

Mini case study #4

Impacts of the Restaurant Industry in the United States

Learning Outcomes:

Working on the case study will assist students in developing the following student learning outcomes.

1. Define the foodservice industry;
2. Explain the various impacts of the foodservice industry on the economy and employment in the United States;
3. Discuss various measurements used to analyze restaurant performance;
4. Interpret data and appraise evidence;
5. Distinguish, compare, or contrast diverse points of view and/or alternative conclusions;
6. Articulate personal insights about complex issues or problems.

Background Information:

The restaurant industry in the United States is vast. It provides abundant **job opportunities** and has a tremendous impact on the **national economy**. The impact on the economy is substantial. The projected total restaurant sales for 2020 were \$899 billion, almost double than the sales in 2010 (National Restaurant Association, 2020a). The restaurant industry's **total economic impact** was predicted to be more than \$2.5 trillion (National Restaurant Association, 2020a).

In terms of **employment**, the **National Restaurant Association (NRA)** (2020a) estimated that a total of 15.6 million people would be working in the industry in 2020, with a prediction that by 2030 that number will rise to 17.2 million people. Interestingly, the NRA (2020a) reports that over 60% (6 in 10 adults) have worked in the restaurant industry at some point during their lives and nearly 50 % of adults got their first job in a restaurant. Have you ever worked in the restaurant industry? Do you know someone that has?

When you think of the restaurant industry, what first comes to mind? What exactly is the restaurant industry? There are many ways to define and classify restaurants. Please note that various organizations and textbook authors may present restaurant classifications differently. Either way, one of the primary ways to segment the restaurant industry is if they operate as **commercial** or **non-commercial** operations. In the most basic sense, **commercial operations** are those that operate for a profit. Examples of these types of operations would include casual operations such quick-service restaurants (QSR) (e.g., Chik-fil-A), fast-casual (e.g., Panera), midscale (e.g., Olive Garden), family (e.g., Cracker Barrel), themed (e.g., TGIFriday), and ethnic (e.g., Thai Flavor) (Walker, 2020). Then there is also fine dining, which are operations that focus on gourmet foods and high-end service. While most upscale dining operations are **independently owned**, some chains/franchises like upper-end steak houses such as Ruth Chris and Morton's are included in this category. The NRA also includes in the commercial category,

managed services, food served in lodging facilities, retail operations, recreational facilities, as well as mobile and vending. Mobile foodservice refers to preparing and selling food from vehicles or carts, such as food trucks, ice cream trucks, mobile concession stands, and hot dog carts.

In the traditional sense, **non-commercial foodservice** operations are differentiated because they do not operate for profit. These types of operations used to be referred to as institutional foodservice. Their main focus is on providing nutrition to their target groups. Examples would include military foodservice, patient foodservice in hospitals, foodservice in prisons, and so on. These are captive audiences that do not have choices of where to go to eat. Nowadays, it is not uncommon for operations like these to acquire the services of outside companies to run their food operations. These are called **managed services**.

Restaurant Industry Operation and Employment Facts:

The NRA is the largest foodservice trade association in the world, representing more than 500,000 restaurant businesses (National Restaurant Association, 2020b). They educate and advocate. They provide access to vital industry statistics and predicted trends to strengthen the industry. For this case study, we will examine some of these statistics.

First, let's examine the most recent available information on the growth trends from 2017 to 2018 in the various restaurant segments, as depicted below. Examine this chart, looking especially close to the % change column. Then answer the questions below.

Restaurant establishments by segment

Industry Segment	2017 Establishments	2018 Establishments	# Change: 17 to 18	% Change: 17 to 18
Fullservice restaurants	243,520	247,237	3,717	1.5%
Quickservice restaurants	238,063	243,045	4,982	2.1%
Cafeterias/grill buffets/buffets	6,634	6,541	-93	-1.4%
Snack & nonalcoholic beverage bars	58,752	62,233	3,481	5.9%
Food service contractors	21,667	22,357	690	3.2%
Caterers	12,200	12,413	213	1.7%
Mobile food services	4,711	5,376	665	14.1%
Bars & taverns	42,665	42,826	161	0.4%

Source: Bureau of Labor Statistics; figures represent only establishments with payroll employees.

