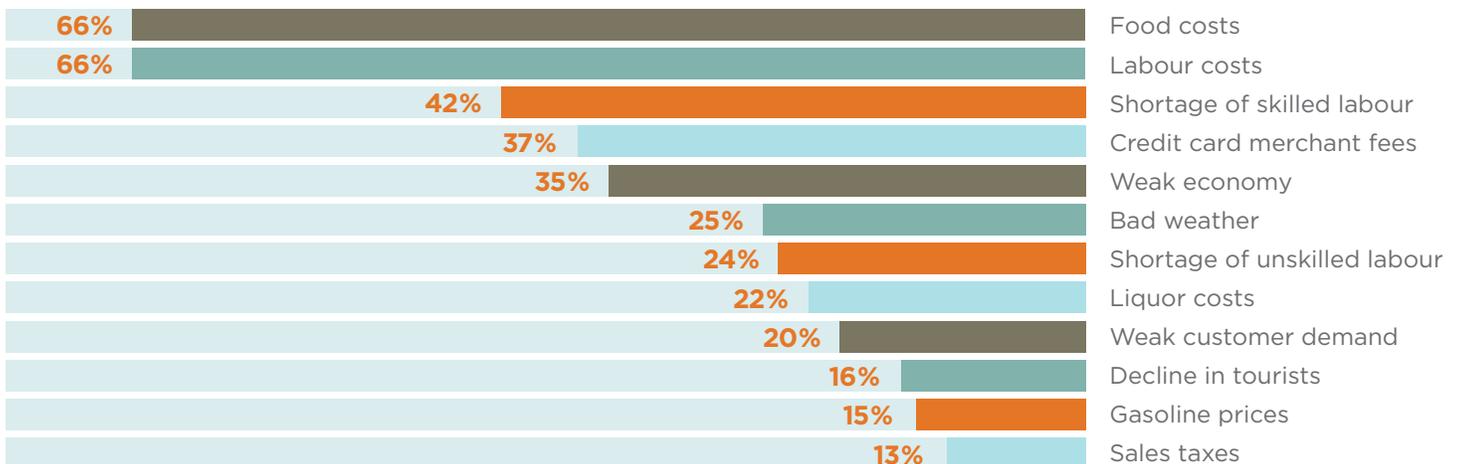
A huge increase but not a surprising one, Elliott says, pointing to a lower Canadian dollar, which makes importing food from the U.S. more expensive. “Add rising beef prices over the last couple of years and now operators are seeing much higher food costs.”

What we’re seeing is more operators saying that food and labour costs are having a negative impact on their business.

**ISSUES WITH  
BIGGEST NEGATIVE**

**Impact on Restaurant Operators**

SOURCE: Q2 2015 Restaurant Outlook Survey, Restaurants Canada



But while operators bemoan the failing loonie, Aron Gampel, VP and deputy chief economist with Scotiabank Economics in Toronto says the weaker Canadian dollar may actually benefit the foodservice industry. “We will probably see some pull-back in expenditures but to a great extent, looking from both a regional and national perspective, there are offsets to it, such as our sharply lower dollar reinforcing an increased tourist attitude that Canada is back on the radar for, not only American daytrippers but international tourists as well. Canada is still affordable, even for people from countries whose dollar may be low.”

According to Elliott, B.C. and Ontario were, in fact, the main drivers of foodservice sales growth in 2015. “Both provinces have seen really strong growth in the last couple of years due to generally healthy economic activity, growing populations and housing prices. It’s created a wealth effect—people feel like they’re richer and therefore they’re going out and spending money.” Alberta and Saskatchewan didn’t fare as well, due largely to the decline in oil prices and the drop-off in commodity prices. “We saw much weaker growth in 2015 than we did in 2014 from these two provinces, which had actually led the industry over the past decade in terms of overall foodservice sales growth.”

Looking ahead, Manitoba and B.C. are expected to lead the way in 2016, with projected growth of 4.3 percent while Newfoundland and Labrador is estimated to grow by only 1.8 percent. “Basically what we’re seeing is slighter weaker growth in 2016,” predicts Elliott. “In 2015, commercial foodservice sales were going to grow by about 4.5 percent; now in 2016 that’s going to moderate to 3.8 percent.” The reason, he says, is that Ontario and B.C., the main drivers of growth over the last couple of years, will moderate to a more sustainable pace.

