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EXHIBIT 2040

PART 3

Three

Hospitality Foundations II

The Hospitality Industry in the United States in the Twentieth Century

Learning Objectives

After reading and studying this chapter, you should be able to:

1. List the important inventions of the late nineteenth century and describe the impact of each on the hospitality industry.
2. Identify three major reasons for the growth in mass travel after World War II.
3. List the principal appealing features of a vacation cruise.
4. Discuss the importance of railroads to travel in the United States during the first half of the twentieth century.
5. Identify Amtrak and trace its development.
6. Discuss the early history of aviation and explain the importance of mail contracts to airline development.
7. List and discuss three results of the Airline Deregulation Act of 1978.
8. Describe in general terms the principal developments in the three major segments of the industry—restaurants, hotels, and resort hotels—in the period from 1900 onward.

9 Identify each of the following and describe their principal contributions to the development of the hospitality industry: Ellsworth M. Statler; Conrad Hilton; Howard Johnson; J. Willard Marriott; Kemmons Wilson; Ray Kroc.

Introduction: An Overview

Following a golden age of invention in the late nineteenth century, there had been some dramatic changes in American life. Electricity, for example, was beginning to replace gas to illuminate homes and offices. Henry Ford and others were further developing the recently invented automobile, which promised new and improved methods of motor transport. Streets and roads were being paved and otherwise improved in cities, towns, and rural areas so that people could take full advantage of the new automobiles. The telephone was becoming common, making voice communication possible over long distances, just as the railroads had made rapid transit between cities and regions a reality. These and other important developments were moving America toward becoming the world's foremost economic power. This dramatic increase in economic development gave rise to more travel for Americans than they had ever known before, setting the stage for the major developments in America's hospitality industry.

The first half of the twentieth century was a time of rapid growth for American business. This growth produced an increase in travel, particularly business travel. Long-distance trips were still primarily by train, but use of the automobile was becoming increasingly common. New paved roads were constructed in the early part of the century, and more and more of the older unpaved roads were paved. By 1920, it was becoming possible in many parts of the country to drive an automobile from one city to another without using the dirt roads of earlier decades.

The first recorded journey across the United States by automobile was undertaken in 1903 by a physician from Vermont named Nelson Jackson. It took Dr. Jackson sixty-nine days—from May 23 to August 1—to drive from New York City to San Francisco. Many of those days were spent in hotels, waiting for the automobile to be fixed and for parts to be shipped. America's roads were not yet well suited to long-distance driving.

World War II marked a turning point in travel and hospitality. After 1945, the hospitality industry embarked on a period of dramatic change that was unequaled and unparalleled at any time in history. Travel, transportation, foodservice and lodging—literally every aspect of travel and hospitality—were affected.

In the nineteenth century and the first half of the twentieth, the average American did not engage in long-distance travel for pleasure. The only people to travel long distances frequently were businessmen and theatrical people (who could not earn their livings without traveling) and the wealthy, who had the time and money to travel for pleasure. The workweek for the average American was five and one half or six days, and very few Americans were able to take vacations. Those who were able to do so were not necessarily given vacations with pay. The cost of long-distance travel for vacations was quite beyond the financial ability of most Americans. For the majority, "travel" might mean an occasional trip to the seashore, a not-too-distant lake, or a short journey to visit relatives in a nearby community.

▶ Mass Travel

After World War II, great numbers of Americans began to travel. Of the many reasons for this, there were three of special significance for the hospitality industry.

1. Economic life was changing for many Americans. More industries were becoming unionized, and the contracts that resulted from collective bargaining provided for shorter workweeks, higher wages, and more fringe benefits. Vacations with pay became nearly universal for both unionized workers and for nonunionized white-collar workers who had held their jobs for the stipulated prerequisite periods (one year was a typical minimum). In general, Americans in all walks of life began to have more leisure time than ever before in history. This set the stage for increased travel.

2. Modes of transportation were changing. America's railroads were in decline, and the automobile became the primary means of private transportation for local and long-distance travel. The airplane was increasingly regarded as the major means of public transportation for long-distance travel. With increased volume and improved technology, travel also became more affordable. This led to the development of new travel destinations.

3. Major improvements were made in America's highways. With the decline of the railroads and growing reliance on motor vehicles—

both trucks and cars—the development of a national network of superior, limited-access highways became an important public concern. There had been major highways for a number of years in all regions of the country. There had never been, however, any coast-to-coast, border-to-border network of limited-access, interstate highways. Planning for this national system began during President Eisenhower's administration, and construction proceeded in the following years.

