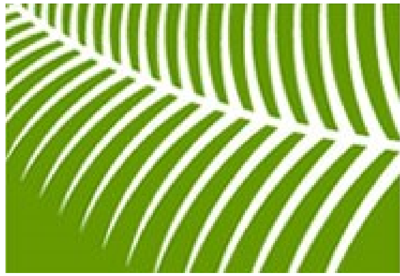

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fat in the group from 1909-13 until 1980. However, fat from whole milk has declined substantially because of a smaller proportion of children in the population in the last decade, the increased use of other beverages, such as lowfat milks and soft drinks, and perhaps consumer concern about weight reduction and other health issues.

In 1980, cheese narrowly surpassed whole milk to become the leading source of fat in the dairy product group for the first time. Between 1909-13 and 1981, per capita use of cheese rose from 5 to 23 pounds per year, with most of the increase occurring within the last two decades. In 1981, cheese contributed 35 percent of the fat from dairy products.

Frozen desserts, lowfat milks, cream, and processed milks, in that order, were the other major sources of fat from the dairy product group in 1981. In the first half of the century, fat from the frozen desserts and processed milks increased sharply; fat from cream began to decline; and fat from lowfat milks remained stable. But beginning with 1947-49, fat from processed milks and cream declined markedly, and fat from lowfat milks increased. In 1981, lowfat milks, despite their low fat content, provided 11 percent of the fat in this group. This contribution was particularly noteworthy since in 1909-13, these milks contributed less than 2 percent of the fat from the dairy group. Consumer concern about dietary fat may be a contributing factor in this apparent shift from whole to lowfat milks.

Over the years, foods other than fats and oils; meat, poultry, fish, and dairy products have contributed about 10 percent of the fat in the food supply. Grains and eggs each accounted for 4 percent in the early years, compared with 1 and 3 percent, respectively, in 1981. Dried beans, dried peas, nuts, and soy products accounted for almost the same proportion of total fat in 1981 (3 percent) as in 1909-13 (2 percent). Fruits and vegetables contributed negligible amounts of fat despite relatively high use. □

American Eating Places

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Americans are spending more of their food dollar to "eat out" today than they did two decades ago. In 1981, Americans spent 37 cents of each food dollar at sitdown service restaurants, fast food outlets, and other foodservice operations. In 1960, it was 26 cents. Family buying power has increased with rising per capita income, more multiple-earner households, and smaller households. U.S. food expenditures totaled $320 billion in 1981, of which $120 billion was for food purchased away from home, compared with $72 billion and $19 billion in 1960.

The mix of eating places is changing as well. "Eating places" are establishments that derive revenue mainly from the sale of meals and snacks. Such places account for 56 percent of the retail value of all food consumed away from home (see box). Fast food eating places, which increased from 39,650 to 122,552 outlets between 1963 and 1982, netted much of the gain in foodservice sales. In 1963, about 1 in 7 eating-place dollars found its way into fast food outlets. Today, 2 in 5 eating-place dollars are spent in such outlets. Franchised firms, prevalent in the fast food domain, also now receive approximately 2 in 5 eating-place dollars.

Changes also are occurring in ownership patterns. Chains now control about 33 percent of eating-place sales, compared with 11 percent in 1963. Independents, which still account for half of eating-place sales, accounted for 80 percent in 1963. Restaurant diners—establishments which usually provide waiter-waitress service at counters and booths—accounted for 23 percent of all eating places 15 years ago and now comprise less than 10 percent.

And outlets also are increasing volume. The sales-per-eating-place average has grown about 1.2 percent annually since 1963, after adjustment for inflation. Fast food places grew twice as fast as non-fast food places, at 2.5 percent annually.

Such changes have profoundly altered the nature of the foodservice industry and have transformed the mix of foods consumed away from home, the types of services provided to patrons, the composition of the foodservice labor force, and the efficiency of the food delivery system.

Growth in Fast Foods

Growth in fast food outlets has significantly outpaced that of other types of eating places and has substantially exceeded population and income increases. Fast food outlets are limited-menu eating places that primarily offer drive-up or carryout services, or counter purchases with seating or standup facilities for eating located elsewhere on the premises. They currently account for about 45 percent of all eating places, up from 22 percent in 1963.