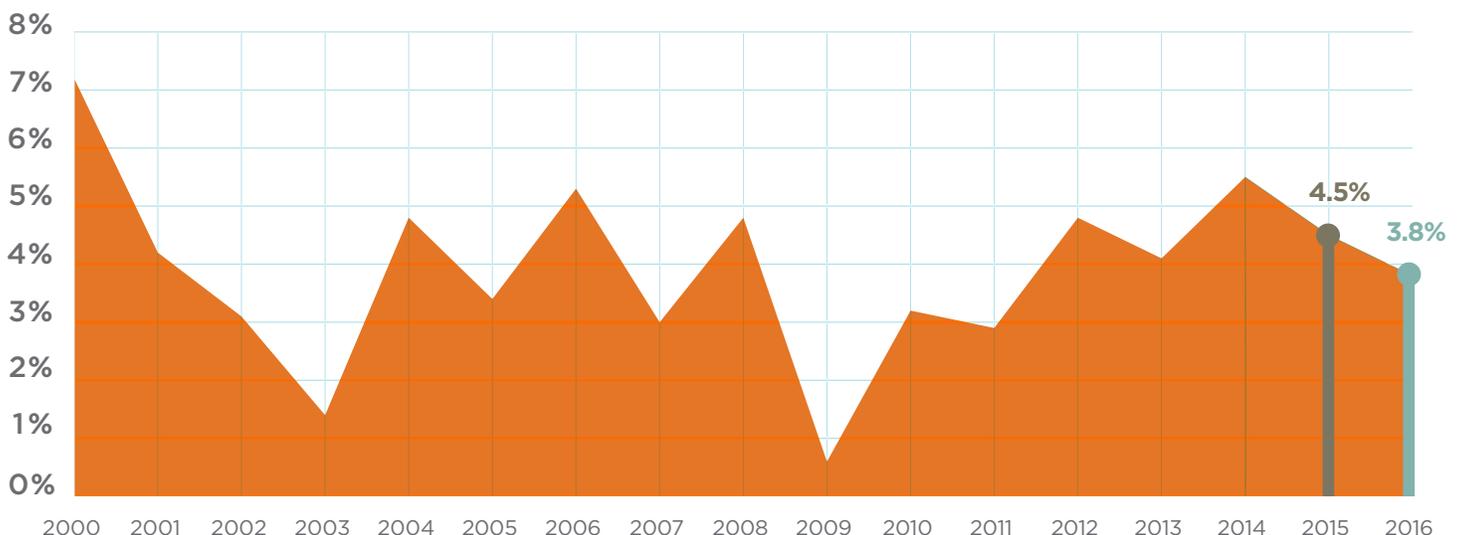
Basically what we’re seeing is slighter weaker growth in 2016.

## CANADIAN COMMERCIAL FOODSERVICE SALES

### Year-Over-Year Nominal Change

● PRELIMINARY ● FORECAST

SOURCE: Statistics Canada and Restaurants Canada



**THE FAST-CASUAL SEGMENT IS DRIVING GROWTH**

According to “The Race for Foodservice Dollars,” appearing in the November issue of F&H, sales are up at restaurants in Canada for both limited- and full-service segments, charting four percent growth overall in 2014—an improvement from 3.2 percent in 2013. The country’s Top 200 restaurant chains experienced a slightly higher sales growth rate of 4.4 percent last year.

Technomic’s “2014 Canadian Future of LSR Consumer Trend Report” shows fast-casual chains—which attract a younger demographic with its customizable, build-your-own fare with premium ingredients—are carving out an increasingly wider niche in the foodservice industry, charting 8.5 percent sales gains in 2014—more than any other segment. Specialty pizza, Mexican and burger chains led sales growth in the fast-casual segment.