In the balance of this chapter, we will take a closer look at the various elements in the travel and hospitality mosaic to illustrate the more important changes that have taken place in the twentieth century—changes that have affected the industry in ways that are evident today.

Travel and Transportation in the Twentieth Century

The decline of passenger ship and railroad travel, and the development of the automobile and airplane are major factors in the changing American life in the twentieth century. We begin with a look at the role of passenger ship transportation.

Passenger Ships

Until the twentieth century, all travel and transportation between the United States and nations overseas was by ship. There was no other means for transporting people and goods between Europe and America, or between Asia and America. Ships dominated intercontinental travel and transportation in much the same way that railroads dominated domestic travel and transportation.

World War II brought a halt to most scheduled passenger shipping. Many passenger ships were used for troop transports, and some were sunk by enemy submarines. After the war, passenger service resumed. The luxurious SS *France* was built in 1961, and the *Queen Elizabeth II* went into service in 1968. Although the United States has never invested heavily in passenger ships, it did build the *United States*, a superliner, in 1952. At the time, this was the fastest liner afloat, capable of a speed of 35 knots. By this time, however, the days of transatlantic passenger ships were numbered, and the *United States* never carried the numbers of passengers that might have been possible some thirty years earlier. By the late 1960s, the *United States* had to be taken out of service for lack of passengers.

The beginning of the end of transatlantic passenger crossings came in 1957, the first year more people crossed the Atlantic by plane than by ship. Travelers no longer wanted to spend five to seven days traveling to Europe by ship when a plane would take them across the Atlantic in a matter of hours. The last ship to provide scheduled transatlantic service was the *Queen Elizabeth II,* and this was only during the summer months.

Today, most of the grand transoceanic liners are gone. The *Queen Mary* is permanently docked in Long Beach, California, as a tourist attraction. The original *Queen Elizabeth* sank in Hong Kong harbor. The *France* was sold to the Norwegian Caribbean Line, was refurbished, and is now sailing as the cruise ship *Norway.* The *Queen Elizabeth II* is used almost exclusively for long-distance vacation cruising.

Vacation Cruising

Vacation cruising goes back one hundred years to 1891 when the P&O line, the world's oldest cruise line, began to offer vacation cruises to distant parts of the world. For generations, taking a cruise meant boarding a ship in Boston, New York, Los Angeles, or some other city—then sailing to ports around the world.

The scheduled lines—those that provided scheduled transoceanic service—had specific year-round routes. However, sales always decreased in winter, which was never a good time to travel by ship. The seas were rough, the winds were fierce, and the temperatures could be frigid. In the mid 1930s, owners of lines that crossed the Atlantic Ocean started scheduling ships for winter vacation cruises to keep them going during the cold months when there was limited demand for transatlantic service. These ships carried passengers from cold-weather ports to warmer climates. New York City was the major port of embarkation. Ships that normally traveled from New York to Europe went on vacation cruises to the Caribbean, South America, and the Mediterranean.

Today, the large seagoing passenger vessels are used almost exclusively for vacation cruising. They are concentrated in the Mediterranean, Caribbean, and on the West Coast of the United States. The typical cruise is three, four, seven, or eight days long, although cruises of ten to fifteen days are not uncommon. Extended vacation cruises to distant ports of call are still available on ships such as the *Queen Elizabeth II,* but the greater demand is for short-term cruises that are within the budgets of the average working person.

Although the ages of vacation cruise passengers are younger and the length of the cruises is shorter, the appealing features of cruises have not changed over the years; they continue to be

1. food
2. activities and entertainment
3. weather
4. elegance and comfort

The level of service on many ships is as high as that in luxury hotels. Cabin stewards are available twenty-four hours a day and provide turndown service in the evening. Food and beverage service is commonly available day and night, and all sorts of recreational activities are available at any given time. Pursers are there to store valuables, cash checks, and convert currencies. Because of the high level of service, a cruise on one of these luxury liners can be an elegant and refreshing experience.

▶ Railroads

In the United States today, the railroad plays only a minor role in intercity passenger traffic, accounting for about 1 percent of long-distance trips. Nevertheless, the historical role of railroads in the expansion and development of many parts of the United States cannot be ignored. In the previous chapter, the importance of the railroads was discussed. Railroad stops were natural locations for hotels, and resort hotels were natural destinations for railroads. In some cases—Henry Flagler's hotels, for example—reaching existing hotels was the chief reason a railroad was built.

The number of miles of railroad track in the United States reached a peak in 1916. However, the railroads were still the primary means of long-distance public transportation for many years thereafter. All through the 1920s, the 1930s, and most of the 1940s, American railroads provided excellent passenger service. In fact, the railroad cars were generally considered more comfortable than other means of transportation, and the staff was efficient and polite. Trains generally ran on time, and food served in the dining cars of some trains was as good as that served in some fine restaurants. During the period of their greatest popularity, railroads accounted for as much as 70 percent of all intercity traffic.

