CHAPTER 1

THE FOODSERVICE INDUSTRY

LEARNING OBJECTIVES:

After becoming familiar with this chapter, you should be able to:

1. Identify key milestones and dates in the long history of the foodservice industry.
2. Appreciate the effects of culture on the evolution of the foodservice industry.
3. Gain a more thorough understanding that the foodservice industry is more than just "restaurants."
4. Describe the six segments of foodservice and know the factors that differentiate each one.
5. Recognize the potential for enjoying a fruitful career in foodservice management.

Restaurants are where we go for special-occasion celebrations, to grab a quick lunch, or to stage casual business meetings. Many people start the day with breakfast purchased from a drive-through restaurant. Adults in the United States report, on average, enjoying lunch at a restaurant at least once every week. And more people than ever eat more of their evening meals at restaurants than at home. Even in such nontraditional settings as hospitals or schools, foodservice is a mainstay for customers and employees alike. In short, the foodservice industry reflects our culture and anchors our everyday life.

How important is this industry? Perhaps it is only by coincidence, but it might tell us something that no two countries with McDonald's restaurants have ever gone to war with each other.[1] In economic terms, people are spending more money than ever on food that is

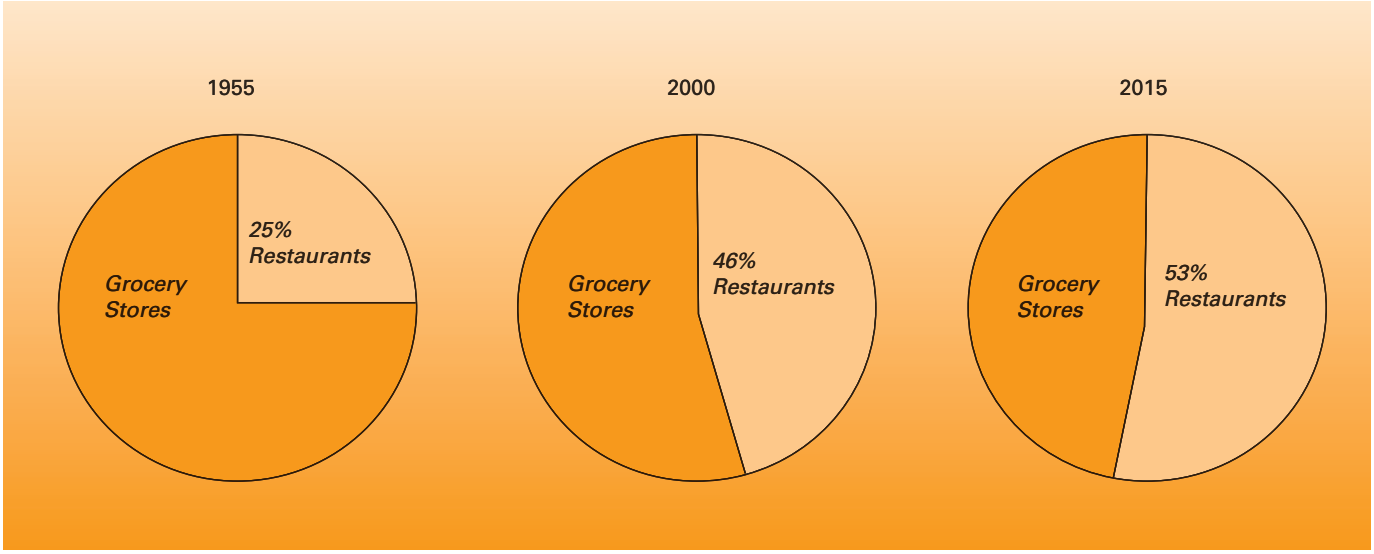


Figure 1.1 Food $$$: Grocery stores vs. restaurants.

purchased or consumed outside of the home. In the 1950s, for example, Americans spent some 25 percent of their food dollars at restaurants. According to the National Restaurant Association, we will soon spend more than 50 percent of our food dollars at foodservice establishments![2] (See Figure 1.1, the comparative chart.) And where are these expenditures taking place? The scope of the foodservice industry is broader than ever. From quick service to fine dining, from college eatery to corporate cafe, the breadth of offerings makes the competition for consumers' **stomach share** more intense than ever. From Lexington, Kentucky, with about 1,000 restaurants for its 301,569 residents (about one restaurant for 300 people), to San Francisco, where there are 5,369 restaurants for 791,684 city dwellers, to Seoul, South Korea, where there are more than 331,025 foodservice outlets serving 10,356,000 residents (that's about one restaurant for every 31 people!)—foodservice is everywhere!

So what does this mean for you? The most important point is that the foodservice industry can take you anywhere, whether you are just starting a career in hospitality or are moving into the higher management ranks. And your career does not have to follow the traditional progression that previous generations experienced. Today, we see chefs leave jobs in five-star hotel restaurants to work in healthcare foodservice; dietitians now may move from a traditional hospital foodservice operation to manage fast-casual restaurants that are positioned to offer healthier fare than their fast-food competitors do; and managers in school foodservice may find positions as multiunit managers in any one of the various segments. Indeed, foodservice today offers a huge range of settings, which means more career options than ever before.