Fast food sales in 1982 were $34 billion, or 39 percent of total eating-place sales. Sales at fast food places have increased at an average annual rate of 16 percent since the mid-1960's, compared with 10 percent for all eating places.

Many fast food outlets are small operations and, therefore, their sales-per-establishment average is only three-quarters that for all other eating places, $280,000 compared with $367,000. And yet, sales per fast food outlet increased at a faster rate than sales per other eating places between 1963 and 1977—10.7 percent versus 8.3 percent per year.

However, since 1977, fast food outlets have not fared as well, according to ERS estimates, with sales per establishment rising an average 6.5 percent compared with 8.2 percent for other eating places. For two reasons, this disparity belies the strength of the fast food sector whose total sales have outpaced those of other eating places since 1977.

The closing of many diners with low sales volumes (and the construction of fewer but larger restaurants) has boosted the sales-per-establishment average for non-fast food eating places. The fast food segment, with a higher-than-average percentage of outlets built since 1977, was particularly hard pressed to establish customer bases and to build sales at these new outlets during a period of slow industry growth. Real (adjusted for inflation) annual sales at eating places grew at an

Table 1. Meal and Snack Sales-Away-from-Home

Foodservice industry sector	Percent of total	Percent of sector
Industry total	100.0	N/A
Public sector	75.2	100.0
Eating places[1]	56.4	75.1
Other	18.8	24.9
Institutional sector	24.8	100.0
Schools	7.2	28.8
Hospitals	4.3	17.3
Other institutions	13.3	53.9

NA = not applicable.
[1]Eating places (SIC 5812 with payroll) are retail establishments that derive most of their revenue from sales of prepared meals and snacks for on-premise or immediate consumption. Eating facilities that are subordinate parts of other kinds of businesses (for example, a hotel restaurant or bowling alley snack bar) are excluded from eating places unless they are leased to and run by outside operators; otherwise, they are included under Other.

Source: Economic Research Service, USDA.

average rate of only 1 percent from 1977 to 1982, compared with 4.2 percent from 1963 to 1977. With more new outlets and the U.S. consumer's preference for convenience, the fast food industry is positioned to further increase its share of the eating-place market.

Franchising has become a popular vehicle for foodservice grov. h, mushrooming from 33,000 outlets in 1970 to 60,000 in 1980. The relationship between franchising and fast foods is close; about 80 percent of franchised eating places currently provide fast food service.

Franchising enables the parent firm to expand its operations with limited capital investment. A franchisee makes an initial investment for the right to conduct business under the franchise logo and continues to pay a royalty and advertising fee to the parent firm of roughly 7 percent of gross sales. A franchise enables the independent owner (the franchisee) to enter the foodservice business with limited experience and managerial information. However, franchise arrangements tend to restrict managerial discretion in procurement, menu offerings, and sales practices. Also, a franchise is likely to require a sizable investment. For example, the total investment for one major hamburger franchise is $500,000 plus. But the amounts specified by other firms may vary substantially, depending upon land, building, and equipment costs. The franchisee, who actually owns and operates the outlet, agrees to maintain specific uniform products, services, and practices in the operation of the business. Both franchisor and franchisee can operate one or many eating places.

Increase in Multi-Unit Firms

Foodservice chains—firms with 11 or more outlets—are growing in number and importance. But single-unit firms (including those operating under a franchise and independently) still account for a greater number of outlets and a larger proportion of eating-place sales, although their share in both categories is declining rapidly. Single units accounted for 80 percent of sales in 1963, 66 percent in 1972, and an estimated 53 percent in 1982.

Chains captured most of the market share lost by single-unit firms, increasing their own share from 11 percent in 1963 to an estimated 33 percent in 1982. Sales by chains would have shown an even larger increase if the sales by single-unit firms operating under a franchise had been included with franchise chains. Instead, such sales are categorized in the single-unit group. Single-unit firms affiliated with but not owned by McDonald's, Burger King, or Wendy's, for example, are grouped with independent single-unit firms rather than with the chains with whom they are affiliated. Single-unit franchise establishments typically operate more like outlets of chains than as independents; that is, they use trademarks, uniform identification symbols and storefronts, and standardized prices and products. Franchise-affiliated firms account for roughly one-fifth of single-unit sales.