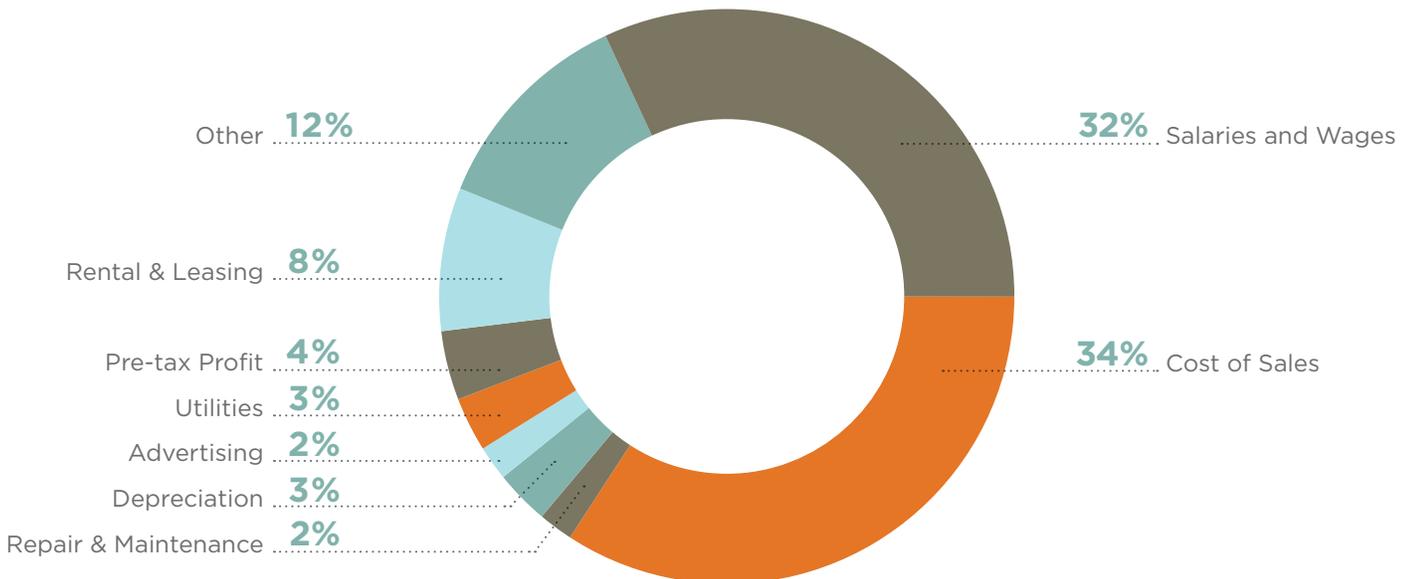
A major focus of the fast-casual segment is transparency. Technomic’s “2014 Canadian Healthy Eating Consumer Trend Report” shows that 53 percent of consumers say they would like restaurants to be more transparent about what’s in their menu items. This spring, Hero Certified Burgers announced that it partnered with Etobicoke, Ont.-based Beretta Farms to begin sourcing only premium 100-percent Canadian beef. Trendy and healthful bowl dishes are also helping this segment push forward, such as Cultures’ Pan-Asian Bowl, Teriyaki Experience’s Super Grains Veggie Bowl and The Chopped Leaf’s Greek Bowl. Technology and flexible-service format are also giving this segment momentum. While some chains are experimenting with food trucks, others are launching ordering and payment mobile apps.

The country’s top 200 restaurant chains experienced a slightly higher sales growth rate of 4.4 percent last year.