HISTORY

Roots and Ancient Origins

So how did the foodservice business arrive at its currently lofty status? What set its evolution in motion? The story begins around 25,000 BC with the appearance of the first oven.[3] It is unlikely, however, that prehistoric bakers used their newly created ovens to sell food. In truth, it wasn't

INDUSTRY LEADER PROFILE

Lettuce Entertain You Enterprises

Lettuce Entertain You Enterprises (LEYE) is an empire of approximately 70 restaurants founded by Rich Melman and Jerry A. Orzoff in Chicago in 1971. The company had five restaurants by 1976 and, by the mid-1980s, employed over 2,000 people with annual revenues of more than $40 million. The restaurants they operate are unique and vary in price, theme, and cuisine. LEYE currently owns, licenses, or manages more than 60 establishments in Illinois, Arizona, Maryland, Virginia, Georgia, Minnesota, and Nevada, including Ed Debevic's, Wildfire Grill, Petterinos, Shaw's Crab House, and Everest. Also among their creations are the Eiffel Tower Restaurant and Mon Ami Gabi in the Paris Las Vegas Casino Resort. 2011 revenue exceeded $300 million, with net profit of more than $50 million.

Photo courtesy of Lettuce Entertain You Enterprises, Inc.

until around 3,500 BC that humankind began to think of food as a commodity that could be prepared and exchanged or sold. But from that time through the age of ancient Greece, people generally produced food to prevent starvation, not to capitalize on its potential as a medium of exchange.

There is some evidence of restaurants in ancient Roman times, but they were more like bakeries from which locals could buy bread and other food items. There is also evidence in Pompeii of meeting places where food was served. The seeds of the foodservice industry were, however, more likely sown by early *caterers,* people who would provide food and drink to accompany religious celebrations.

Do you really need to know about Babylonian eating habits or the origins of the modern cafeteria if you want to become the next Wolfgang Puck or Richard Melman (founder of *Lettuce Entertain You Enterprises*)? The answer is yes. The leaders of today's top foodservice companies (e.g., Compass Group PLC—see the industry exemplar at the end of this chapter—McDonald's, or Panera Bread) acknowledge the importance of understanding how eating, drinking, and cooking have evolved in different parts of the planet and how trends began with the very first restaurant. After all, to understand these aspects of its evolution is to understand the importance of cultural influences on the foodservice industry. The saying is, "You are what you eat," but *how* you eat is how you live!

Evolution and Culture

Since the dawn of time, we have experienced food on a very personal level. When food is scarce, we seek sustenance for self-preservation. In times of plenty, food helps us to celebrate—often to excess. And across cultures, food has reflected various perspectives and values, satisfying our desires nutritionally, spiritually, and, of course, hedonistically. Consider that it was the nutritional perspective that led our ancestors to use heat to alter food: Heat allows nutrients to be released from some foods and makes otherwise inedible foods palatable. Most of the world's religions have developed food guidelines, often reflecting engagement with religious symbolism but originating over food safety concerns that are still practiced today. Finally, the hedonistic approach to food—eating for the taste of it—spans all cultures and dates back to when we first hunted game and gathered the fruits of the land.

Yet these observations do not explain why the foodservice industry did not truly burgeon until the nineteenth century. The industry could not flourish until societal norms surrounding food underwent their own evolution. Simply put, throughout the Middle Ages people did not pay—and did not expect to pay—for their own food when eating away from home. This *food is included* ethic was evident, for example, in hotels (known as inns at the time). Yes, the traveler was expected to pay, but for the respite from travel that was offered, which included a place to rest, sometimes a place to bathe, and food. Most often, such inns were extensions of an innkeeper's home. It was inconceivable for a host to charge extra for a meal! Such an interpretation of hospitality was seen in recent times for many years in the airline industry. It was unthinkable that airline passengers would be expected to pay for food when they were, in essence, guests of the airline. (This has changed dramatically, of course, in the last decade.)

When not traveling, folks throughout the Middle Ages would eat away from home only when invited to a special event such as a wedding or a royal affair. Such occasions, or others put on by the wealthy who could afford to stage large parties, involved hiring caterers who would, in turn, employ the area's leading chefs. People expected the finest food when attending such parties, but would never consider paying for their own food. There was some reciprocity in that if you were invited to a family's wedding, the expectation was that you would invite that family when your family celebrated a marriage.

This phenomenon was most prevalent in Europe prior to the French Revolution (see Figure 1.2). Some of the rich families did hire chefs, but this was more akin to hiring an

Source: Anonymous engraving, Bibliothèque Nationale de France.

Figure 1.2 *"Dinner for Louis XIV at the Hôtel de Ville de Paris, January 30, 1687."* Fêtes pour le rétablissement de la santé du Roi (Festivities in the Honor of the Recovery of the King's Health).

exclusive caterer—they simply cut out the middleman. People would also hire chefs to entertain business associates or politicians.

What changed this understanding of foodservice? As is common in our species' history, it was war that changed it—in this case, the political and social upheaval of the French Revolution (1789–1799). French nobles fought to protect their lands but could not afford to also keep chefs on the payroll. The caterers, too, folded, putting hundreds of chefs out of work. The big parties and the expectation that others will provide food and drink at no charge came to an end.

What did the legions of chefs do? They did the only thing they could to make money: They cooked food and sold it to anyone who would buy it. Thus was the modern restaurant industry born. The instant availability of many small restaurants created a market shift that required people to reorient their idea of foodservice from one that reflected a host-provided system to one involving a commodity exchange in which food was traded for currency.

Foundation of Current Operations

The French style of restaurant spread quickly across Europe (there were more than 500 in Paris by 1804). Still, such eateries were considered **public dining rooms** as there was no effort to brand or differentiate the operations. Eating out was expected to be very much like eating at home, except that here one pays for one's meal. And the offering was simple: A chef would prepare one large batch of a single item and everyone would dine together at the same time.