The best intercity trains were named, just as cruise ships are named. In fact, the practice of naming trains continues with Amtrak. Some of the famous trains of the past include the following.

The Twentieth Century Limited. The deluxe train of the New York Central Railroad, this train provided service between New York City and Chicago. It was introduced in 1902 and made its last run in 1967.

The Broadway Limited. This train was inaugurated in 1902 by the Pennsylvania Railroad; it traveled between New York City and Chicago as competition for the *Twentieth Century Limited.* Amtrak retains a train with this name.

The Panama Limited. Started by the Illinois Central Railroad in 1912, this train ran between Chicago and New Orleans.

The Super Chief. This train was inaugurated in 1936 by the Santa Fe Railroad to provide service between Chicago and Los Angeles.

After World War II, competition from airlines and private automobiles led to a decrease in the number of railroad passengers. Passenger service has never been highly profitable, and decreased ridership caused the railroads to operate at a loss. As a result, passenger service began to deteriorate: service was perceived as less friendly; cars were not kept in the best condition; and food in dining cars was not up to previous standards. Roadbeds for the railroad track were not well maintained, and train travel was less comfortable than it had been.

The original Panama Limited was inaugurated in 1912 by the Illinois Central Railroad to provide rail service between Chicago and New Orleans. Pictured here is Amtrak's updated version of that famed train. (Photo courtesy of Amtrak.)

Railroads were required by law to maintain passenger service; but because it was not profitable, they spent less money on the service—with predictable results.

Creation of Amtrak

In an attempt to preserve long-distance train service, the federal government formed **Amtrak** in 1971. It is a national passenger train service but differs in organization from railroad service in other countries. Amtrak is a quasi-public corporation that is neither nationalized nor completely private. It is independent of the federal government, having its own board of directors and nongovernment employees. At the same time, it is financially dependent on the federal government, which regulates it.

Amtrak has never made a profit and has been subsidized each year by Congress. From its inception in 1971 Congress has given Amtrak between $500 million and $800 million each year. This has represented 35 percent to 50 percent of its total revenues. In an attempt to balance its budget, Amtrak has reduced service to locations with limited ridership. Amtrak management has predicted that it will eventually be able to operate without government financial support, but that has not happened to date. This attempt at a national rail passenger network continues to require subsidy from the federal government and operates under continuing financial threat.

▶ Airlines

The invention of the airplane and the development of commercial passenger airlines has had the greatest influence on long-distance travel since the invention of the railroad. It may be the most important transportation development in the history of mankind.

Lighter-than-Air Craft

The first airline, Deutsche Luftschiffahrts AG, was founded on November 16, 1909. It was more commonly known as Delag. Headquartered in Frankfurt, Germany, its purpose was to operate **zeppelin** airships. These were a particular type of lighter-than-air craft known as dirigibles. They were similar in appearance to blimps seen today in the skies over major sports and entertainment events advertising Goodyear and Met Life.

Lighter-than-air craft have been around for many years. The first successful one was constructed and flown as early as 1852 by Henri Giffard from Paris to Trappe.

The name *zeppelin* comes from Count Ferdinand von Zeppelin, who designed many successful lighter-than-air craft. These airships were constructed of a lightweight frame connected to gas cells that was covered by a thin exterior "skin" of aluminum and powered by internal combustion engines. Zeppelins were an important part of early aviation and transported many passengers throughout Europe and across the Atlantic. The popularity of the zeppelin reached a high point in commercial aviation in 1929, when the *Graf Zeppelin,* a large version of the original zeppelin, made a historic round-the-world flight in twenty-one days, seven hours, and thirty-one minutes. The *Graf Zeppelin* flew until 1940, when it was finally retired. Between 1928 and 1940 it completed 590 flights, including 140 Atlantic crossings, and carried 13,100 passengers.

Commercial Air Travel Service

The first scheduled air service on a commercial airplane was January 1, 1914, from St. Petersburg to Tampa, Florida. It was accomplished by the newly formed St. Petersburg–Tampa Airboat Line in a single-engine biplane (a plane with two sets of wings) that was open to the sky. It appeared to be a successful venture, but for unknown reasons, the airline continued operations only until the end of March of that year. During the period of its existence, it carried a total of 1,024 passengers.

The first international commercial flight was on January 10, 1919, from London to Paris. It was established by the British Royal Air Force primarily to provide transportation for government officials attending the Paris Peace Conference. Flights continued until September 1919. A total of 749 flights were made.