**FINANCIAL OPERATING RATIOS**

**As a Percentage of Operating Revenue**

SOURCE: Statistics Canada and Restaurants Canada



## OPERATORS ARE TURNING UP THE DIAL ON OVEN PURCHASES

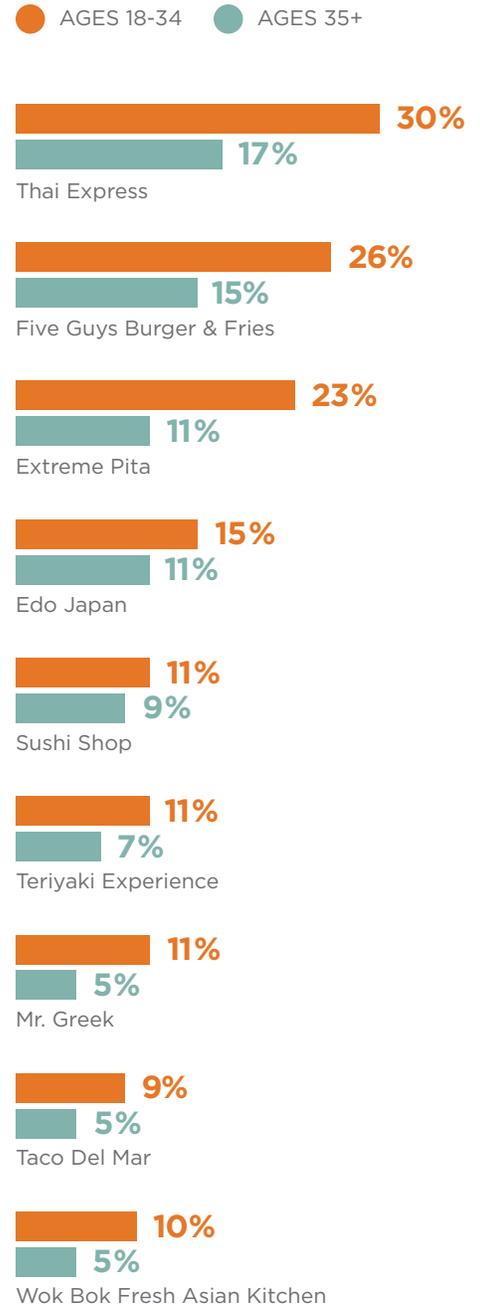
In the Canadian foodservice sector, quick-cooking ovens are experiencing a growing rate of adoption, according to F&H's "Equipment Trends Report" in the September issue. "With an entry point of about \$7,000, they're not a light investment. But you can get ones with catalytic converters so you can cook without a hood, eliminating the need to pay extra for a dedicated ventilation system," says Patrick Watt, principal, A Day in Life Foodservice Development, a foodservice consultancy in Saint John, N.B. Accessories such as panini presses, grills and pizza stones make them more versatile so smaller restaurants can expand their menu choices beyond just heating up sandwiches. As the popularity of artisanal pizzas continues to grow, wood-burning ovens continue to capture attention from operators, especially with the advent of smaller models.

Meanwhile, the most significant trend on the refrigeration front is the conversion to propane, Watt says. Other notable trends on the equipment side include mobile ventilation, energy-efficient and ergonomic warewashing equipment and charcoal grills.

When it comes to beverage dispensing equipment, the industry is seeing a shift back to automatic espresso machines, according to the "What's On Tap" story featured in the June issue of F&H. One of the principal drivers behind the return to automation is the fact that trained baristas are in short supply, and production demand is growing, especially in quick-service operations. "We're seeing places that need to deliver quality product fast," Daren Schwengler, president, SBS Food Service Equipment & Specialty Beverage Solutions, a Calgary-based beverage-dispensing system distributor explains. "In the U.S., McDonald's is launching the new Switzerland-produced Melitta Cafina CT8 that is so revolutionary it can measure the size of the coffee in the chamber, monitor water quality to alert operators when filters need changing and adjust the grinder to make sure it is always producing the perfect cup." Conventional brewers have heralded innovations as well. Schwengler reports that in-demand items on the tea front include hot-water dispensing towers, which can regulate temperatures based on the type of tea being brewed.

For more information contact Jackie Sloat-Spencer, Associate Editor, *Foodservice and Hospitality* magazine at [jsloat-spencer@kostuchmedia.com](mailto:jsloat-spencer@kostuchmedia.com) or call 416/447-0888, ext. 256

## CONSUMER VISITS TO Fast-Casual Chains



BASE: 907 consumers aged 18+ who visit fast-casual restaurants.

SOURCE: 2014 Canadian Future of LSR Consumer Trend Report, Technomic

## United States

Revised June 2015

SEGMENT	2015 Retail Sales Equivalent \$ BILLIONS	Nominal Growth 2015 (R)	Nominal Growth 2016 (F)
<b>TOTAL RESTAURANTS AND BARS</b>	<b>\$ 453.606</b>	<b>5.3%</b>	<b>5.0%</b>
Limited Service	\$ 251.639	5.2%	4.8%
Full Service	\$ 198.505	5.6%	5.2%
Bars and Taverns	\$ 3.461	4.0%	4.0%
<b>TOTAL BEYOND RESTAURANTS</b>	<b>\$ 231.549</b>	<b>4.8%</b>	<b>4.8%</b>
Retail Hosts	\$ 52.335	6.6%	6.7%
Travel & Leisure	\$ 59.227	6.9%	6.9%
Business & Industry	\$ 15.121	4.1%	3.8%
Education	\$ 35.187	2.8%	2.5%
Healthcare	\$ 26.107	5.2%	5.1%
All Other	\$ 43.573	1.8%	1.9%
<b>TOTAL FOODSERVICE</b>	<b>\$ 685.155</b>	<b>5.2%</b>	<b>4.9%</b>