Sales per establishment increased at a faster rate for single-unit firms than for chains during each of the census periods from 1963 to 1977. Between 1977 and 1982, however, the chains' sales per establishment grew faster. Single-unit firms performed relatively well prior to 1977, when overall industry growth was exceptional, but subsequently faltered in the wake of a sluggish economy and a declining rate of increase in disposable personal income.

Chains enjoy certain efficiencies and cost advantages over independents that better equip them to attract customers during periods of slow economic growth, when competition intensifies. Costs for advertising and promotion, purchasing, inventory control, accounting, administration, and others are distributed over all outlets of the chain but must be borne by the independent alone.

Currently, the sales-per-establishment average of chains, $688,000, is triple that of single-unit firms and 13 percent above that for firms with 2 to 10 outlets. Between 1977 and 1982, firms with 2 to 3 outlets experienced the greatest increase in average sales per establishment (up 77

percent), followed by firms with 4 to 10 outlets (65 percent), chains (62 percent), and single-unit firms (54 percent). The figure for single-unit firms has been buoyed by the rapid decline in the number of establishments with low sales volumes and by the inclusion of franchise-affiliated firms.

The exceptional rate of increase in per-establishment sales of firms with 2 to 10 outlets may have been due to their ability to draw customers by projecting a unique restaurant personality, motif, or theme. Furthermore, they are small enough to exercise direct control over each of their outlets and adapt quickly to changing market conditions and consumer preferences. And yet, they are large enough to gain advantage of size in purchasing and advertising. This group of firms accounts for less than 15 percent of sales of eating places.

The Significance of Change

Changes in industry structure and organization have had a varied impact on the demand for agricultural products and the manner in which they are processed, packaged, and marketed. Growth in the size of foodservice firms since 1963 has been phenomenal: several firms have grown sevenfold or more in sales volume even after allowing for inflation.

The purchasing power of large firms enables them to impose standards and conditions on their suppliers. For example, they may establish the lean content in hamburger patties, the type and amount of breading on fish and chicken, the variety and moisture content of potatoes used to make french fries, the portion size of syrup and catsup containers, and levels for steak tenderization. Farmer marketing cooperatives and other suppliers who recognize the special requirements of foodservice firms and are able to adapt to these needs gain an advantage.

In 1981, about 62 billion pounds of food and nonalcoholic beverages were consumed away from home, up from 49 billion pounds in 1969. Vegetables ac-

Table 2. Distribution of Eating Places by Type of Food Service and Firm Size, Selected Years 1963-82[1]

Type of food service	1963	1967	1972	1977	1982
			Percent of establishments		
Fast food eating places	21.9	28.8	37.5	42.3	45.3
Others	78.1	71.2	62.5	57.7	54.7
			Percent of sales		
Fast food eating places	14.6	19.0	30.3	37.6	38.7
Others	85.4	81.0	69.7	62.4	61.3
			Sales per establishment ($1,000)		
Fast food eating places	49	63	114	204	280
Others	81	108	156	247	367
Firm size[2]			Percent of establishments		
Single unit	90.8	90.4	85.3	80.0	76.4
2 to 3 units	4.0	3.0	4.0	3.9	3.9
4 to 10 units	1.4	1.6	2.4	3.3	3.9
11 or more units	3.8	5.1	8.4	12.8	15.8
			Percent of sales		
Single unit	80.4	77.4	65.9	59.5	52.5
2 to 3 units	5.8	5.3	6.3	6.8	7.1
4 to 10 units	2.9	3.7	4.7	6.1	7.2
11 or more units	11.0	13.6	23.2	27.6	33.2
			Sales per establishment ($1,000)		
Single unit	55	68	93	146	225
2 to 3 units	91	142	189	340	601
4 to 10 units	127	185	238	364	599
11 or more units	180	214	332	425	688

[1]Eating places (SIC 5812 with payroll) are retail establishments that derive most of their revenue from sales of prepared meals and snacks for on-premise or immediate consumption. Eating facilities that are subordinate parts of other kinds of businesses (for example, a hotel restaurant or bowling alley snack bar) are excluded unless they are leased to and run by outside operators.

[2]Prior to 1972, firm size was based on the number of outlets operated by the same firm in the same general kinds of business rather than the same business, as in 1972 and subsequent years.