Another attempt at scheduled passenger service in the United States was made by Ryan Airlines in 1925. This was a West Coast airline that flew from Los Angeles to San Diego. That service lasted about a year.

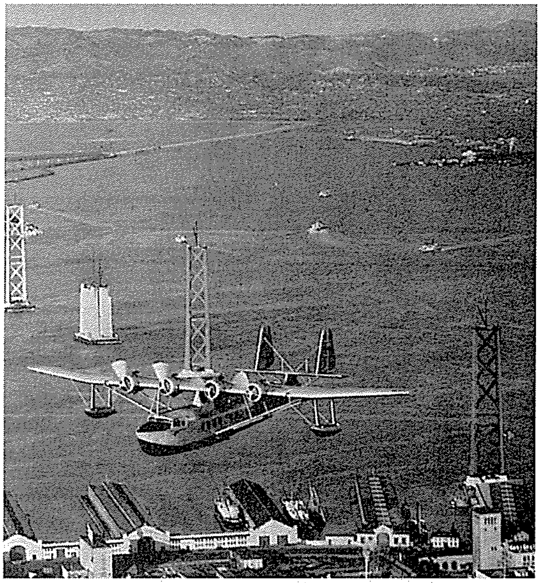
Continual scheduled passenger service did not begin until 1927. It was started by Colonial Air Transport, an airline that had a contract to carry the mail from Boston to New York. It was one of the many airlines that had been carrying mail for the U.S. Postal Service since 1918. In 1926, Congress passed the **Kelly Act** which authorized long-term mail contracts for airlines. The passage of the Kelly Act led to the founding of many airline companies. All were competing for the contracts to carry U.S. mail; and many, like Colonial Air Transport, carried passengers as well. Many of these new airlines failed; some succeeded; and many of them merged. By 1931, these mergers had resulted in the establishment of such well-known airline carriers as American, Eastern, TWA, and United.

One very important airline in American aviation history is Pan American. It began regular mail service between Key West, Florida, and Havana, Cuba, on October 28, 1927. Passenger service on that route began in January 1928. Travelers were charged $50 for a one-way ticket. Over the next few years, Pan American expanded its routes to other Caribbean islands and into South America. By 1934, it was operating eighty-five aircraft and carrying over one hundred thousand passengers a year.

Martin M–130 China Clipper. In November 1935, Pan American inaugurated transpacific mail service with its new four-motor seaplane, the Martin M–130 China Clipper. It departed from Alameda, California, for Manila, in the Philippines, and arrived there almost sixty hours later. Paying passengers were allowed on this flight beginning October 21, 1936. Pan American's new long-distance seaplanes were named the China Clipper, the Philippine Clipper, and the Hawaii Clipper. They could carry forty-one passengers and had a cruising speed of 157 miles per hour. Pan American subsequently extended this service to Hong Kong.

Boeing 314—Yankee Clipper. Airline service over a portion of the Atlantic began on June 16, 1937, when Imperial Airways inaugurated service between Bermuda and New York. Pan American began its passenger service between New York and Southampton, England, on July 8, 1939, with the Yankee Clipper, another new long-distance plane. It was a Boeing 314, which carried seventeen passengers, each paying a fare of $375.

DC–3. Most of the planes used on domestic airline routes during the latter 1920s and the 1930s were small, accommodating eight to fifteen passengers. They cruised between 100 and 135 miles per hour. In 1934, Douglas Aircraft introduced its DC–2, a twin-engine plane that could travel at a cruising speed of 196 miles per hour. Douglas soon produced a larger version, the DC–3, with a cruising speed of 186 miles per hour. The DC–3 became the workhorse of civil and military passenger service for many years. It is said that the DC–3 was the first plane



One of Pan Am's "clippers," a Sikorsky flying boat, used to provide transoceanic service from the late 1930s to the early 1940s. (Photo courtesy of the New York Public Library Picture Collection.)

that could operate profitably without the benefit of a mail contract. There were a total of 10,655 DC–3s built, and several hundred of them are still flying today.

Commercial Jet Aircraft. An important development that had profound effect on the hospitality industry was the introduction of commercial jet aircraft in 1958. Because of their increased speed, flights between cities took less time, and this improved people's perceptions of travel: because it consumed less time, it was less arduous than ever before. More people began to travel by air, and as new—and later, larger—models of aircraft were introduced, the relative cost of long-distance travel began to decrease. Round-trip fares between cities became less than one-way fares had been when piston aircraft were used, and the time to travel between cities was cut by nearly half.

