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The Foodservice Industry at a Glance, 1985-95

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The foodservice market continues to grow—from \$158 billion in sales (excluding taxes and tips) in 1985 to \$280 billion in 1995. Over the past decade, foodservice sales (food away from home) increased an average of 6 percent annually, or about 2.6 percent per year when adjusted for inflation. In contrast, retail food sales (food at home) showed only a 0.7-percent inflation-adjusted annual rise.

Commercial foodservice establishments posted \$222 billion in sales in 1995, representing 79 percent of industry sales and reflecting an increase of 90 percent over a decade earlier (table 1). These establishments prepare, serve, and sell meals and snacks to the general public for a profit. Commercial foodservice establishments include separate eating places, such as full-service restaurants and lunchrooms, fast-food/quick-service outlets, cafeterias, and caterers; and those foodservice operations located in other facilities, such as lodging places, recreation and entertainment facilities, retail hosts (like department stores and limited-price variety stores), and separate drinking places.

The retail host segment showed the largest sales increase over the decade, rising from \$5.5 billion in 1985 to \$14.2 billion in 1995—a 160-percent increase. Separate drinking places showed the smallest increase in sales (8 percent) over the same period.

Noncommercial foodservice operators accounted for about 21 percent of sales in 1995. These operations prepare and serve meals and snacks as an adjunct, supportive service in institutional and educational settings, such as schools, nursing homes, child daycare centers, and patient feeding in hospitals (patient meals). Noncommercial sales grew 43 percent, from \$41 billion in 1985 to \$59 billion in 1995.

Sales nearly doubled for college and university foodservice operations between 1985 and 1995 because of increased enrollments. Foodservice sales also nearly doubled in plants and office buildings, associations (membership organizations, such as booster clubs, fraternal lodges, and citizen associations), correctional facilities, and child daycare centers.

Military foodservice sales declined by 41 percent between 1985 and 1995 as the number of troops decreased. Hospital foodservice sales fell less than 1 percent during that same period.

Fast Food Expanding into Convenience Stores

Fast-food outlets continue to represent the largest and fastest rising share of sales among separate eating places. Sales in 1995 reached \$91 billion—outdistancing the \$88 billion earned by full-service restaurants and lunchrooms. Fast-food outlets nearly doubled their sales over 1985-95 and captured an increasing share of separate-eating-place sales—from 47 percent in 1985 to 49 percent in 1995.

Fast-food companies are teaming up with convenience stores to offer consumers branded fast-food products. Convenience stores are small grocery stores that sell a limited variety of food and nonfood products and are typically open for extended hours. Some convenience stores are associated with gas stations. According to a report by the National Association of Convenience Stores, fast food (both branded and nonbranded items) is the number two product sales category in convenience stores. Cigarettes are the top sales category. Approximately 14 percent of all convenience store merchandise purchases in 1995 were in foodservice,

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Table 1

Sales by Commercial Foodservice Establishments Grew Faster Than Noncommercial Sector¹

Industry segment	1985	1995	Change over decade
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Percent</i>
Commercial foodservice	116,899	221,686	90
Separate eating places:			
Restaurants and lunchrooms	47,740	88,250	85
Fast-food outlets	46,446	90,764	95
Cafeterias	3,195	4,450	39
Caterers	764	1,323	73
Other commercial:			
Lodging places	8,416	15,093	79
Retail hosts	5,485	14,243	160
Recreation and entertainment	3,524	6,123	74
Separate drinking places	1,329	1,440	8
Noncommercial foodservice	41,109	58,835	43
Education:			
Elementary and secondary	8,992	10,435	16
Colleges and universities	5,659	9,800	73
Military services:			
Troop feeding	1,096	646	-41
Clubs and exchanges	617	824	34
Plants and office buildings	3,674	6,578	79
Hospitals	3,515	3,502	-.4
Extended-care facilities	5,692	6,926	22
Vending	4,727	5,385	14
Transportation	2,703	4,268	58
Associations	1,427	2,618	83
Correctional facilities	1,700	3,086	82
Child daycare facilities	827	1,627	97
Elderly feeding programs	107	172	61
Other	373	2,968 ²	NA
Total foodservice sales	158,008	280,521	78

Notes: NA = Not applicable. ¹Excludes taxes and tips. ²Includes more categories than in 1995 than in 1985. Source: USDA, Economic Research Service, *Food Marketing Review*, selected issues.

Table 2

Hot and Cold Beverages Top the List of Convenience Store Foodservice Sales

Product category	Share of merchandise purchases in convenience stores			
	1992	1993	1994	1995
	<i>Percent</i>			
Branded fast food (licensed or franchised)	0	0.3	0.4	0.9
Other food cooked onsite	1.0	1.0	.9	1.4
Fresh baked goods	0	.7	.6	1.0
Sandwiches—fresh	1.6	.9	1.6	2.1
Sandwiches—frozen	.4	.4	.6	.9
Deli (excluding sandwiches)	1.4	1.3	1.1	1.0
Fountain drinks	3.0	3.0	2.9	2.3
Frozen beverages	.2	.8	.6	.8
Hot beverages	2.0	2.8	2.2	2.3
Other fast food	.8	.5	1.0	1.0
Total	10.4	11.7	11.9	13.7

Source: National Association of Convenience Stores, "State of the Industry 95."

up from 10 percent in 1992. Fast food represented 2 percent of those purchases (see table 2).

Fountain drinks, hot beverages, and deli services (excluding frozen prepackaged sandwiches and fresh sandwiches) make up nearly half the foodservice purchases made in convenience stores. Branded fast food is one of the fastest growing foodser-

vice trends in convenience stores today, rising from 0 percent of merchandise purchases in 1992 to 1 percent in 1995. This is an increasingly popular way for convenience store retailers to offer well-known restaurant foods while reaping the production, distribution, and cost advantages already in place at fast-food restaurant operations. The branded

food is supplied by the fast-food chain and prepared and sold in the store.

The top 10 fast-food chains that currently supply to convenience stores are (in descending order): Subway, Taco Bell, Blimpie, Burger King, Dunkin Donuts, McDonald's, Pizza Hut, Godfather's, Baskin-Robbins, and Arby's. ■



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