SOURCE: Technomic, Inc.; ( ) = Decline. R = revised. F = forecast. Note: Nominal growth assumes menu price inflation rate of 3.0% for 2015 and 2.5% for 2016. Numbers may not add due to rounding. Forecasts and numbers subject to change. Data may not be comparable to previous editions of this chart due to redefinitions, resegmentation, and revisions. The data shown does not reflect the impact of changes in portion sizes and/or sales mix.

## Canada

Revised October 2015

SEGMENT	2015 Retail Sales Equivalent C\$ BILLIONS	Nominal Growth 2015 (R)	Nominal Growth 2016 (F)
<b>TOTAL RESTAURANTS AND BARS</b>	<b>\$ 50.866</b>	<b>4.0%</b>	<b>3.9%</b>
Limited Service	\$ 24.630	4.1%	4.0%
Full Service	\$ 24.200	3.9%	3.8%
Bars and Taverns	\$ 2.036	(0.4)%	(0.4)%
<b>TOTAL BEYOND RESTAURANTS</b>	<b>\$ 29.378</b>	<b>4.1%</b>	<b>4.6%</b>
Retail Hosts	\$ 6.050	3.7%	4.2%
Travel & Leisure	\$ 13.712	4.8%	5.2%
Business & Industry	\$ 2.155	5.0%	4.8%
Education	\$ 1.322	1.7%	2.2%
Healthcare	\$ 3.974	4.3%	5.1%
All Other	\$ 2.165	2.5%	2.3%
<b>TOTAL FOODSERVICE</b>	<b>\$ 80.243</b>	<b>4.0%</b>	<b>4.1%</b>

SOURCE: Technomic, Inc.; CRFA; Statistics Canada ( ) = Decline. R = revised. F = forecast. Note: Nominal growth assumes menu price inflation rate of 2.0% for 2014 and 2.8% for 2015. Numbers may not add due to rounding. Forecasts and numbers subject to change. Note: The data shown does not reflect the impact of changes in portion sizes and/or sales mix.

