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Foreign Investments in U.S. Commercial Food Service

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At least \$2.7 billion of the over \$93 billion in U.S. commercial food service sales last year were made by 58 firms affiliated—in one form or another—with foreign investors.

Sales for the U.S. commercial food service industry, which includes food contractors, eating and drinking places, hotel and

motel restaurants, recreation and sports centers, caterers, and vending retailers, reached nearly \$94 billion in 1980. Of the 58 foreign-affiliated firms, sales data through annual reports and industry estimates were available for only 34. These 34 accounted for \$2.7 billion, or 2.8 percent of the industry total. The remaining 24 firms were pri-

vately owned, franchises, or divisions of companies for which separate sales figures are not reported.

Foreign investors' involvement in U.S. corporate structures range from complete ownership to joint ventures and franchising all or some units. Twenty-eight foreign firms own their U.S. affiliates outright, while nine

Foreign Investments in Multi-Unit Food Service Operations in the U.S., 1980

Foreign Investor	Name	Date of major investment or acquisition	U.S. Company		Annual sales and revenues 1980 dollars ²	Share of total U.S. commercial food service sales ³
			Extent of foreign investment ¹	Stores ¹		
			Percent	Number		
Imperial Group, Ltd., UK	Howard Johnson	1980	100	525	491 ⁶	.52
Hanson Trust, Ltd., UK	Interstate United Corp.	1977	100	800	350 ⁵	.37
Trust Houses-Forte, Ltd., UK	Hobo Joe's	1971	100	100	55 ⁵	.06
	Colony Kitchens	1978	80			
	Trust-Forte Food Service, Inc.		100			
Empire International Restaurant, Ltd., UK	Richoux	1979	100	2	35 ⁵	.04
Unilever, Ltd., UK	Lawry Restaurant	1975	95	2	3 ⁶	.003
United Biscuits, Ltd., UK	Ruggles	1978	100	2	3 ⁶	.003
J. Lyon & Co., Ltd., UK	Baskin-Robbins, Inc. ⁴	1973	1	2,300	4	NA ⁴
Imasco, Ltd., Canada	Hardee's Food Systems, Inc.	1976	100	1,287	300 ⁶	.32
Scott's Restaurant Co., Ltd. Canada	Scott's Family Restaurant, Inc.	1975	100	40	56 ⁶	.06
Prime Food Systems, Ltd. Canada	Hy's of Canada	1971	100	4	22 ⁶	.02
	Hy's of Hawaii		80			
	Kobe Steak (Calif.)		80			
	Kobe Steak (Hawaii)		66			
Keg Restaurants, Ltd., Canada	Keg Restaurant, Inc.	1980	100	6	8.5	.009
Mother's Pizza Parlor and Spaghetti House, Ltd., Canada	Mother's Pizza Parlor	1977	50	6	7.2	.008
Cara Operations, Ltd. Canada	Cara Flight Kitchen	1979	100	1	7 ⁶	.007
	Swiss Chalet	1980	100	3		
Champs Food Systems, Canada	Mother Tucker's	1980	100	5	7 ⁶	.007
Mr. Greenjeans, Canada	Mr. Greenjeans	1980	100	3	6 ⁶	.006
Mr. Submarine, Ltd., Canada	Mr. Submarine ⁴	1976	1	4	6 ⁴	.006
Old Spaghetti Factory, Canada	Old Spaghetti Factory	1976	50	4	6	.006
Swiss Chalet Bar-B-Q, Canada	Swiss Chalet Bar-B-Q ⁴	1979	1	4	6 ^{4 6}	.006
Country Style Donuts, Canada	Country Style Donuts ⁴	1979	1	5	5 ^{4 6}	.005
Mike's Submarine, Canada	Mike's Submarine	1979	100	4	4 ⁶	.004
Smitty's Pancake House, Canada	Smitty's Pancake House ⁴	1979	1	3	2.4 ^{4 6}	.003
St. Hubert, Ltd.	St. Hubert's Roasted Chicken	1979	100	1	2 ⁶	.002
Multi Restaurants, Inc. Canada	Les Rotisseries	1978	100	1	1.7 ⁶	.002