Perhaps one of the most important developments in air travel was the introduction of wide-bodied aircraft. The first of these was the giant Boeing 747, which went into service with Pan American World Airways on January 22, 1970. The aircraft had 58 seats in first class and 304 in economy class, and a maximum cruising altitude of forty-five thousand feet. More recent versions of the 747 accommodate as many as five hundred passengers.

The 747 is too big and costly to operate on short flights; however, it is designed for long-distance routes. Smaller and less costly wide-bodied aircraft were manufactured about the same time. These include the DC–10, which has a seating capacity of 270 passengers, and the Lockheed L1011, which can carry 330 coach passengers or 272 passengers in a mixed configuration. The DC–10 came into service on August 5, 1971, and the L1011 on April 26, 1972.

In June of 1995, the Boeing 777 was introduced. It is a very large two-motored aircraft that can carry 292 passengers. It was designed in cooperation with airline representatives and contains many new features for the comfort and safety of passengers. Each of its two motors is larger and generates more thrust than each of the motors on the 747. Other smaller aircraft have been introduced to serve short- to medium-range flights relatively inexpensively. These include the Boeing 737, 757, 767, and the McDonnell Douglas MD–80. These smaller planes are also now used for long-distance flights when there are a limited number of passengers. They feature fuel-efficient engines and many modern advances in airline technology.

The Concord. Perhaps the most interesting aircraft is the supersonic Concord, a joint development of Britain and France. It underwent many years of design and testing before it was put into service. It first flew on March 2, 1969, but was not put into service until January 1976. This remarkable plane cruises at an amazing 1,332 miles per hour. It is a slim delta-winged aircraft that accommodates relatively few passengers. It can fly from western Europe to New York, however, in about three hours, enabling it to arrive in New York at a local time earlier than its local time of departure in Europe. It is also very costly to operate; therefore, compared with fares on traditional jet aircraft, the Concord is very expensive.

Airline Regulation

The airline industry in the United States was highly regulated until 1978. The Civil Aeronautics Board (CAB) allocated routes, approved fares, and ruled on mergers. Relatively little competition existed among airlines; comparatively few were allowed to serve major routes. For example, direct service from New York to Los Angeles might be awarded to only two airlines, which would submit proposed fares to the Civil Aeronautics Board for approval. Knowing the number of potential passengers between New York and Los Angeles, they would submit fares that would guarantee a profit. In return for limited competition, airlines were required to serve cities with few potential passengers, where service was unprofitable.

The Airline Deregulation Act of 1978. The **Airline Deregulation Act of 1978** led to major changes in the airline industry. It eliminated the Civil Aeronautics Board and transferred its responsibilities to the Federal Aviation Administration (FAA) and the Department of Transportation (DOT). The act was designed to increase competition and to provide the airlines with more freedom to choose routes and set rates.

The Airline Deregulation Act of 1978 had major consequences. Major airlines eliminated unprofitable routes, and hundreds of small commuter airlines were born to fill the need for commuter service from smaller cities. Consolidation of airlines soon followed, and financially weak airlines went out of business.

Competition has driven the price of airline travel down, and more people are flying than ever before. Airline profits have all but disappeared. The industry is still evolving; it appears that there will be a few very large long-distance carriers that will dominate the industry. Smaller commuter airlines will be tied very closely with the larger airlines, many of them controlled or owned by the large carriers.

Frequent-Flyer Programs

In an effort to develop a loyal customer base, the airlines introduced **frequent-flyer programs.** These are incentive programs that award mileage for travel on their airlines and provide various rewards for accumulation of miles. The awards may include upgrades to first-class seats, free flights, free car rentals, and free hotel rooms. It has been estimated that airlines now owe more than three million free round-trip tickets, enough for flyers to travel at least 5.4 billion miles at no cost, as a result of these frequent-flyer programs.

Hub-and-Spoke Routing

In an effort to fill the maximum number of seats on each flight and to simplify scheduling, airlines have developed a system of routing commonly referred to as the **hub-and-spoke** method. Each airline has several major airports, that serve as hubs, providing meeting points for planes coming from outlying cities (spokes). Flight schedules are established so that many planes arrive at the hub at about the same time. Passengers then change planes and proceed to their final destinations. Delta, for example, has a major hub in Dallas. Many flights originating in Boston, New York, Philadelphia, Pittsburgh, Washington, Atlanta, and elsewhere fly directly to Dallas. They are scheduled to