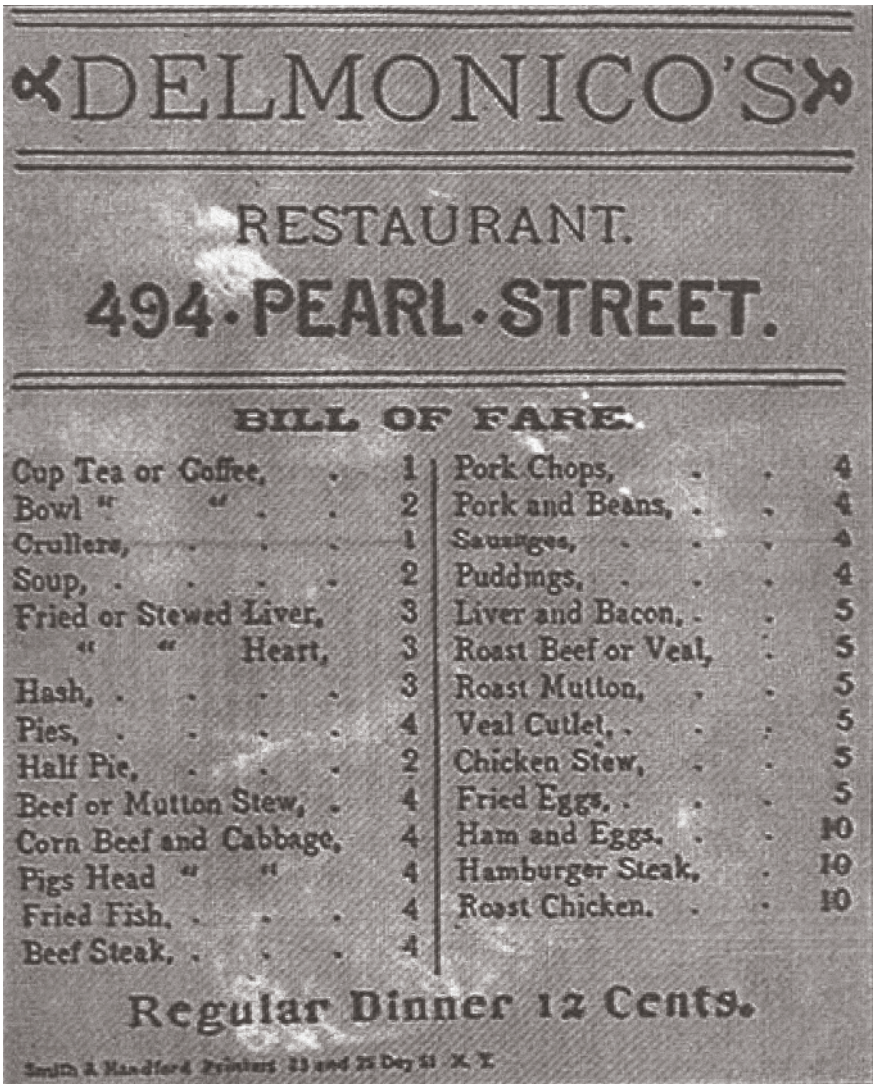
It remained essentially that way until a man known to us only as **A. Boulanger**, a chef who specialized in soups, opened a business in Paris in this same time period. The sign above his door advertised "restoratives," for he saw his soups as providing more than just sustenance. In French, this is *restaurer*. Thus, *restaurant* now denotes an eating place—but one that provides something more than just eating at home—in English, French, Dutch, Danish, Norwegian, Romanian, and many other languages, with some variations. For example, in Spanish and Portuguese the word becomes *restaurante*; in Italian it is *ristorante*; in Swedish, *restaurang*; in Russian, *restoran*; and in Polish, *restauracia*.

Boulanger's restaurant was also unique in another very important way: it was the first public dining room where a guest could order from a menu offering a choice of dishes. Again, until then, inns and public dining rooms offered meals only for the host's table—**table d'hôte**. Innkeepers, for example, made their family meals in bulk, serving the same fare to their guests. The entrepreneurially minded Mr. Boulanger knew the benefits of providing choices!

Other chef-operators quickly recognized the benefit of differentiation and the rest, as they say, is history. The newly evolved business model moved beyond Europe quickly, with the first restaurant in the United States opening in Boston in 1794. Its cuisine? French, of course!

Thus did the evolution of restaurants redefine foodservice for the world's inhabitants. **Robert Owen**, a British utopian socialist, saw the benefits of offering foodservice to employees using the restaurant model and in 1805 built a kitchen within his textile mill that was designed to provide wholesome meals to his employees. Located in Scotland, the mill included an onsite dining room that was open to employees and their families where meals could be purchased for a nominal price. Thus, we had the first onsite eatery in a factory. Extending this idea, 1891 witnessed the birth of the onsite cafeteria, in the YWCA of Kansas City, Missouri, where the club served meals cafeteria style to its members. It was also at this time (the transition from the nineteenth to the twentieth century) that onsite foodservice operations began in previously unheard-of locations such as hospitals.

Other common features of restaurants appeared periodically as the business continued to evolve. For example, in 1834, **Delmonico's** in New York City offered something never seen before: a printed menu! (See Figure 1.3.) The Delmonico brothers were entrepreneurial pioneers


DELMONICO'S

RESTAURANT.

494 · PEARL · STREET.

BILL OF FARE.

Cup Tea or Coffee,	1	Pork Chops,	4
Bowl " "	2	Pork and Beans,	4
Crullers,	1	Sausages,	4
Soup,	2	Puddings,	4
Fried or Stewed Liver,	3	Liver and Bacon,	5
" " Heart,	3	Roast Beef or Veal,	5
Hash,	3	Roast Mutton,	5
Pies,	4	Veal Cutlet,	5
Half Pie,	2	Chicken Stew,	5
Beef or Mutton Stew,	4	Fried Eggs,	5
Corn Beef and Cabbage,	4	Ham and Eggs,	10
Pigs Head " "	4	Hamburger Steak,	10
Fried Fish,	4	Roast Chicken.	10
Beef Steak,	4		

Regular Dinner 12 Cents.