# 2016 PRICING TRENDS

By Kent Motes, CEO  
AutoQuotes

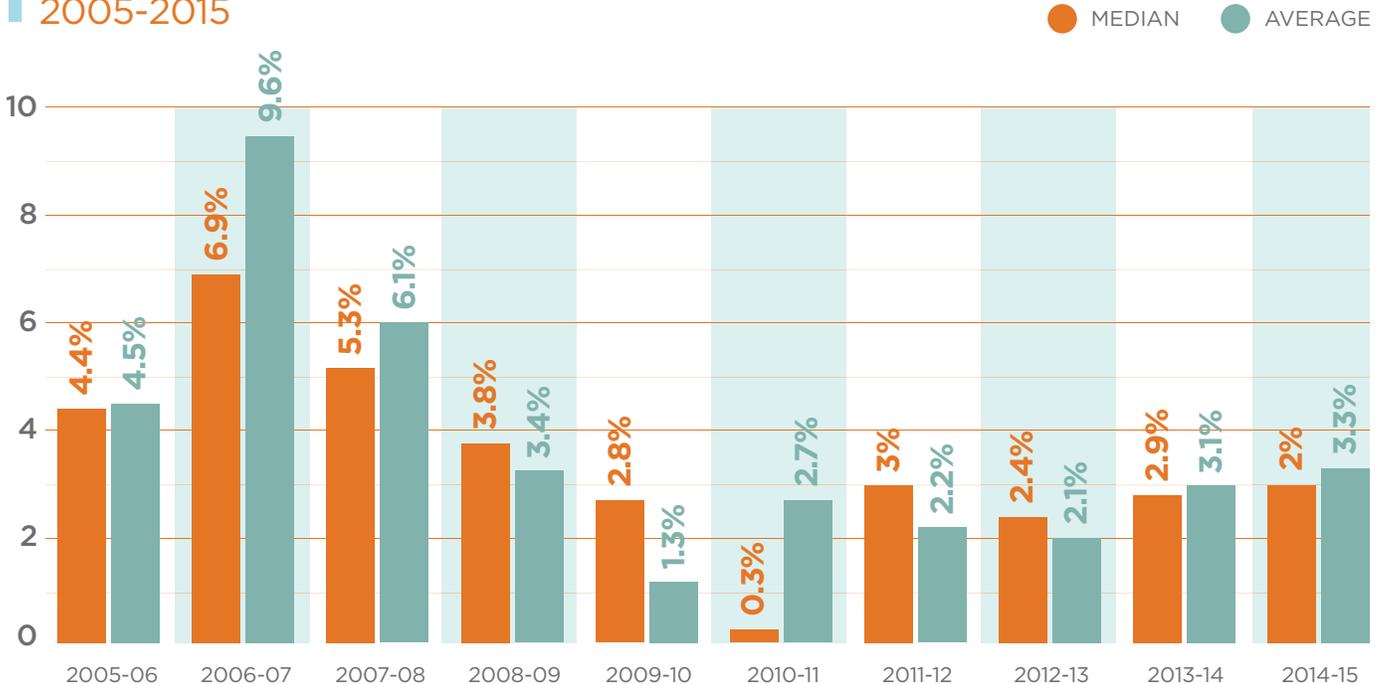
Price increase have been slightly more aggressive in the 12 months from June 2014 to July 2015. Average list prices increases were 3.3% versus 3.1% in the previous year. But the median increase (in the middle, with half above and half below) fell to 2.0% versus 2.9% in 2014. The number of manufacturers increasing prices in the first half of 2015 was slightly slower than that of the last 5 years, likely due to the decline in raw material prices. Many of the manufacturers planned increases before raw material prices started to drop during the second half of 2014.

We track the list price changes on 407,000 products from the 500+ manufacturers in the AutoQuotes database. Actual sell prices are lower than list price, but the methodology is that the percentage in list price predicts the increase in the street prices.

Fifty-four percent of the products had a price increase, three percent had a decrease, and 43% had zero change. For the past several years 20-40% utilized zero change models. There was no indication that any manufacturers aggressively increased prices. The trend was for typical annual incremental price increases.

There was no indication that any manufacturers aggressively increased prices.

## YEARLY PRICE INCREASE 2005-2015



List prices will continue to increase in 2016, but at a lower rate than 2015.

Price changes by category showed competitive trends. All the categories had increases, but most are within a 1-3% range. Cooking boosted average prices 4.7%, after 2.2% last year. Holding and heated cabinets were highest, with a 6% boost after 2.6% increases in 2014. At the low end, ventilation, coffee equipment, warewashing, and shelving had increases under 2%. Only tabletop, with a 4.5% increase, shows a more aggressive trend in 2014 and in the past years, possibly because raw materials costs impact tabletop models more than in the other categories.

