



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

The Changing Consumer Environment for Foodservice - Restaurants

by

Melissa Harris Blaine
Education Director
New Mexico Restaurant Association

Good Afternoon. The New Mexico Restaurant Association is pleased to have this opportunity to share with you some views on the restaurant industry, with a focus on consumer impact.

My remarks are organized as follows:

- First, I will examine the current state of the foodservice industry, provide some details on restaurant sales and look at what the major trends are in eating out behavior.
- Next, I will focus on the consumer to determine which items are being ordered.
- Then, I will quickly look at the increasingly important role that health and nutrition are playing in the restaurant industry.
- Finally, I will offer a unique futuristic glimpse at what the foodservice industry will be like in the year 2000.

First, let's look at the current state of the restaurant industry.

Industry Overview

According to the National Restaurant Association's annual economic forecast, the foodservice industry is experiencing its ninth consecutive year of real growth in 1989. Total industry sales are expected to reach 227.5 billion, with this consecutive growth offering considerable opportunities.

Here are a few interesting facts:

- Foodservice sales this year will equal nearly 5 percent of the U.S. Gross National Product.
- There are some 626,000 foodservice operations in the United States.
- More than 8 million people work in the foodservice industry.
- More than 41 cents of the consumer's food dollar goes to meals and snacks away from home, up from 25 cents in 1987.
- The typical individual eats out an average of 3.7 time a week, or 192 times a year.

So, I need not remind you that eating out is more popular than ever. But, where are our consumers actually eating?

Fast food restaurants are continuing to outpace the industry average for growth, with 1988 sales forecast to exceed \$60 billion. Sales at full-service restaurants will exceed \$70 billion this year, but growth here will be below the industry as a whole. The restaurant sales at lodging establishments (which include hotel restaurants, motor restaurants, and motor hotel restaurants) will reach \$13.3 billion, up \$1 billion from last year. Transportation foodservice sales (which include sales on airlines, passenger/cargo lines and railroads) this year are expected to exceed \$2 billion.

Now let's examine what is affecting consumers' dining out patterns.

Consumer Lifestyle & Demographics

Changes in consumer demographics and lifestyles are distinctly altering eating out behavior. Here are some examples:

Household Composition

Changes in the structure of family households will continue to influence the industry. Last year marked the first time since 1970 that the number of persons living alone did not increase. The number of single-parent households is also increasing. Convenience is a top priority of these single parents, and the growth of these households should help to continue to drive the expansion of fast food and take out markets.

In addition, married-couple households with no children under the age of 18 are becoming more common. In a majority of these households, both spouses work, leaving them little time to prepare home cooked meals.

Growing Importance of the Home

A host of activities that have traditionally occurred in commercial settings are now being undertaken in the home. Technological advances have made it possible to watch movies, shop and even work at home. The expansion of takeout services is making restaurant meals more readily available to consumers who want to eat at home.

Consumers are looking for more variety in takeout foods, even welcoming full-course meals and gourmet takeouts. Delivery systems for groups of independent table service restaurants have sprung up in several metropolitan areas. In addition, as consumers choose to do more at-home entertaining, the demand for catering will likely increase. As the same time, convenience stores, grocery stores and gas stations have added more extensive lines of takeout foods to respond to consumer demand for convenience.

Nutrition and Health

Consumer interest in nutrition is increasing. Americans have become more concerned about the nutritional content of foods they eat and say they are restricting their intake of foods high in fat, cholesterol, sugars, and salt. In coming years consumer interest will focus on discoveries about fats, cholesterol, fiber and alcohol. In addition, the proliferation of wellness centers around the country will have a greater effect on consumers' food choices.

- Six out of ten consumers have changed their dining habits in response to health and nutrition concerns.

Immigration

Immigration to the United States has out-distanced the pace set during either of the past two decades. This influx will continue to influence American tastes, attitudes and behavior. Within the foodservice environment, this is already evident in the growing popularity of Asian and Latin cuisines. In addition, some companies, especially those operating in areas with a high concentration of Hispanics and/or Asians, such as California, New Mexico and New York, have begun to target research and advertising toward these groups.

Mature Americans

The number of Americans over the age of 55 will continue to increase during the coming decade. Today's older consumers differ markedly from previous generations. They are healthier, more active and enjoy relatively high standards of living. They like to travel and engage in a variety of other social and leisure activities, including dining out, and they allocate a larger proportion of their total food budget to restaurant meals and snacks. Operators in all foodservice segments are being challenged to meet the unique dining needs of older consumers.

Children

The NRA shows that children play an important role in dining-out decision making. Since the number of children under the age of 13 is projected to grow to 48 million by 1990, restaurateurs are turning their attention to this growing market. Children are also playing a significant role in the expansion of the takeout market.

Food and Beverage

While menus continue to evolve, changes now seem to be coming at a less fevered pace. More attention is being given to the effect of long-term trends--such as interest in healthful foods, ethnic cuisines and convenience--and less to short-lived fads. The key focus seems to be to provide consumers with a varied selection of quality items.