Smith & Handford Printers 23 and 25 Dey St N. Y.

Photo courtesy of Delmonico's.

Figure 1.3 Delmonico's first menu (circa 1850).

in other ways as well, extending their restaurant concept to other cities and establishing the first chain, with units in Philadelphia and Boston.

Underscoring the co-evolution of the foodservice industry with modern society, the first **drive-in restaurant** opened in Glendale, California, in 1936 in response to the proliferation of automobiles. The drive-in concept peaked in the early 1950s, which coincided with the emergence of a new concept: **fast food**. **Ray Kroc**, founder of the McDonald's organization, revolutionized the restaurant industry (again) by systematizing the production of hamburgers, french fries, and milkshakes. The first branded McDonald's (the original McDonald's restaurants were started by Dick and Mac McDonald in California) opened in Des Plaines, Illinois, in 1955. The first day's revenue totaled $366.12 (approximately $3,000 in today's currency).

Has the evolution of the foodservice industry reached full term? Most agree that there is still much to bring to the guest's table. While we discuss the future of foodservice at length in later chapters, there are recent developments that illustrate how technology, globalization, and merging cultural norms are coalescing to further shape the foodservice landscape. A great example of this is a new, fully automated restaurant that opened in Nuremberg, Germany, in 2008. Named *'s Baggers*, the restaurant completely redefines service—it removes employees from the service exchange (see Figure 1.4). Patrons order their meals from touchscreens and the food and drinks are delivered to the table via a system of metal tracks that look like a miniature rollercoaster

INDUSTRY LEADER PROFILE

McDonald's

Use with permission of McDonald's Corporation.

Considered iconic by many, McDonald's continues to shape the global foodservice industry. While its sales, penetration, and global reach are well known, the company has done other things that set it apart. For example, McDonald's has provided comprehensive nutrition information for several decades, one of the first quick-service restaurants to do so. Similarly, McDonald's was one of the first quick-service restaurants to offer nutritional information to help consumers make informed eating choices. More recently (2005), *Fortune* magazine awarded McDonald's its "Best Place to Work for Minorities" Award. Underscoring its dedication to its employees, McDonald's believes in lifelong learning, providing ongoing training and development at all levels. Finally, McDonald's has made Ronald McDonald Houses its charity of choice; these homes-away-from-homes provide temporary housing for families with seriously ill children in hundreds of communities around the world.

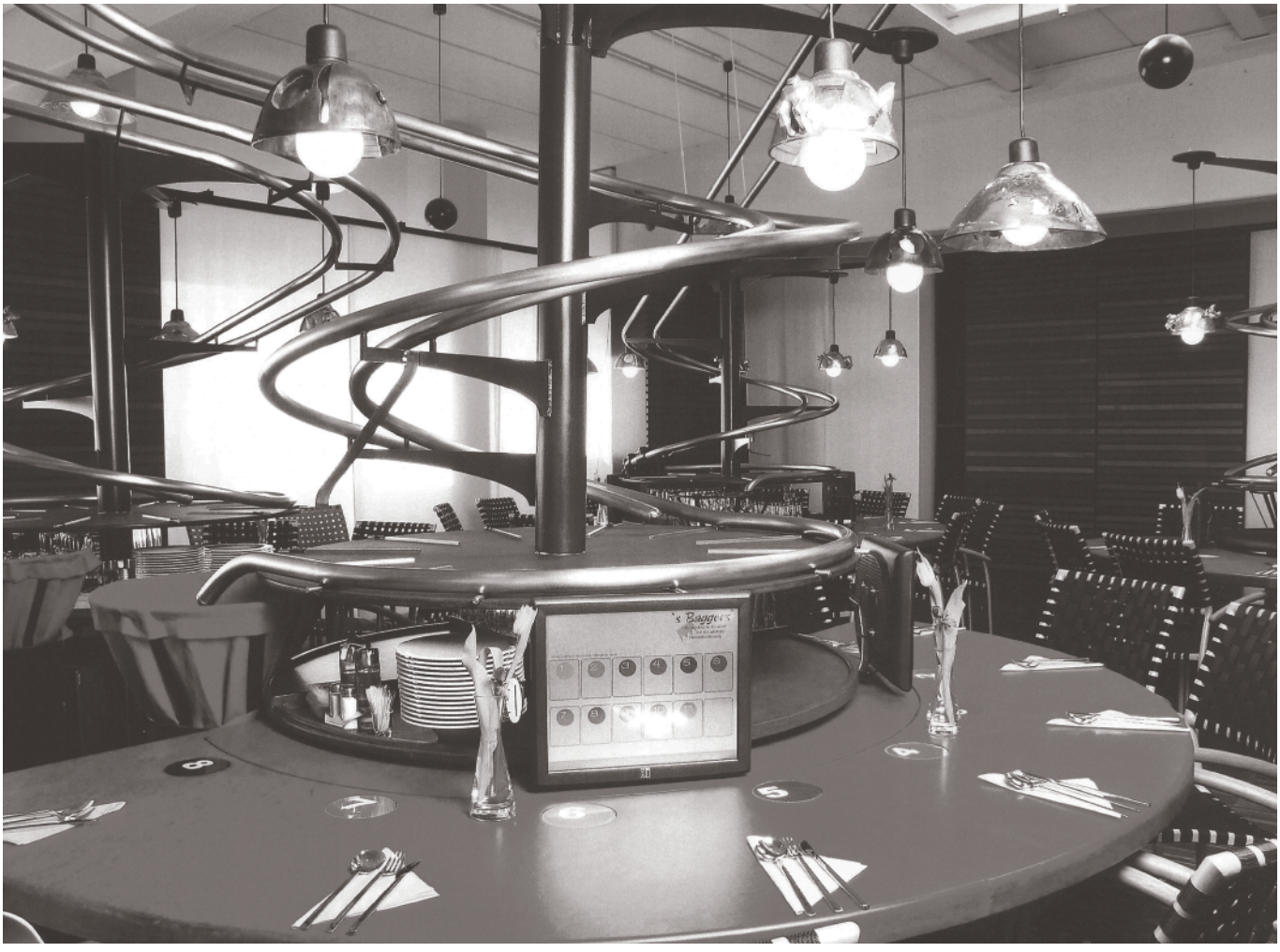


Photo © 's Baggers GmbH, Nuremberg, Germany.