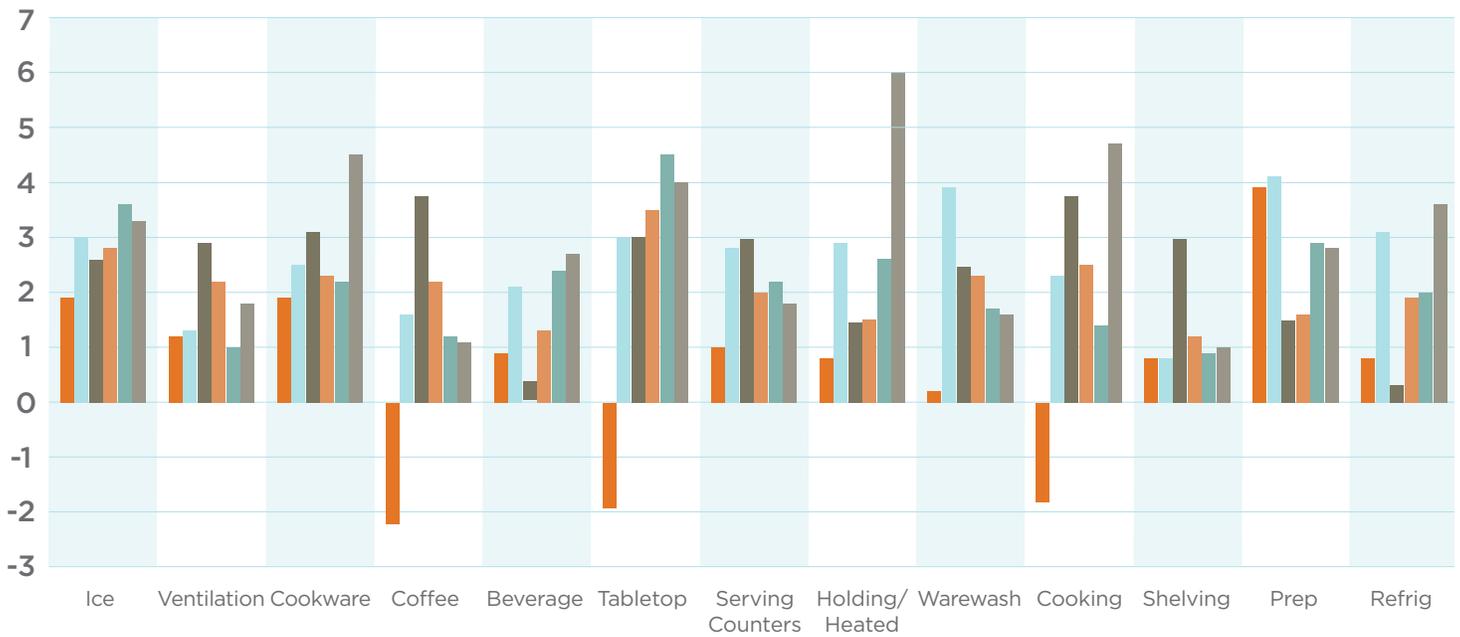
Material prices remain near rock bottom. Raw material costs represent 20-30% of the cost of equipment, so manufacturers will benefit with higher margins. List prices will continue to increase in 2016, but at a lower rate than 2015.

For more information, please contact Kent Motes, CEO at [kmotes@aqnet.com](mailto:kmotes@aqnet.com) or visit [www.aqnet.com](http://www.aqnet.com).

## YEARLY PRICE CHANGES BY CATEGORY

### 2009-2015

● 2009-10 ● 2010-11 ● 2011-12 ● 2012-13 ● 2013-14 ● 2014-15



2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1.9	1.2	1.9	-2.2	0.9	-1.9
3.0	1.3	2.5	1.6	2.1	3.0
2.6	2.9	3.1	3.7	0.4	2.9
2.8	2.2	2.3	2.2	1.3	3.5
3.6	1.0	2.2	1.2	2.4	4.5
3.3	1.8	4.5	1.1	2.7	4

# 2016 COMMERCIAL FOODSERVICE MARKET FORECAST REPORT

## THANK YOU

MAFSI Reps have their fingertips on the pulse of the markets they serve, giving them an inside look at regional and national sales trends. Our Commercial Foodservice Market Forecast would not be possible without you; the dedicated members of MAFSI. Many thanks to the 152 firms below for making our 2016 forecast possible.