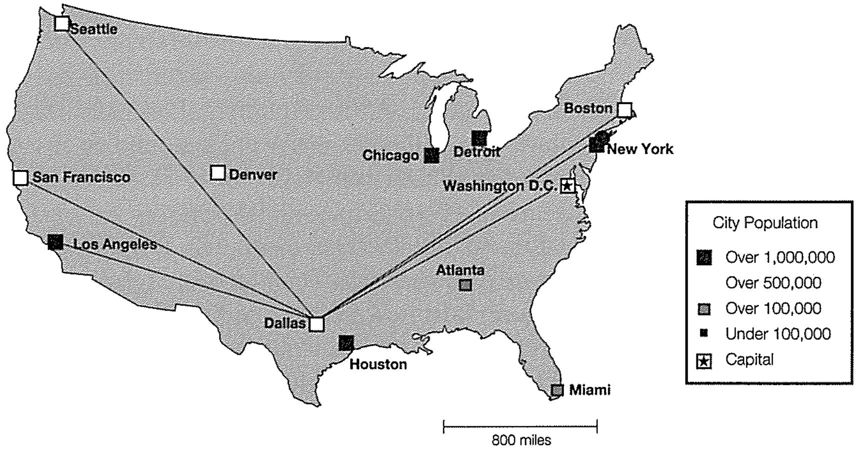


Figure 3-1

Airlines commonly use the hub-and-spoke method to route aircraft, as illustrated here.

arrive in Dallas within approximately one half hour of each other. On arrival, passengers change planes and proceed to their final destinations. Not all flights on any airline are scheduled this way, of course. A number of them still operate as direct flights.

The hub-and-spoke method has advantages over direct routing. The major advantage to the airlines is that flights can be more fully booked. For example, suppose that on a given day, Delta has sold three hundred tickets on flights from Boston: one hundred for Los Angeles, one hundred for San Francisco, and one hundred for Seattle. If it scheduled three direct nonstop flights, one to each of the three cities, each plane would be only about one-half full. However, using the hub-and-spoke method, only one wide-bodied plane need be used. It could be scheduled to go, for example, to Los Angeles. The plane would stop first in Dallas where it would meet other planes coming from New York, Washington, and other cities. Those passengers continuing to Los Angeles would stay on board, whereas those for Seattle and San Francisco would transfer to other planes that had come from New York and Washington. The Los Angeles plane would be filled from passengers transferring from the New York and Washington flights.

From the viewpoint of the passenger, the advantage of the hub-and-spoke method is that one can fly to virtually any city in the Delta system with only one stop and a change of planes. The disadvantage is that the stop at the hub makes the time to fly from one city to another somewhat longer than it would be for a direct flight. For some flights, it is necessary to fly extra distance because it is necessary to go to a hub airport that may be inconveniently located for the passenger. In addition, for those passengers changing planes, there is an increased chance that baggage will be lost. And in the event that one incoming flight is delayed or canceled, passengers due to transfer to that flight will miss their connection and be delayed in Dallas until the next scheduled departure for their intended destination.

Restaurants in the Twentieth Century

The early twentieth century saw the development of some new foodservice establishments, such as diners, drive-ins, hamburger restaurants, roadhouses, and ice-cream stands. These years also gave rise to trends that were to become increasingly important. The growing popularity of the automobile, for example, led to the development of different kinds of restaurants along the highways of America; Roadside diners and drive-ins were typical.

▶ Diners

Diners became common after 1897, when the cities of Boston, New York, and Philadelphia began to replace their old horse-drawn trolleys, called horsecars, with the new electric variety. Many of the horsecars were sold to dealers who refitted them with stoves and dishes, then resold them as lunch wagons. Later, after World War I, larger well-lighted, furnished, and fully equipped versions were manufactured especially for use as diners—restaurants that were seen by many as imitating for the middle class something of the glamour that had once graced the dining cars on the railroads. By 1930, dozens of manufacturers were building diners, which became typical features of the highways, cities, towns, and villages of America. They were everywhere.

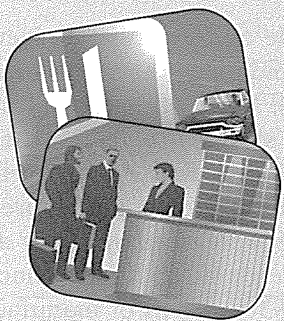
▶ Drive-ins

Drive-in restaurants were an important development of the automobile age. J. G. Kirby of Dallas, Texas is credited with the idea for the drive-in restaurant. In 1921, he opened the first of a chain of these, calling it Pig Stand. These were small restaurants within large parking lots that featured food served to customers in their parked automobiles. The idea was widely copied. Orders were taken by young men and women, conveyed to the kitchen, and served when ready. The food was served on special trays that hooked onto the frame of the open automobile window, and customers could eat without leaving their cars. In some drive-ins, servers were equipped with roller skates to speed service. Drive-ins were very popular from the 1920s until nearly 1960.