Figure 1.4 's Baggers restaurant in Nuremberg, Germany.

system. The notion that the guest experience can be completely altered is underscored by another novel feature: The touchscreens that customers use to place their orders can also be used to send e-mails and text messages!

SEGMENTATION

Although European restaurants immediately following the French Revolution were different in chef only, modern foodservice outlets operate and are positioned in distinctly varied ways. Different types of restaurants serve the varying needs and tastes of an increasingly diverse public. These segments of the industry differ in style of service, price point, and value proposition (discussed in greater detail in Chapter 2). Thus, we can categorize the foodservice industry into the following: quick service, fast casual, family or midscale, moderate or theme, fine dining, and onsite.

Quick Service

Perhaps the most pervasive segment in terms of number of units globally, **quick-service** restaurants (QSRs), often called "fast food" because of the speed of service, are unique in many ways. Of course, they offer food at a low price. But this is only possible because they feature mostly standardized products combined with an efficient delivery system. Additionally, the limited menu facilitates the uniformity that is a mainstay of QSRs.

Changes in supply-chain management (discussed in later chapters) have also led to the penetration of QSRs. For example, when the first McDonald's restaurants began adorning the American landscape, add-on items such as tomatoes and lettuce were delivered to each unit by the case and sliced at that unit. Today, these items are delivered prewashed, precut, and, in some cases, preportioned, thereby allowing for less food handling (and handling by less-skilled workers). Such an approach to internal distribution helps lowers costs, contributes to standardization, and increases efficiency.

The final unique feature of QSRs is the common brand affiliation. Most toddlers are quick to spot the golden arches and make the connection with Happy Meals. Moreover, the preponderance of McDonald's, Burger King, Wendy's, and Jack in the Box (to name only a few) has inevitably (and in some ways unfortunately) shaped other countries' views of American culture.

Fast Casual

Fast-casual restaurants, which evolved from the QSR segment in response to customer demand for a little higher quality and better ambiance (accompanied by a willingness to pay a premium for such features) combine the convenience of QSRs with the fresh ingredients of traditional sit-down restaurants. Fast-casual restaurants are value driven, to be sure, but the style of preparation and the quality of the basic ingredients are better. Typically, the food involves longer preparation time, and in some cases the guest orders and pays at a counter but the food is delivered to the table when ready.

Fast-casual operations also offer more amenities than QSRs. For example, it is not unusual to find plants or even aquariums and similarly interesting features at a fast-casual restaurant. The lighting is usually softer, and the seats and tables are more conducive to a relaxing meal. There is also a greater emphasis on service than there is in the QSR segment.

INDUSTRY LEADER PROFILE

Panera Bread

Panera Bread's bakery-cafe concept highlights everything good about fast-casual restaurants. The bread is baked at each location daily, which is paired thoughtfully with made-to-order sandwiches and tossed-to-order salads. The soups are served in freshly baked bread bowls. The company has garnered many culinary and guest-service awards including recognition by the *Wall Street Journal*. Publicly traded, the company had more than 1,300 units in 2008 with sales exceeding $1 billion.

Finally, menus at fast-casual restaurants are more flexible and offer many more options. At a Panera Bread outlet, for example, a sandwich can be customized almost without limit, as you can choose your bread type and preparation (toasted or not), toppings, and temperature (hot or cold). At a Panera Bread, it would not be surprising for the order taker to make recommendations, guiding your decision far beyond the stereotypical, "Would you like fries with that?"

Family/Midscale

Midscale restaurants, or those considered family friendly, offer table service but at a relatively low price point given the tableside service. In this segment, foodservice operators seek to build brand loyalty with customer-friendly programs such as a children's menu, children's table activities (e.g., crayons and puzzle books), drinks, and dessert specials. Furthermore, menus offer many more choices than are offered in other segments with operators looking to capture the broadest possible audience. Typically, the listings in each category, such as appetizers and entrees, are quite numerous.

Midscale restaurants are also positioned for a specific dining purpose. In other words, they seek to entice diners for a family breakfast or dinner with family or friends. They market themselves as community friendly. Finally, they attempt to align with what they see as family values, which means that they market themselves as places where families can experience a meal together.

In terms of pricing, the common element in midscale restaurants is their focus on value. Large portions at reasonable prices prevail. Food quality, while slightly better than what is found at QSRs or even most fast-casual restaurants, is underplayed—again, the emphasis is on value. (We discuss value and the associated value proposition at greater length in Chapter 3.)

Moderate/Theme

Moderate or theme-style restaurants market themselves by creating a tie between the customer and a concept based on type of cuisine or time period or some other easily captured cultural phenomenon. This is most evident in the ambiance, where décor is more thematic than in the previously discussed segments. For example, a moderate-theme restaurant in an

American urban neighborhood might feature an Australian theme, tapping into the allure of the Australian outback with food that also aligns with that theme (think, for example, of steaks and shrimp "on the barbie").