Poultry consumption has risen steadily, with chefs creating a host of new selections. Concerns over cholesterol and fat have led consumers to decrease their consumption of beef,

and operators have responded to these shifts in demand by offering alternative menu items. Seafood restaurants have benefited from this trend, and the introduction of ethnic, regional and cross-cultural cuisines that rely heavily on seafood is strengthening the position of seafood on menus.

Ethnic and regional American cuisines continue to become more prevalent across all segments of the industry. Because ethnic cuisines emphasize creating a unique balance of flavors, chefs are using herbs, spices and new preparation techniques more than ever before.

Takeout

This is definitely one of the hot areas in the industry today. There is a positive increase in traffic for the restaurant industry over the past five year period. Last year restaurant traffic was up 3.5 percent.

Consumers are responding positively to the expansion of takeout options with takeout representing one of the biggest opportunity areas in all segments of the industry. Research indicates that children under the age of 18 and adults age 25 to 34 are the most frequent consumers of takeout. In addition, consumers are using drive-thru and delivery carry-out more than ever before in their pursuit of convenience.

Advertising and Promotion

Foodservice operations are placing more emphasis on advertising and promotions due to increased competition among businesses. While word-of-mouth continues to be the most important way consumers find out about restaurants, television advertising has become an important factor for large restaurant chains.

Convenience and Grocery Stores

Grocery Stores are upgrading and expanding their foodservice offerings, while more convenience stores are targeting foodservice as a growth vehicle. Consequently, takeout has become a growth area for grocery and convenience stores.

Health and Nutrition

Now I will spend a few minutes on a topic which I mentioned earlier--consumer interest in health and nutrition. Various surveys have suggested that consumers are increasingly aware of and concerned about food, nutrition and health issues. Nutrition awareness not only exists in

at-home situations, but also extends to eating out situations, although to a slightly less degree.

The results of two Gallup surveys conducted for the National Restaurant Association in August 1983 and March 1986 show a sustained interest in health and nutrition. Six out of ten consumers reported that they had changed their eating habits at home both in 1983 and 1986, and four out of ten reported changes in their away-from-home eating habits in both surveys.

The Gallup results also provide information on exactly what changes consumers have made in their eating-out choices. Respondents were asked what major changes they had made when they eat at a restaurant or other eatery. Adults now report making an effort to eat more vegetables (26% vs. 18%), eat less fats (20% vs. 16%), eat less meat (17% vs. 12%) and avoid fried foods (15% vs. 10%). Consumers also continue to use less salt and sugar, order more salads and eat more fish.

Foodservice and the Year 2000

Finally, I would like to share with you some research on the foodservice industry in the year 2000. In an effort to assist restaurants with long-term planning, the National Restaurant Association early this year embarked on an unique futuristic study of the foodservice industry at the turn of the century.

Our research approach, called the Delphi method, used a panel of industry experts to identify and analyze issues by subjective judgement. This panel included our NRA Board of Directors, plus a variety of other foodservice experts.

Of particular interest to this audience will be the following findings:

International Developments

According to this report, the most likely development concerning the international arena will be a greater influx of foreign tourists visiting the United States. Chains will continue their expansion into foreign markets, with China, Russia and the Asian Basin countries as potential growth markets. Joint operating ventures among U.S. and foreign foodservice operations will become more common. Also many international foods could become more accepted domestically.

Menus

Look for more fish, poultry, and wholesome fresh natural foods. Foodservice offerings at the turn of the century will likely be lower in fat, cholesterol and salt.

Regarding the future of meat, poultry and fish consumption in the United States, the U.S. Department of Agriculture forecasts that the seafood and poultry share of total per capita consumption will continue to rise in the 21st century.

In Conclusion

I would like to thank you all again for the opportunity to make this presentation. I wish you all continued success with your research. Your efforts will certainly help the foodservice industry to grow and meet the ever demanding needs of the consumer.

For Further Assistance Contact:

The New Mexico Restaurant Association
2130 San Mateo, NE, Suite C
Albuquerque, New Mexico 87110

(505)268-2474

Toll Free (instate only) 1-800-432-0740

References

- National Restaurant Association, "Consumer Concerns When Eating Out," *Food Product Information*, Current Issues Report, September 1986, pp. 12-14.
- National Restaurant Association, "Food, Menus and Marketing 2000," *Foodservice Industry 2000*, Current Issues Report, September 1988, pp. 12-13.
- National Restaurant Association, "Food & Nutrition 2000," *Foodservice Industry 2000*, Current Issues Report, September 1988, pp. 14-16.
- National Restaurant Association, "Consumers 2000," *Foodservice Industry 2000*, Current Issues Report, September 1988, pp. 21-25.
- National Restaurant Association, *Nutrition and Foodservice*, Current Issues Report, August 1983, pp. 1-12.
- National Restaurant Association, "Consumers in 1990," *The Restaurant Industry in 1990*, Current Issues Report, 1988, pp. 6-7.
- National Restaurant Association, *Foodservice Industry Forecast*, 1988.
- National Restaurant Association, *Operations Report*, 1989, pp. 6-14, 44-45, 74-75, 102-103, 111.