Source: U.S. Bureau of the Census, Census of Business, 1963-77. The 1982 figures are preliminary estimates of the Economic Research Service, USDA.

counted for approximately 18 percent of the 1981 total; flour and cereals, 5 percent; bakery items, 13 percent; dairy products, 16 percent; and meats, 11 percent. Use of vegetables, flour, and bakery products as a proportion of all foods used in the foodservice sector has increased since 1969; proportionate use of dairy products and meats has declined.

Sixteen foods accounted for half of all food consumed away from home in 1981: white fluid milk, potatoes, flour, beverage fountain syrup, bread, ground meat, cheese, shortening, buns, and eggs topped the list, each accounting for more than a billion pounds; steak, lettuce, cream, tomatoes, crackers, and roasts each contributed over 600 million pounds. The variety of foodservice fare has narrowed; 21 leading foods accounted for roughly half of the total in 1969, compared with only 16 in 1981.

The rapid decline in diners that specialize in varied American plate meals, employ cooks, and provide waiter/waitress service has contributed to the decline in the diversity of foods purchased by eating places. Concurrently, the nation-wide proliferation of fast food firms that mass produce and serve a limited variety of items has spawned marked uniformity and consistency of quality in foodservice across America. The fast food burger available in New York or Chicago is essentially the same as the one offered in Des Moines or Denver by the same franchise firm.

Demand for convenient-to-prepare foods throughout the foodservice industry is growing. Until recently, the cost of labor had climbed steeply, and skilled cooks are reportedly hard to find. Convenience foods—frozen prepared, partially precooked, and fabricated—offer accurate portion control, no waste, timesaving efficiency, and reduced need for trained manpower. Advances in technology produce more sophisticated convenience foods tailormade for foodservice industry use, such as bags of prechopped fresh vegetables for salad bars, rolls of hard cooked eggs that can be sliced as needed, relatively inexpensive flaked beef and chicken formed to look like steak and chicken pieces, and gourmet specialties such as surf and turf (lobster and steak), beef stroganoff, fish almondine, veal parmigiana, and stuffed cabbage that need only be heated quickly in a microwave oven. Fabricated foods such as imitation cheeses for pizza, nondairy creamers and whipped toppings, imitation sour cream, imitation mayonnaise, sugar substitutes, and soy analogs mixed with meat in prepared entrees are making inroads against traditional food products.

Market Composition

More than 500,000 public and institutional foodservice establishments operate in the United States. Public foodservice establishments exist primarily for profit and account for 75 percent of the retail value of all food consumed away from home (table 1).

A public foodservice operation is either an eating place—a separate entity which derives revenue mainly from sales of meals and snacks—or a part of a larger facility whose foodservice sales are less than other revenues (a bowling alley snack bar or a department store coffee shop). Eating places account for about 75 percent of the retail value of meals and snacks sold in the public sector; the other eating establishments account for the remaining 25 percent.

The institutional sector includes foodservice operations associated with other activities and are often nonprofit, such as the military, universities, and orphanages. The typical institutional establishment serves more people than does a public eating facility. But, because of relatively small numbers, institutions account for only 25 percent of the retail value of all food consumed away from home; schools and hospitals, the largest markets in the institutional sector, account for 7 percent and 4 percent, respectively. □

Conclusions

As real income rises, consumers probably will continue to spend an increasing portion of their food dollar eating away from home. However, the foodservice industry's rapid rate of expansion since the early 1960's appears to be yielding to one of slower growth, and, in some areas, saturation. Higher food, labor, and energy costs in the past several years, reflected in higher menu prices, slowed the trend toward eating out. Since 1975, menu prices have risen 67 percent, compared with 54 percent for at-home foods. In addition, the increased costs of other goods and services, such as housing and medical care, which compete with food-away-from-home for the consumer's dollar, also may have slowed the growth of the foodservice industry. In fact, sales at eating places in 1980 and 1981, after adjusting for inflation, fell below 1979 sales. Real sales in the first half of 1982 were up slightly from a year earlier, but were still below the 1979 sales level.

Fast food firms probably will continue taking sales from traditional, unaffiliated full-service restaurants and diners, some of which can be expected to leave the industry. Industry strategy in the face of slower growth is likely to include price cutting; bigger advertising budgets for coupons, games, premiums, and other promotions; innovative menus; remodeling of store interiors; and an increase in mergers and acquisitions. As the competition for the consumer's dollar intensifies, an increase in head-to-head advertising may be expected. □

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