The choices in theme restaurants, while not as plentiful as those found in midscale restaurants, are ample enough to appeal to a broad market. To increase such a restaurant's appeal, the menu often offers greater flexibility—guests can readily make substitutions, modifications, or special requests. A knowledgeable service staff can also make recommendations to suit differing dietary restrictions and preferences.

Menu prices at moderate-theme restaurants are notably higher than those in the midscale segment, but customers arrive knowing that the meal will be priced a little higher and that the portions may be smaller than those featured at midscale eateries. The quality of the food should, however, be higher. The service, too, is expected to be a bit more refined.

Fine Dining

The epitome of epicurean accomplishment is found in **fine dining** restaurants. Here, both the theme and product offering are unique, underscoring the specialness of the restaurant. Food quality and menu complexity are extremely high. The emphasis on the value or price of the food itself is gone; instead, fine dining operators look to maximize guests' overall dining experience. Guests pay not only for the food but also for the total dining experience, from the hospitality exhibited by the staff to the beauty or uniqueness of the décor to the elegance with which the meal is arranged on the plate.

Thus, in addition to serving high-quality, sophisticated meals, foodservers must understand all aspects of the offerings, including typically lengthy wine lists, and be prepared to offer advice or to elaborate on menu descriptions. They must also place a greater focus on the graciousness of the service; much more is expected of them than simply taking the food order and delivering the food when it is ready. Servers must anticipate each guest's every need and strive to exceed that guest's expectations.

Fine dining restaurants provide, then, the ultimate in ambiance: linen napkins and tablecloths, fine silverware and glassware, richly appointed restrooms, and aesthetically pleasing lighting, seating, background music, and decorations.

The systematic approach to food production that homogenizes one's experience at all QSRs of the same brand is not apparent to guests in fine dining restaurants, but a standardized system of order taking, food production, and service delivery is nevertheless found in these operations. The difference is that here these activities are transparent to the guest!

Onsite

Onsite foodservice is too often considered the poor stepchild of the foodservice industry. Yet it is one of the most dynamic and growing segments and can encompass features found in any of the previously described segments. For example, one of the highest grossing Outback Steakhouse restaurants is located at PNC Stadium in Pittsburgh. Another example is the McDonald's located in Elmhurst Hospital Center—the busiest healthcare facility in Queens.

Onsite foodservice operations are defined as food outlets in **business and industry** (B&I), schools, universities and colleges, hospitals, skilled-nursing centers, eldercare centers, childcare centers, correctional facilities, and recreation facilities such as stadiums. Some would include military and transportation-related foodservice (e.g., in airlines) in this segment, but these subsegments have become so highly specialized and distant from the core

onsite businesses that they are now considered separate and distinct. Moreover, providing a specialized service such as airline food is now more akin to commodity production than foodservice.

Onsite foodservice is particularly noteworthy because of its points of differentiation from the other segments. For example, the emphasis on nutrition (which consumers are beginning to demand in the other foodservice segments) is deeply embedded in onsite operations. Consider foodservice in a hospital: The nutritional and even therapeutic value of the food is today considered a vital component of the holistic process of patient care. In schools, too, dietary requirements—often mandated by governmental agencies—must be met.

Another differentiator of onsite foodservice firms is that they must adapt to the requirements of the institutions within which they operate. In a B&I cafe, for example, the operation is open only for breakfast and lunch, Monday through Friday. Thus, the quality of life for their managers is considerably different from that of typical restaurant managers, who must cope with longer hours and weekend crowds.

While some speak of the captive patronage of an onsite operation as an attribute—its patrons have no other option unless they are able to leave the institutional setting—onsite operations also require meticulous forecasting and attention to standards. In a correctional facility, for example, the foodservice manager knows exactly how many meals she must produce every day. Yet controls must be in place to ensure that food production (including the related processes that are discussed later) is matched to these forecasts.

The same is true in a college setting. Students today have more food choices than ever and are more discerning as well. Thus, the foodservice manager must consider nutrition, menu-item appeal, value, and appropriate production of each item at each of the various outlets on campus.

Management in onsite foodservice can also feature different structures. For example, a hospital may manage its foodservice operations by hiring a foodservice director who will staff the unit accordingly. Such an operation is considered self-operated because all of the employees including the management team are hospital employees; this is typically referred to as **self-op**. By contrast, a hospital might choose to outsource the foodservice operation. In such a case, a contract foodservice company is hired to run the foodservice operations. Such companies specialize in onsite foodservice and add value through standardized practices.[4]

INDUSTRY LEADER PROFILE

Sodexo

Sodexo, based in Paris, is a leading onsite foodservice company operating in more than 80 host countries. Its healthcare division deserves special mention, however, because of its reputation as a leader in providing a high-quality patient experience by providing healthcare institutions with a range of offerings such as foodservice, reception, information, hygiene, environmental management, free-time activities, and medical equipment maintenance. The division represents approximately 20 percent of the parent company's revenues, with healthcare-related-services revenue of more than $3.5 billion.

Finally, menus in this segment must mirror those from the other segments relative to the operational focus. They must also, however, offer enough variation to keep the captive patronage satisfied with their offerings. In the B&I subsegment, for example, suppose that 50 percent of the business employees at a particular site eat breakfast or lunch onsite at least 50 percent of the time; here the foodservice operator must employ cyclical or rotational menus and also offer frequent specials to keep its patrons from trading the convenience of the onsite meal for the allure of the competing nearby restaurant. So consumer demand plays its role here as well, as operators must contend with the opportunity some patrons have to eat outside of the complex.

It is worth noting that the onsite segment must also contend with a host of changes that affect the global foodservice industry, such as nontraditional work scheduling, telecommuting, increased focus on dietary preferences and restrictions, increased interest in healthy eating, demand for culturally based cuisines, focus on new flavors, and more. In fact, Sodexo, a global leader in onsite foodservice and the world's top provider of healthcare foodservice, has made it a priority to respond to changes and trends that are shaping the future of foodservice (see sidebar).

