

Diners taking care of their bills

As belt-tightening hits restaurants, industry fears effect of possible clampdown on lending

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More than half of Ontario consumers say they're dining at home more often to cut down on discretionary expenses, according to a survey done for the province's second-largest supermarket chain.

At least one restaurateur is predicting Canada's banks could start clamping down on their lending practices to the industry.

The food retailer, Metro Inc., which owns the Dominion and A&P chains, said it has seen the impact in higher sales of prepared meals in its stores. The grocer released the study this week as part of a rebranding exercise that will see the stores renamed Metro.

The study, conducted by Ipsos Reid, found 60 per cent of Ontario consumers say they're eating at home more often due to higher gas prices and the recent economic slowdown.

A slightly higher number, 72 per cent, said they've cut out restaurant meals to reduce expenses without specifying why.

"There could be other reasons they're dining in more often," said Sean Simpson, Ipsos Reid manager of research for public affairs.

Canada's restaurateurs say they're watching the market closely and are braced for a potential slowdown in the second half of this year.

"Typically, we're very susceptible

to economic slowdowns and any declines in personal disposable income. If consumers start tightening their belts we're one of the first industries to feel that," said Jill Holroyd, a vice-president with the Canadian Restaurant and Foodservices Association.

And at least one restaurant operator said he wouldn't be surprised to see Canada's banks start requiring potential franchisees to have a higher net worth, in light of the credit crisis south of the border.

"The banks certainly are going to tighten up their requirements in terms of lending criteria," said Grant Cobb, senior vice-president of Casey's and pubs division for Prime Restaurants of Canada Inc.

"There's no question we (the industry in general) have had a downturn this year," Cobb said. "Obviously, that 20 or 30 bucks of discretionary income out of everyone's pocket on a daily basis has impacted the restaurant business and small retail as well."

6 There's no question we (the industry) have had a downturn this year

GRANT COBB, PRIME RESTAURANTS OF CANADA INC.

The pubs division, which includes Fionn MacCool's and D'Arcy McGee's, is about to embark on a major expansion program after two years of banner sales, Cobb said.

A lot of the growth will come from a new, smaller "pint-sized" Irish pub format that cuts the cost for potential franchisees by as much as half, Cobb said.

Across Canada, restaurant sales were holding up as of the end of June, said Holroyd, citing data supplied by Statistics Canada. Sales to the end of June were \$4 billion, down slightly from May, but up a robust 5.6 per cent over the year-earlier period, according to the federal agency.

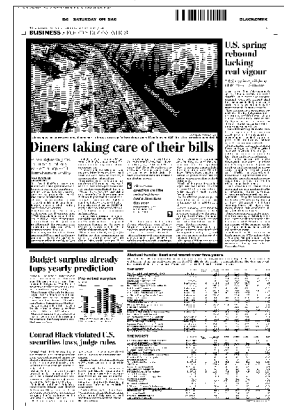
Much of that growth was due to higher average checks, rather than increased traffic, a separate study by the market research firm NPD Group found.

Menu inflation grew 2.5 per cent during the period as food, labour and energy costs rose, Holroyd noted.

Across Canada, restaurant sales grew faster in western Canada than in central Canada or the east, according to Statistics Canada. As well, sales at fast-food restaurants rose faster than full-service dining rooms, the data showed.

However, Holroyd said the regional and segmented data isn't fully comparable with prior years because of changes in the way it was collected this year.

The Ipsos Reid survey was conducted Aug. 22 to 26 and is based on the responses of 1,081 individuals.



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Cash-strapped consumers are eating at home more often, says a survey for Metro Inc., owner of Dominion and A&P stores that are to be renamed Metro. RICK MADONIK/TORONTO STAR\