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Foodservice Sales Reflect the Prosperous, Time-Pressed 1990's

Charlene C. Price
(202) 694-5384
ccprice@ers.usda.gov

The 1990's were certainly a time to eat out. Foodservice sales grew by 49 percent, from \$228 billion in 1990 to \$339 billion in 1999. The big growth was in sales by commercial foodservice establishments that prepare, serve, and sell meals and snacks to the general public. Their sales more than doubled, from \$178 billion in 1990 to \$275 billion in 1999 (table 1).

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. Fast-food/quick-service outlets and restaurants dominate the foodservice industry. The two segments' combined sales of \$218.1 billion accounted for 64 percent of total foodservice sales in 1999 (compared with 63 percent in 1990). Commercial foodservice sales also include caterers and foodservice operations located in other facilities, such as lodging places, recreation and entertainment facilities, department stores, and separate drinking places.

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 (fig. 1). Retail hosts represent a variety of stores, such as department stores, drug stores, book stores, gas stations, and grocery stores that offer prepared meals and snacks designed to be eaten inside the store.

Sales nearly doubled for recreation and entertainment facilities during the 1990's. Attendance at sporting events continued to grow, and multiplex cinemas generated high traffic in shopping malls. Theme-park attendance was up, as new and improved attractions built repeat business. Theme parks, ball parks and stadiums, and other recreation and entertainment facilities continued to upgrade the quality and variety of their food offerings.

Cafeterias and separate drinking places where alcohol is served had the smallest increases in sales for the decade, just 11 percent each.

Things were not so robust for the noncommercial sector. 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 to patients in hospitals. Noncommer-



Complete home-style meals from quick-service eating places and supermarkets are popular and have cut into sales of traditional fast-food fare.

The author is an agricultural economist with the Food and Rural Economics Division, Economic Research Service, USDA.

cial sales grew from \$50 billion in 1990 to \$64.5 billion in 1999 and accounted for 19 percent of total foodservice sales in 1999. Much of the increase came from foodservice operations in schools, colleges, and universities.

Foodservice in child daycare centers increased as the number of children in daycare centers continued to grow over the decade. Sales nearly doubled 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 sales from vending machines fell 3 percent. Foodservice sales for military troop feeding and extended-care facilities ended the decade at the same level as the beginning.

Fast-Food Places Are Everywhere...

During the 1990's, people wanted quick, convenient meals. Fast-food outlets more than doubled their sales over 1990-99, and captured an increasing share of sales by separate eating places during the past decade—from 50 percent in 1990 to 53 percent in 1999.

Over the decade, fast-food companies found new ways to market their products. Consumers may eat

Table 1

Fast Food Sales Continue To Outpace Restaurants and Lunchrooms

Industry segment	Sales		Change	
	1990	1999	Nominal 1990-99	Real 1990-99
	Billion dollars		Percent	
Commercial foodservice	177,975	274,870	54	21
Fast food outlets	74,361	118,228	59	25
Restaurants and 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 schools	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	1,024	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's Economic Research Service.

while they shop, watch a ball game, or fill their gas tanks because fast-food outlets are found in gasoline stations, department stores, convenience stores, and supermarkets. McDonald's, for example, has outlets inside nearly 200 Chevron and Amoco service stations and in nearly 700 Wal-Mart stores across

the country. Convenience stores have also teamed with fast-food chains. Many convenience stores, such as 7-Eleven and Circle K, have either a fast-food kiosk in the store, or the stores sell branded fast-food items from Subway, Taco Bell, Blimpie, Burger King, Dunkin'

Donuts, Pizza Hut, Godfather's Pizza, Baskin-Robbins, and Arby's. Fast-food products are served in elementary and secondary schools across the country, as well as on college campuses. Pizza Hut and Taco Bell, the leaders in school foodservice, are in schools nationwide. Subway, Domino's, Chick-fil-A, Arby's,

