1. EXECUTIVE SUMMARY

The restaurant industry in Canada consists of about 57,000 restaurants that generate nearly $20 billion in receipts and employ over 465,000 Canadians. While the industry is large, it is not particularly profitable for many operators—the average profit before tax is just 5 per cent.

It is not clear how many of these restaurants are smoke-free. However, what is clear is that there is an increasing focus on protecting employees and patrons of these establishments from the harmful effects of environmental tobacco smoke (ETS).

Across Canada, municipalities have widely varying limitations on smoking in restaurants. Yet, recent decisions by the cities of Vancouver and Vaughan, Ontario, to implement by-laws that ban smoking in restaurants are evidence of the trend to reduce exposure to ETS.

The restaurant industry is not unified in its response to such by-laws. While some restaurants have called for a total ban on smoking in restaurants, others want the marketplace to decide how many smoke-free restaurants there should be. Much of the industry's concern about smoking restrictions is based on the fear that it will lead to a loss in sales. This study was commissioned not only to examine the evidence in this regard, but also to gather both quantitative and qualitative information on the costs and benefits of going smoke-free.

While some studies have been conducted in the United States, no such studies have been conducted in Canada to date. Because of the lack of Canadian-based information on the impact of smoking restrictions on businesses and to respond to a need for quantifying the costs and benefits of smoking restrictions, The Conference Board of Canada was commissioned to examine the economics of going smoke-free. The focus of the study was on four of the five major commercial sectors of the food service industry: quick-service restaurants, family-style restaurants, casual/informal restaurants and fine dining establishments. The fifth sector, bars and pubs, was not included in this study. Instead the focus was on those restaurants that predominantly cater to families and children.

The study consists of case studies of 16 restaurants that adopted a smoke-free policy. Of the 16 restaurants, 15 voluntarily made the decision to go smoke-free. One restaurant went smoke-free when the mall the restaurant was located in decided to go smoke-free. The most common type of restaurant in the case studies was unlicensed quick-service style.

A validation survey of another 50 converted restaurants was conducted to determine whether their experience was similar to that of the case study restaurants. Of these 50 restaurants, 35 voluntarily adopted the smoke-free policy and 15 went smoke-free due to either a building or corporate decision. The most common type of restaurant in the validation survey was unlicensed quick-service style.

In most cases, there was consistency between the results in the case studies and the validation survey. The study used a type of cost–methodology whereby a restaurant conversion to smoke-free status is deemed successful if the perceived overall benefits outweigh the costs and unsuccessful if the perceived costs outweigh the benefits.

The case studies and the validation survey do not support the fear that going smoke-free would be detrimental overall for business. About 80 per cent of the case study and validation survey restaurants experienced a successful conversion. About 74 per cent of the case study restaurants and over half of the validation survey restaurants did not experience an adverse impact on sales. Most of those reporting sales declines indicated that other

benefits—increased customer and employee satisfaction, attracting a new customer base—resulted in the restaurants being pleased overall with their decision to go smoke-free.

While most restaurants examined in this study were successful after converting to a smoke-free status, not all restaurants made the transition easily. Of the 16 case study restaurants, three subsequently converted back to allow smoking. While none of the validation survey restaurants have converted back, five have suffered a significant drop in sales with no compensating increase in customer or employee satisfaction. Each experience was quite different and it is difficult to make any general conclusions about which type of restaurant is more likely to experience a successful or unsuccessful conversion.

Restaurants did not adopt a smoke-free policy because they felt that operating costs would be dramatically reduced or that they would be able to significantly increase their market share. Indeed, the evidence in this study suggests that while some restaurants experienced a decrease in maintenance costs, overall operating costs do not decline by any significant degree. In addition, while the customer base changed for most restaurants, none of them noted a striking increase in their overall clientele. For the majority of restaurants in this study, the decision to go smoke-free was based on other reasons—mainly related to the health of employees and customers, and to respond to customer demands for smoke-free establishments.

The conversions had the desired effect. Employee reaction to the smoke-free policy was favourable and the majority of restaurants reporting on customer satisfaction with the new policy indicated that it was favourable as well. With a few notable exceptions, the experience of going smoke-free was a positive one for the majority of restaurants examined in this study.