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Foodservice Sales in the 90s

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Rising incomes, more women in the work force, and tightening constraints on family time have increased the demand for meals eaten away from home. This study focuses on away from home eating during the 1990s—certainly a decade of eating out. It is part of a larger study that looks at the structure, organization, conduct, and performance of the foodservice industry.

The data presented here is a descriptive analysis of foodservice industry sales by foodservice segment, 1990-99. ERS food expenditure data was used to make the comparisons. Real change is

based on sales adjusted by the Consumer Price Index for all Urban Consumers (CPI-U).

Table 1 shows that foodservice sales grew from \$228 billion in 1990 to \$339 billion in 1999—a 49 percent increase. The big growth was in sales by commercial foodservice establishments that prepare, serve, and sell meals and snacks to the general public. Commercial foodservice sales grew from \$178 billion in 1990 to \$275 billion in 1999, a 54 percent nominal increase, 21 percent inflation-adjusted. Commercial foodservice establishments accounted for 81 percent of total foodservice sales in 1999. They include separate eating places, such as full-service restaurants and lunchrooms, fast-food/quick-service outlets, and cafeterias. Commercial foodservice sales also include sales by caterers and foodservice operations located in other facilities, such as lodging places, recreation and entertainment facilities, department stores, and separate drinking places.

Table 1. Foodservice Sales in the 90s.

Industry segment	Sales		Change	
	1990	1999	Nominal 1990-99	Real 1990-99
	\$Billion		Percent	
Commercial foodservice	177,975	274,870	54	21
Fast-food outlets	74,361	118,228	59	25
Restaurants & lunchrooms	70,256	99,859	42	12
Cafeterias	3,542	3,929	11	-13
Caterers	1,484	2,160	46	14
Lodging places	10,449	15,961	53	20
Retail hosts	9,696	20,540	112	66
Recreation and entertainment	6,624	12,464	88	48
Separate drinking places	1,563	1,729	11	-13
Noncommercial foodservice	50,071	64,476	29	1
Education:	16,125	24,328	51	18
Elementary and secondary	7,896	12,093	53	20
Colleges and universities	8,229	12,235	49	17
Military services:	1,884	1,954	4	-19
Troop feeding	1,052	1,054	0	-21
Clubs and exchanges	832	900	8	-15
Plants and office buildings	5,342	7,315	37	7
Hospitals	3,896	3,470	-11	-30
Extended-care facilities	6,350	6,344	-0	-22
Vending	5,614	5,439	-3	-24
Transportation	4,821	5,060	5	-18
Associations	1,170	2,098	79	41
Correctional facilities	2,150	3,548	65	29
Child daycare centers	1024	2,114	106	62
Elderly feeding programs	143	177	24	-3
Other noncommercial	1,552	2,629	69	33
Total foodservice sales	228,046	339,346	49	17

Note: Foodservice sales exclude sales tax and tips. Real change is based on sales adjusted by the Consumer Price Index for all Urban Consumers (CPI-U). Source, USDA, Economic Research Service.

Noncommercial foodservice sales grew by 29 percent between 1990 and 1999. Noncommercial foodservice 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 from \$50 billion in 1990 to \$64.5 billion in 1999 and accounted for 19 percent of total foodservice sales in 1999.

In the commercial sector, retail hosts showed the largest sales increase over the decade, rising from \$9.7 billion in 1990 to \$20.5 billion in 1999—a 112 percent increase. Retail hosts are different types of stores such as department stores, drug stores, book stores, gas stations, and even grocery stores that offer fully prepared meals and snacks designed to be eaten inside the retail host. Sales more than doubled for recreation and entertainment facilities between 1990 and 1999. Attendance at theme parks, sports events, and multiplex cinemas in malls contribute to this increase. Cafeterias and separate drinking places where alcohol is served had the smallest increases in sales for the decade, just 11 percent, respectively.

In the noncommercial sector, foodservice in child daycare centers increased as the number of children in daycare centers continued to grow over the decade. Sales nearly doubled also for associations (membership organizations, such as booster clubs, fraternal lodges, and citizen associations) and correctional facilities. Transportation showed the smallest increase in sales (5 percent) between 1990 and 1999. Sales in two noncommercial sectors fell during the decade. Hospital foodservice sales declined by 11 percent, and vending sales fell 3 percent.

Fast Food Outlets/Restaurant Sales Dominate

Fast food outlets and restaurants dominate the foodservice industry. The two segments had combined sales of \$218.1 billion and accounted for 64 percent of total foodservice sales in 1999 (compared with 63 percent in 1990). Though total fast food sales reached \$118 billion in 1999, a 59 percent increase over 1990 sales, real sales rose 25 percent, when adjusted for inflation—1.7 percent in 1999. Restaurants had a nominal sales increase of 42 percent, but real sales were only

12 percent. During the 1990-91 recession, people ate out less often and/or ate at less expensive eating places. Foodservice sales were sluggish throughout the restaurant industry, but particularly in fast food places, restaurants and lunchrooms, lodging places, retail hosts, and recreation and entertainment places. The economic recovery brought about higher incomes and robust spending in the mid- and late-1990s, thus a significant increase in foodservice sales in these segments.

Foodservice Sales Reflected the Economic Growth of the 1990s

Adjusting foodservice sales for inflation over the decade provides a more accurate picture of how “real” sales grew. For example, during the 1990-91 recession, real (inflation-adjusted) sales by the top five commercial foodservice segments—fast-food/quick-service places, restaurants and lunchrooms, lodging places, retail hosts, and recreation and entertainment places—were sluggish as people ate out less often and kept a sharp eye on menu prices. Real foodservice sales began to pick up in 1993 as the economic recovery brought higher incomes. Just as with nominal (unadjusted for inflation) sales, fast-food/quick-service outlets saw their real sales outpace those of full-service restaurants and lunchrooms. Real sales at quick-service establishments rose 25 percent over the decade, compared to the 12-percent increase for leisurely dining at full-service restaurants. Robust spending at retail hosts and at recreation and entertainment places in the mid- and late-1990s increased real foodservice sales in these segments by 66 percent and 48 percent.

Outlook for 2000

A majority of the foodservice segments will see increases in meal and snack sales in 2000. Foodservice sales are projected to grow to \$376 billion in 2000. Sectors predicted to show strong growth are retail hosts; recreation and entertainment facilities; the transportation market, schools, colleges and universities, and companies that provide foodservice for office buildings. If past performance is any indication of the future, correctional facilities and child daycare centers should also be areas of continued growth in 2000.