Foodservice Sales Echoed the Economic Boom of the 1990's

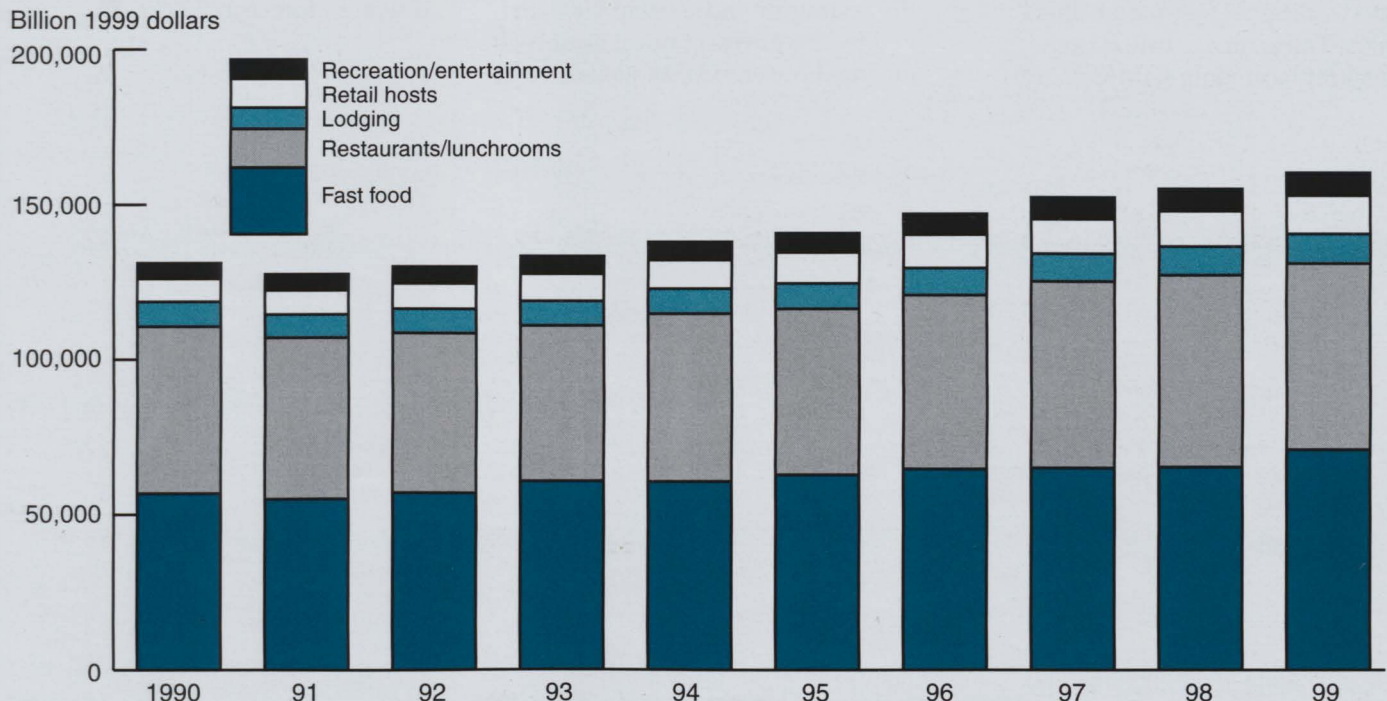
Adjusting foodservice sales for inflation over the decade provides a more accurate picture of how "real" sales grew. For example, during the 1990-91 recession, real (inflation-adjusted) sales by the top five commercial foodservice segments—fast-food/quick-service places, restaurants and lunchrooms, lodging places, retail hosts, and recreation and entertainment places—

were sluggish as people ate out less often and kept a sharp eye on menu prices (fig. 1). 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. Real sales at kid-friendly,

quick-service establishments rose 25 percent over the decade, compared with the 12-percent increase for leisurely dining at full-service restaurants (table 1). Robust spending at retail hosts and at recreation and entertainment places in the mid- and late-1990's increased real foodservice sales in these segments by 66 percent and 48 percent, respectively.

Figure 1
Retail Hosts and Recreation/Entertainment Showed Big Gains in Sales in the 1990's



Note: Real sales were calculated using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: Calculated from USDA, Economic Research Service data, 1990-99.

Little Caesar's Pizza, and McDonald's also offer some products in school lunchrooms.

As the U.S. market becomes saturated, fast-food outlets continue to increase internationally. McDonald's, one of the first U.S. fast-food chains to go abroad, operated 12,328 international units in 1998 (the latest year for which we have data). Other top U.S. chains operating abroad include KFC (with 5,291 outlets), Pizza Hut (with 3,814 outlets), and Burger King (with 2,316 outlets).

...And Take on Mom's Home Cooking

In addition to burgers, sandwiches, fries, and drinks, consumers in the 1990's also want complete meals like mom used to cook at home that are quick and convenient. Quick-service eating places, such as Boston Chicken, Koo Ka Roo, and Eatzi's, which offer complete home-style meals with several entrees and a variety of side dishes, have cut into traditional fast-food outlets' sales. These meals, called home meal replacements (HMR's), are

popular with consumers looking for take-home alternatives to traditional fast-food fare. (Sales of places that offer HMR's are included in fast-food sales in table 1.)

Supermarkets are also getting on the HMR bandwagon with menu offerings of fully prepared meals. Technomic, Inc., a research consulting firm in Chicago, reported that HMR sales by supermarkets rose 3 percent in 1999. (In comparison, overall supermarket sales rose 2.9 percent in 1999.) Technomic, Inc., projects that HMR sales by supermarkets will grow from \$12 billion in 1999 to \$15 billion by 2004.

Rosy Outlook Predicted

A majority of foodservice segments will see increases in meal and snack sales in 2000. The National Restaurant Association projects foodservice sales to grow to \$376 billion in 2000 and \$577 billion in 2010. Caterers are predicted to be one of the fastest-growing sectors of the restaurant industry in 2000, driven by the growing number of high-income households, as well as con-

tinued growth in the number of lavish events held by corporations.

Other sectors predicted to show strong growth in 2000 are retail hosts; recreation and entertainment facilities; schools, colleges and universities; correctional facilities; and child daycare centers. U.S. fast-food and restaurant companies are expected to continue expansion in the international arena. On the domestic front, fast-food/quick-service chains will continue to increase their share of the market by diversifying their offerings through multiple concepts—expanded takeout and delivery services, casual dining, and ethnic, family-style, and theme eating places.

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