▶ Other Types of Restaurants

Other establishments that developed during the period following World War I included those that were acceptable to unescorted women, typically shoppers: tea rooms, women's exchanges, and the restaurants found in department stores.

▶ White Castle: The First Fast-Food Hamburger Chain ◀



The origins of the hamburger restaurant chain can be traced to Wichita, Kansas and the opening of the first White Castle in 1921. This restaurant featured a portion of ground beef cooked on a grill and served between halves of a sliced roll with fresh onion. No one knows who originally invented the hamburger, or where, or in what year, but it is certain that Walter Anderson and E. W. (Billy) Ingram, the founders of the White Castle system, were responsible for the first fast-food hamburger restaurant chain.

White Castle had many imitators, the best known of which was the White Tower. White Castle considered the White Tower imitation flagrant and sought the assistance of the courts to stop it. White Castle sued White Tower in the Minnesota courts, and White Tower sued White Castle in the Michigan courts. At the request of White Castle, the case was transferred to federal court. Hearings, decisions, and appeals consumed several years. Finally, in 1937, the U.S. Court of Appeals affirmed a lower court decision in favor of White Castle, ordering White Tower to stop operating its business in such a manner as to confuse the public by making it difficult to distinguish between the identity of restaurants in the White Castle system and those of the White Tower system.

The first fast-food hamburger restaurant chain in the world, White Castle. Founded in 1921 by Walter Anderson and E. W. (Billy) Ingram, White Castle survived early legal battles with an imitator and still operates successfully today. (Photo courtesy of White Castle.)

▶ Prohibition

By the end of World War I, a long-standing political disagreement between two groups of American voters was about to be resolved—at least temporarily. The groups were the "drys" and the "wets"—those in favor of prohibiting the sale of all alcoholic beverages, and those opposed. By 1919, a sufficient number of states had ratified an amendment to the Constitution that made the manufacture, transportation, and sale of alcoholic beverages illegal. This amendment, the eighteenth, ushered in Prohibition, a period later known as the "Noble Experiment." Prohibition went into effect in 1920 and lasted until 1933. Its impact on the restaurant industry was profound.

Speakeasies

Prohibition led to the demise of a number of established restaurants. Unable to sell wine, spirits, and beer, some could not attract sufficient customers by serving food alone; others were not able to earn sufficient profit without selling drinks. Customers looking for drinks by the glass or alcoholic beverages by the bottle soon found them available in a new, illegal, and highly profitable type of establishment known as the **speakeasy.** The number of these grew very quickly. Soon millions drank in the speakeasies; millions more drank at cocktail parties in private homes. By 1929, the police commissioner of New York estimated that there were approximately 32,000 speakeasies in the city, about twice the number of licensed and unlicensed saloons before Prohibition. Some speakeasies survived both Prohibition and repeal, and have become particularly well known. These included two of New York's finest—the famed '21 Club and El Morocco.

The Road House

Prohibition led to the development of an establishment known as the **roadhouse**—a roadside restaurant that sold alcoholic beverages, alone or as accompaniments to meals, and that provided live or recorded music for dancing. These were formidable competitors for restaurateurs who chose not to break the law. After repeal, many of the roadhouses were able to continue in operation as legitimate restaurants.

Some of America's best-known restaurants opened in this period. In New York, these included Pavillon, the Stork Club, and the Rainbow Room; in New Orleans, Galatoire's, Arnaud's, and Brennan's; and in San Francisco, Taidsch Grill, Schroeder's, and Marchand's.

▶ Marriott and the Beginning of Restaurant Franchising

Another chain to develop in the 1920s had some units that were drive-ins and others in which the customers walked up to outdoor stands to order a specific product: root beer. Roy Allen and Frank Wright established the organization in California, and the root beer was called A & W, for Allen and Wright. They were very successful and soon developed the idea of selling franchises—contracts that permit others to use the name of the parent company and to sell its products or services under conditions defined in a contract.

In 1926, two young men became partners in the purchase of the A & W franchise for Washington, D.C. One was a young college graduate named J. Willard Marriott; his partner was Hugh Colton. They opened their first store in the summer of 1927. By fall, with the arrival of cooler weather, sales began to drop, and Marriott quickly decided to enlarge the product line. He removed the A & W logo and adopted the name Hot Shoppe, principally because of the spiced Mexican foods he was selling. From this simple beginning has come the Marriott Corporation, one of the world's leaders in the hospitality industry.