INDUSTRY STATISTICS

Students looking for a career in the hospitality industry typically imagine working in hotels. But did you know that the foodservice industry generates three-and-a-half times the revenue of the lodging industry? Another noteworthy statistic is that the number of foodservice managers is projected to increase by 11 percent between 2008 and 2018. Moreover, the foodservice industry is the largest nongovernment employer in the United States. Sometime between 2010 and 2015, the number of foodservice outlets will exceed 1 million in this country alone!

In recent years, foodservice sales have increased by around 4.1 percent and currently equal 4 percent of the US gross domestic product. The foodservice industry employs 9 of every 100 working American citizens, and, according to the National Restaurant Association, total employment in this hospitality sector will top 15.1 million people by 2018.

In an era marked by a changing workforce and growing variety in corporate composition, the foodservice industry is a leader in workplace diversity. During the first decade of the new millennium, women and minorities represented three of five owners of eating and drinking establishments. The foodservice industry also employs more minority managers than any other industry. Finally, women and minorities are finding increasing ownership and management opportunities in both independent and chain restaurants.

Speaking of independent and chain restaurants, the foodservice landscape today is also changing rapidly. For example, of the more than 900,000 foodservice outlets in the United States today, approximately 25 percent are chain restaurants. Sales statistics suggest, however, that chains command an even greater share of the market: Chain outlets capture half of all restaurant revenues in the United States. Moreover, more than nine out of every ten hamburgers eaten away from home are purchased from a chain restaurant.

This preponderance of chains appears to be increasing. Revenues at the top 25 chain restaurants have in recent years grown by approximately 5.1 percent (versus the 4.1 percent noted earlier for the industry in general). Global chain restaurant growth is also increasing faster than growth in the foodservice industry in general, a phenomenon that is projected to continue long into the twenty-first century, creating even more management opportunities!

MANAGERIAL IMPLICATIONS

The role of foodservice operations continues to evolve, with people spending more money than ever on food purchased for consumption outside of the home. Within the next few years, Americans will spend over half of their food dollars at restaurants and onsite foodservice establishments. Although this creates unprecedented opportunities for managers and entrepreneurs, it also results in a hugely competitive marketplace.

Although this evolution has occurred within a relatively short time, the roots of the foodservice industry run very deep. Understanding the influences on the industry's evolution better prepares the next generation of foodservice leaders to move the industry forward. In particular, it facilitates an appreciation of cultural influences—and appreciating the industry's history helps us to anticipate future trends.

An excellent illustration of how the past links to foodservice today is the story of the first chef who advertised his foodservice operation as a place where patrons could be restored by the healthful qualities of his signature product, soup. As we see today, the trend toward healthful fare is pervasive across all segments, not just in healthcare foodservice. Even QSRs today are responding to this market pressure, offering nutritional information either on the premises or online.

Consider also how menus came into place. The first restaurants served only a few items; the choices were communicated to the guest by the server or, more commonly, the kitchen staff. Then, less than 200 years ago, the printed menu emerged as the vehicle for communicating with the guest.

The history of foodservice is also the history of segmentation. Even within segments, new concepts continually emerge. In onsite foodservice, for example, organizations find their foodservice operations competing with offsite operations and in response have developed new models that keep their personnel in house for work-time or even after-work meals. Again, this creates unprecedented opportunities for foodservice managers and those who have a vision of a new concept.

INDUSTRY EXEMPLAR

Compass Group PLC

Compass Group is a market leader, providing food and support services to organizations in B&I, healthcare, recreation, and education in 55 countries, totaling revenue in excess of $20 billion. Based in Surrey, United Kingdom, the firm is the largest employer of foodservice workers on the planet.

What makes Compass Group unique among onsite providers globally is that the company was built by acquiring other leading onsite companies and—rather than blending these acquisitions into a uniform organization—operating them largely autonomously. In other words, the company looks for great companies, buys them, and then lets them continue to grow and do what they do best. This innovative approach in a world in which everything trends towards globalizing, commoditizing, and homogenizing has made Compass Group the leader it is.

Identifying opportunities in vending, for example, Compass Group acquired Canteen Vending in 1994. Then, after recognizing opportunities in healthcare foodservice in North America, it acquired Morrison Management Specialists (now named simply Morrison), a leading North American onsite foodservice company specializing in healthcare. Subsequently it sought to enter the higher-end cafe and catering markets, especially in the B&I and education segments, with its purchase of Bon Appétit Management Company, a renowned leader in this sector.

According to Mark Swenson, regional vice president of Bon Appétit, the acquisition has been smooth. Having joined the firm after graduating with a hospitality degree from Washington State University in 1975, Swenson met the founder of Bon Appétit and joined the company in 1977. The company's success is attributable largely to its ongoing ability to focus on culinary expertise, a commitment to socially responsible food sourcing and business practices, and strong partnerships with respected conservation organizations.

Has this changed since Bon Appétit became a part of Compass Group? As Swenson notes, "Compass has integrated many of our practices such as sourcing local food products but has not forced its operating practices on us. In fact, they have helped us grow thanks to their depth of resources and knowledge of global business practices."

If Compass Group serves as a model for consolidation in the foodservice sector, it could expand the global reach of many companies. What does this mean for future foodservice leaders and managers? According to John Tuomala, Director of College Relations for Compass Group North America, "It means that all of our associates have a great opportunity to advance in their careers with one global organization. Our year-on-year success in growing all of our lines of business both organically and through acquisitions has created a worldwide demand for high potential management talent—and is the reason why internal talent management, training, and college recruitment tops our list of HR priorities."