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			Extent of foreign investment ¹	Stores ¹		
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Grandma Lee's, Canada	Grandma Lee's ⁴	1980	1	3	NA ^{4 7}	NA ^{4 7}
Gold Tex Foods, Ltd., Canada	Tiffany's Bakeries, Inc. ⁴	1971	1	200	NA ^{4 7}	NA ^{4 7}
	Dipper Dan ⁴	1980	1	100		
Friederick Frick Industrial Holdings Co. West Germany	W. R. Grace Restaurant Group: Grace Restaurant Co. New American Restaurant Co. Jojo; Del Taco (W. R. Grace)	1976	31	550	600 ⁶	.64
Wienerwald Holdings, AG Switzerland	Wienerwald	1974	100	837	390 ^{4 5}	.42
	Lums ⁴	1978	1			
	IHOP	1979	51			
	Ranch House					
	Love's					
	Copper Penny					
Nestlé Alimentana, SA Switzerland	Stouffer Corp. Rusty Scuppers Jacques Borel Group	1973	100	230	172 ⁵	.18
Movenpick Enterprises, Ltd. Switzerland	Movenpick, Inc.	1980	100	2	2.5 ⁶	.003
Sodexho, SA, France	Ancorp	1978	100	7	67 ⁵	.07
Les Grand Moulins de Paris, France	Vie de France	1979	60	9	11 ⁶	.01
Ettablissement Economiques du Casino, France	Caf' Casino	1977	100	5	7.5 ⁶	.008
Frere Jacques Restaurant Co., Inc., France	La Vie en Rose	1977	100	4	5.5 ⁶	.006
	Casa di Pompei					
Hiroak' Aoki, Inc. (Rocky Aoki, Inc.), Japan	Benihana of Tokyo	1964	100	45	61.6 ⁵	.07
	Oriental Xpress	1980	50	2		
Sugano, Ltd., Japan	Gourmet Sandwich Shops	1979	100	6	15 ⁵	.02
Yoshinoya, Ltd., Japan	Beef Bowl	1975	100	10	14 ⁵	.02
Mitsukoshi, Ltd., Japan	Mitsukoshi	1979	100	1	2.5 ⁶	.003
Hokkoku Shoji Co., Ltd., Japan	Dosanko Restaurant	1974	100	7	NA ⁷	NA ⁷
Japan Airlines, Japan	Ginza Berkey Restaurant	1977	100	2	NA ⁷	NA ⁷
Tokyo Boeki, Ltd., Japan	Tokyo Boeki Restaurant	1978	100	7	NA ⁷	NA ⁷
	Yae Japanese Steakhouse					
Government of the People's Republic of China, China	Sichuan Pavilion	1980	50	1	NA ⁷	NA ⁷
Government of Hungary, Hungary	Hungar Restaurant	1978	100	1	NA ⁷	NA ⁷
UP Hotels, Ltd., India	Gaylord's Indian	1974	100	2	NA ⁷	NA ⁷
Shezan, Inc., Pakistan	Shazan Restaurant ⁴	1978	4	2	NA ⁷	NA ⁷

¹Includes direct/indirect holdings; foreign investor owns corporate name and may operate some units.

²Annual sales-industry estimates may not reflect foreign investors' total sales of other operations.

³\$93.6 billion preliminary commercial foodservice sales-1980.

⁴Foreign investor licenses name-parent corporation sales not available.

⁵Total US sales-industry estimates.

⁶U.S. restaurant sales-industry estimates.

⁷Not available.

Sources: *Nation's Restaurant News*; *Service World International*; *Restaurant Business*; *Restaurants/Institutions*; National Restaurant Association; International Franchise Association; Industry sources.

others own at least a 50-percent interest of U.S. affiliates. Eight foreign firms were franchisors that licensed their name and products to independent franchisees who are subject to franchisors' standards and controls which relate to menu, product quality, service, and sanitation. Eleven foreign companies had both licensed and company-owned operations.