Adams Marketing & Sales	e-Qwip	Mirkovich & Associates, Inc.	stage KOLSTAD associates, Inc.
Advanced Culinary Systems	E-Source, Inc.	monobloc LLC	Stiefel Associates, Inc.
Advantage Marketing Group	Ettinger-Rosini & Associates, Inc.	Nick Mavro & Associates, LLC	TD Marketing Company, Inc.
Agences Hamilton Agencies	Finn Marketing Group	Nordon, Inc.	Tepper & Associates, Inc.
Apex Marketing	Florida Agents, Inc.	North Star Agency, LLC	The 2Market Group, Inc.
Applied Systems Marketing	Florida REPS, Inc.	ONE SOURCE	The Daly & DeRoma Group, Inc.
ARB Sales and Marketing	Food Equipment Sales &	Paglio & Associates, Inc.	The Fischer Group
B Square Enterprises	Marketing Agents, Inc. (FESMA)	PB & J Commercial Agents	The Hansen Group
Barringer High Country	Food Service Systems	PCH Reps	The Redstone Group
Marketing, Inc.	Gabriel Group, Inc.	Pecinka Ferri Associates	The Wallin Group, Inc.
Bauer Marketing Group, Inc.	George Davis & Associates	Performance Food Equipment	The YES Group
Bethco Agencies Ltd.	Gibbs & Associates, Inc.	Group, Inc.	Thormann Associates
Bob Waite & Associates	GMV Sales	Performance Reps Northwest, Inc.	TLC Marketing Inc.
Bowerman Marketing Group	Griffin Marketing Group, Inc.	Permul Ltd.	Total Tabletop Plus
Brittan Associates	Hanna-Young & Assoc., Inc.	Posternak Bauer Aitkenhead	Tri-State Marketing Associates
BWA Reps, Inc.	Hatch Jennings, Inc.	Cantamessa	Vader & Landgraf, Inc.
C. R. Peterson Associates, Inc.	Heartland Reps, LLC	Preferred Marketing Group	Velkey & Associates
Carman-Girard Associates	High Sabatino Associates	Premier Marketing Group, Inc.	Viola Group
Celco Inc.	Hollander Company	Pro/Line Marketing, Inc.	Voeller & Associates, Inc.
Chernoff Sales, Inc.	Hospitality Reps Inc.	Professional Manufacturers	W. D. Colledge Co., Ltd.
Chesher Equipment, Ltd.	HRI, Inc.	Representatives, Inc. (PMR)	Walter Zebrowski Associates
Claes & Greenoe Marketing Group	Integra Marketing, Inc.	Professional Reps	WB Marketing LLC
Clark, Malone & Associates, Inc.	Jackson And Associates, Inc.	Pro-Pacific Agents, Inc.	West Coast Food Service
Clements-Stella-Gallagher	Johnson Commercial Agents	Pro-Quip Foodservice	Marketing
Marketing	Johnson Pike & Associates, Inc.	Equipment & Supplies	Wiczek Marketing Inc.
CLV Marketing	Kaufmann & Associates	R. Henry & Associates	William Horn & Associates
Collis Group, Inc.	KBC Specialty Products, Inc.	R.Z. Marketing Group	Woolsey & Associates, Inc.
Commercial Kitchen Reps, Inc.	Kelly-Mincks	Raleigh W. Johnson & Company	Wyllie Marketing
Copperfield Agencies Limited	Ken W. Thomson Associates Ltd.	Redco Foodservice	Young Block Associates
Courtney Marketing, Inc.	Kitchen Resource Group	Equipment, LLC	Young Equipment Solutions, Inc.
Cowan Associates	KLH Marketing, Inc.	Remagen Inc.	Zink Foodservice
D.L.T. Sales, Inc.	Koehler-Borden & Associates, Inc.	Rep Concepts LLC	
Dady & McCoy Sales	Lehr McKeown Marketing, Inc.	s3 hospitality	
Dana Coastal Sales Marketing, Inc.	Link2 Hospitality Solutions	Schmid-Dewland Associates	
Desert Peak Marketing	Lund-Iorio, Inc.	Shamrock Foodservice	
DRC Marketing Group	MAC Sales & Marketing LTD.	Equipment Reps. Inc	
Dynamic Equipment Solutions	Main Street Marketing	Sharkey & Associates	
E J Reps, Inc.	Marjon & Associates, Inc.	South Eastern Manufacturers'	
E. Ruff & Associates, Inc.	Marketing Agents South, Inc.	Agents, Inc. (SEMA)	
E3 Commercial Kitchen Solutions	Mason & Elmore Sales	Southwest Foodservice	
EasyBar of Minnesota, Inc.	McGirr, Inc.	Equipment Marketing	
Eaton Marketing Associates, Inc.	Megcour Foodservice Inc.	Specialized Marketing	
Elite Foodservice Solutions	Midwest Professional Reps, Inc.	of Wisconsin	
Equipment Preference, Inc. (E.P.I.)	Miller & Associates	Specialty Equipment Sales	
Equipment Solutions, Inc.	Mirkovich & Associates, Inc.	Company (SESCO)	