COMPASS GROUP

Courtesy of Compass Group.

KEY TERMS

stomach share 4
public dining rooms 8
A. Boulanger 8
table d'hôte 8
Robert Owen 8
Delmonico's 8
drive-in restaurant 9
fast food 9
Ray Kroc 9
quick service 11
fast casual 11
family/midscale 12
moderate/theme 12
fine dining 13
onsite 13
business and industry 13
self-op 14

Case in Point

The College Experience

Both of Katlin's parents had graduated from Central State University, so they were very excited when Katlin listed it as her first choice for college. They were also ecstatic about visiting the university for a tour. Katlin's mom, Kathy—a graduate of the university's hospitality program—had been reminiscing almost nightly about her college days and was curious to see how things had changed. Her father, an architect named Sam, was also curious about the changes they would see on campus.

Because the visit to her parents' alma mater would include meetings with some of the faculty and the hospitality program's adviser, Katlin began preparing a list of questions in anticipation of her encounters with potential future professors. Although she was curious, of course, about the curriculum, she was somewhat familiar with the general program thanks to the hours she had spent perusing the various CSU online sites. She wondered which companies typically recruited new graduates. How much money could she anticipate making as a new hire? What other choices would she have after graduation?

Katlin knew what she wanted to do with her college degree but she was worried that her goal might disappoint her parents, so she kept it to herself. This made the last few weeks leading up to the college visit a little

Case in Point *(continued)*

awkward during family dinners. Sam and Kathy assumed that her silence meant that Katlin didn't know what she wanted to do. They were worried that she wouldn't seem focused on a clear goal during the meetings at CSU.

Throughout the drive to the small college town, Kathy talked about all her college friends who had gone on to work in hotels when they finished college. Kathy herself had started at a large hotel chain with which she had worked for many years before starting her own travel agency. Sam had just finished designing some high-end restaurants, so his mind was more on Katlin's opportunities in the foodservice sector. Katlin's parents dropped subtle hints (well, maybe some were not so subtle), hoping to elicit from Katlin some indication of her desired career path, but Katlin just nodded and smiled politely.

After meeting two of the professors and the academic adviser, the trio met with the hospitality school's director. The conversation was casual at first, but the small talk soon gave way to a more pointed inquiry when the director looked Katlin square in the eye and asked, "So what do you want to do after you graduate from CSU with a degree in hospitality management?"

Sam and Kathy held their breath. Katlin, meanwhile, inhaled loudly and said, "Last year in school I found Fannie Merritt Farmer's *Boston Cooking School Cook Book,* which my English teacher described as 'the Bible of the American kitchen.' He said that it changed the way cookbooks were written forever by listing exactly how much of each ingredient would be needed at the top of every recipe. Then she gave the instructions for making the dish. I thought that was amazing. But what I found even more amazing is that many of the dessert recipes from this book, which was written way back in 1896, are a lot like many of today's recipes."

Katlin continued: "That got me interested in baking—especially in trying new things, using new ingredients, and applying different approaches. And I do enjoy this, but my passion isn't only for baking. I want to redefine bakeries as a *business*. So, my goal is to start a chain of high-end bakeries, starting maybe with my first one in New York City and then adding a few more each year. I'm hoping this program will enable me to do that."

Sam and Kathy just stared at Katlin. They had no idea that she was so focused or that she had such an ambitious goal. On the other side of the desk, the director grinned widely. He then responded, "Well, I must tell you how refreshing this is. Too often, students look at managing a single restaurant or hotel, or working with an event-planning business. You, on the other hand, want to be an entrepreneur. And that is exactly what we're designed to foster. In fact, our collective mission in the school is to craft our best and brightest into the leaders of the global hospitality industry. I have a feeling that you will be at the front of our next cohort of these leaders."

Did you have a similar experience when you were considering which college to attend or maybe deciding if dietetics or hospitality was in your future? How would you have responded to the same director if you were Katlin? And now that you're in a hospitality or dietetics program, how would you respond today?

REVIEW AND DISCUSSION QUESTIONS

1. What is surprising about countries in which McDonald's operates?
2. How much has Americans' behavior changed in terms of food dollar spending over the last 50 years?
3. When was the first oven created? When did humankind start thinking of food as a commodity?
4. Explain how catering served as the founding father of the modern foodservice industry.
5. What is a modern example of incorporating food into the hotel experience that was common in the Middle Ages?
6. What role did the French Revolution play in the evolution of today's foodservice industry?
7. What kind of restaurant (in terms of cuisine) was the first to open in the United States, and when and where did it open?

8. Why was Robert Owen's approach to factory design so novel?
9. Where and when did the first modern cafeteria open?
10. What did the Delmonico's founders do that was so unique but that changed the foodservice industry forever?
11. Name the six foodservice segments and describe two unique features of each one.
12. What is the projected increase in the need for foodservice managers between 2008 and 2018?
13. In the United States, which industry is the largest nongovernment employer?
14. What proportion of the gross domestic product in the United States does the foodservice industry represent?
15. What is the status of diversity in the foodservice industry?
16. In the United States, how many units form a chain? How do these chain restaurants compare in terms of annual sales?
17. Which is growing more rapidly: independent restaurants or chain restaurants, both domestically and globally?

ENDNOTES

1. Friedman, T. L. *The World Is Flat: A Brief History of the Twenty-first Century*. New York: Farrar, Straus, & Giroux, 2005.
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3. Tannahill, R. *Food in History*. New York: Three Rivers Press, 1988.
4. For more information, see Reynolds, D. *Onsite Foodservice Management: A Best Practices Approach*. Hoboken, NJ: John Wiley & Sons, 2003.