Source Countries

With 18 firms, Canada is the leading source country for foreign investment in terms of number, but it trails the United Kingdom in sales volume. The 18 Canadian

companies have direct or franchisor interest in 20 American affiliates with \$447 million of sales accounting for 16.5 percent of total food service sales by foreign-affiliated firms. The United Kingdom, with 7 parent firms, is the second largest source country by number of firms but accounts for a disproportionately large 33.6 percent of all foreign-affiliated food service sales (\$905 million). Japan also has 7 parent firms, but accounts for only 3.4 percent of foreign food service sales. Although West Germany has interest in only one major food service company, W. R. Grace, it accounts for about 22 percent of food service sales by foreign affili-

ated firms. The People's Republic of China, Hungary, India, and Pakistan also have one operation each, but sales data are not available. The expected acquisition of Victoria Station stock by American Values N.V. will mark the first entry into the U.S. food service industry by a firm incorporated in the Netherlands Antilles.

Industry Characteristics

The first significant foreign investment in the U.S. commercial food service sector began with Benihana of Tokyo (a Japanese-style steakhouse) in 1964. By 1975, 11 foreign owned firms or franchises operated in the industry, and as of December 1980, the number of foreign firms had grown to 44 with franchisor or other type of proprietary interest in 48 U.S. operations.

Foreign investment into the U.S. food service industry has generally occurred through horizontal market extension by other food service firms, rather than through conglomerate mergers. Some notable exceptions include Frick Industrial Holding Company (a West German heavy industry conglomerate), Nestle' Alimantana of Switzerland (primarily a food manufacturing conglomerate), Sodexho (a worldwide hotel company based in France), and the Governments of The People's Republic of China and Hungary.

The 58 U.S. affiliates of foreign firms vary widely in sales and corporate structure. The U.S. companies range in size from 1 unit to 2,300 units and in annual sales from less than \$1 million to over \$590 million. Eight U.S. affiliates of foreign firms reported 1980 sales of over \$100 million, including the British-owned Howard Johnson's and the Canadian-owned Hardee's, which were ranked among the top 25 U.S. food service firms according to sales volume. Four foreign firms ranked among the top 50 and six among the top 100. Most foreign investors were associated with companies with annual sales under \$50 million.

With a few major exceptions, such as Howard Johnson's and Hardee's, located on the east coast, Scott's, mainly in Florida, and those in New York City, the U.S. affiliates of foreign firms are not generally concentrated in any given region. ■

Foreign Investment in U.S. Commercial Food Service, 1980

Country	Total annual sales-1980	Total annual sales as a percent of total commercial food service sales	Total annual sales as a percent of total foreign investor sales	U.S. firms with foreign investors		Foreign firms with U.S. interest	
	Dollars	Percent	Percent	Percent	Number	Percent	Number
	United Kingdom	905,500	.97	33.6	15.6	9	15.9
West Germany	600,000	.64	22.2	8.6	5	2.3	1
Switzerland	564,500	.60	20.9	10.3	6	6.8	3
Canada	446,800	.48	16.5	34.5	20	40.9	18
Japan	93,100	.10	3.4	15.6	9	15.9	7
France	91,000	.09	3.4	8.6	5	9.1	4
China	NA ¹	NA	NA	1.7	1	2.3	1
Hungary	NA	NA	NA	1.7	1	2.3	1
India	NA	NA	NA	1.7	1	2.3	1
Pakistan	NA	NA	NA	1.7	1	2.3	1
Total	2,700,900	2.88	100.0	100.0	58	100.0	44

¹Not Available.

Number and Percent of Foreign Investments in U.S. Commercial Food Service Industry

Year	Investments		Year	Investments	
	Number	Percent		Number	Percent
Before 1970	1	2	Before 1970	1	2
1970-1975	11	22	1970-1977	20	40
1976-1979	28	56	1978-1980	29	58
1980	10	20			