Questions:

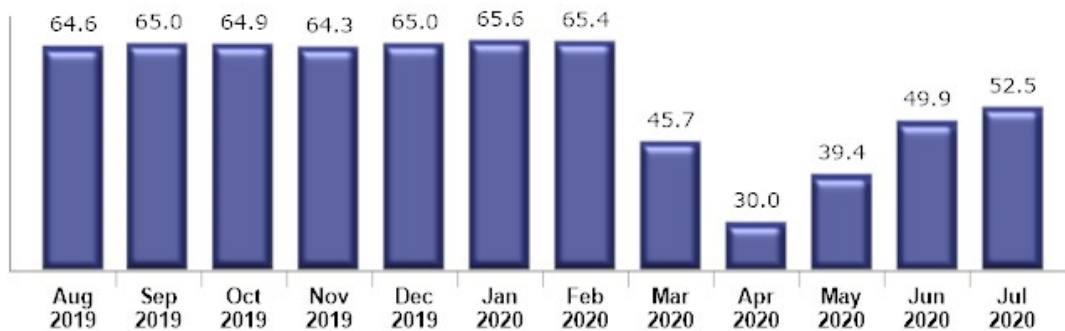
1. Which industry segments demonstrate the highest growth?
 - a. Which industry segments demonstrate the highest growth in terms of the number of new units? (Please use the #Change column)
 - b. Which industry segments demonstrate the largest growth percentage? (Please use the %Change column)
 - c. Which industry segment had the least growth percentage?

- Why do you think these specific segment changes occurred? Be sure to expand on your justification for your answers.

As mentioned earlier, the NRA had projected sales in 2020 to reach \$899 billion, and the industry was on track with that figure until the COVID-19 pandemic. Examine the following sales graph and then answer the questions below.

Total Eating and Drinking Place Sales

(in billions of current dollars)



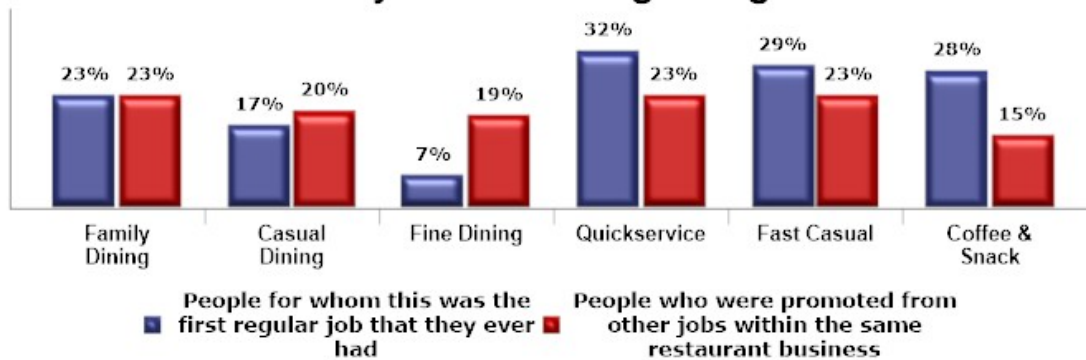
Source: U.S. Census Bureau; figures are seasonally-adjusted

Questions:

- It is pretty straightforward that the steep decline in sales in March and April are due to COVID-19. However, there is now an increase in sales. Discuss the factors you think contributed to the increase in sales.
- Do you foresee this increase pattern staying on track? Why? Why not?

The restaurant industry employs millions of people. As stated in the opening background information, over 60 % of people have worked in the restaurant industry, and nearly 50% of people got their first job in a restaurant position (NRA, 2020a). The NRA provides employment statistics that you will note in the graph below. Examine the graph and then answer the questions that follow.

Percent of 2019 restaurant job openings that were filled by the following categories



Source: National Restaurant Association, *Restaurant Trends Survey*, 2019

Questions:

5. Discuss the prospects of obtaining a first-time job in the restaurant industry (Please use the blue bars to answer these questions:
 - a. Which types of restaurants employed to most first-time job people?
 - b. Which types of restaurants employed the least first-time job people?
 - c. Why do you think this is happening?
 - d. Also, why do you think so many people have chosen the restaurant industry as their first job?
6. Examine and compare the statistics of people for whom this was their first job ever (Blue bar) and those who were promoted from the same restaurant business (Red bar).
 - a. What kind of pattern do you see?
 - b. Why do you think the most promoted employees are coming from these restaurant classifications?

References:

National Restaurant Association (2020a). State of the industry fact book.
<https://restaurant.org/downloads/pdfs/research/soi/2020-state-of-the-industry-factbook.pdf>

National Restaurant Association (2020b). Who we are.
<https://www.restaurant.org/about>

Walker, J.R. (2020). *Introduction to hospitality*. Hoboken, NJ: Pearson.

All data and facts retrieved from:

<https://www.restaurant.org/research>