▶ Howard Johnson

The first entrepreneur to promote franchises aggressively was Howard Johnson, founder of the company that bore his name. The first franchised Howard Johnson restaurant opened in Massachusetts in 1935. Under the contract, it was owned and operated by the builder, Reginald Sprague, who was to purchase ice cream and other products from Johnson's firm. By 1940, there were over 130 Howard Johnson restaurants along the eastern seaboard.

World War II brought problems for the foodservice segment of our industry, and the Howard Johnson restaurants were hard hit. The federal government imposed gasoline and food rationing during the war. Food rationing limited the menu choices available to foodservice operators. Gas rationing restricted the distance that people could drive, which kept potential customers from many of the Howard Johnson restaurants located along highways. Many were closed for the duration of the war because of lack of business.

After the war, Americans resumed the practice of driving for pleasure, which they had been forced to curtail during the war. Many people were stopping at restaurants on these trips away from home. A substantial number were uncomfortable with the idea of eating in strange establishments and elected to stop at a familiar and trusted Howard Johnson restaurant, with its orange roof. Howard Johnson restaurants were reopened, heralding a period of great prosperity for the chain. The Howard Johnson name and reputation were already well established, and the organization was able to compete favorably for new locations on the developing interstate highway network and elsewhere.

Because of their standard physical features (including the orange roofs), their excellent ice cream, and their reputation for products of consistent quality, the Howard Johnson restaurants became a model organization for others.

▶ Changes in the Foodservice Industry

After the end of World War II in 1945, the foodservice industry entered a period of development that was linked to changes taking place both in American culture and in other segments of the hospitality industry. The most significant of these are the following.

1. *Women in the workforce.* This important change had its origins during World War II. When men were drafted into the armed forces, labor shortages occurred in business and industry. The only reasonable solution was to hire women to fill the jobs, so that, by war's end, millions of women were employed full time. Many of these women had never before been employed. A great many discovered that they enjoyed working, they liked earning money and the sense of independence it gave them, and they did not want to be full-time homemakers or housewives.

2. *Economic expansion.* After the war, men discharged from the armed forces returned home to resume their lives. Considerable economic disruption was expected but comparatively little took place. The economy expanded to meet the demand for consumer goods resulting from the end of the war. Gasoline, for example, had been rationed during the war, and automobiles had not been produced for the consumer market in 1943, 1944, and 1945. Demand in this area was very strong in the years immediately following the war, and the number of jobs for workers in automobile plants expanded considerably.

▶ The Restaurant Industry Grows

Gradually, the interaction of an expanding economy, higher levels of disposable income, increased leisure time, and greater numbers of automobiles on the road led to significant growth in the restaurant segment of the hospitality industry, in particular.

As automobile travel increased, the traveling public wanted more restaurants at which to stop. Local restaurants often were not convenient to travelers, and it was difficult for travelers to determine food quality and prices of restaurants they had not previously visited. This set the stage for nationally recognized images and price structures that the traveling public could rely on.

▶ New Chains Develop

In the 1940s and 1950s, a number of foodservice chains were developed, and they employed some of the same techniques used by Howard Johnson. Creating brand names—which came to represent in consumers' minds a particular product, price, level of quality, and perception of service—was one technique. Another was to build into each restaurant physical characteristics that made it instantly recognizable as one of the units in a particular chain. To be successful with these techniques, millions of dollars were spent on advertising—especially using the new national medium that had become commercially available in 1947, the television. Some of the organizations to do this were Kentucky Fried Chicken, Dairy Queen, Denny's, Dunkin' Donuts, Burger King, Jack-in-the-Box, and Googie's. With the establishment of this general operating pattern, the era of so-called fast food had begun.

McDonald's

Of all the fast-food companies to develop in the United States, the most clearly and consistently successful has been McDonald's. Interestingly, Ray Kroc, who is responsible for its ultimate success, was not its founder. The original idea and the early development of the chain was

One of the first McDonald's, Des Plaines, Illinois (ca. 1955). Employing the assembly-line method to produce a limited menu, the McDonald brothers devised their formula for success. Later, under Ray Kroc's management and marketing strategies, McDonald's grew to become one of the most successful foodservice businesses in the world. (Photo courtesy of McDonald's Corporation.)

the work of two brothers born in Manchester, New Hampshire, after whom the company is named—Richard and Maurice McDonald.

The McDonald brothers had been in the restaurant business for some years by 1948, which was to become a particularly important year for our industry. By then they had become tired of the personnel problems common in the restaurant business and were looking for a new method of operation to free them of the burden. After considerable discussion and planning, they attempted an operating method that reduced their former dependence on highly-skilled staff members. Their method was similar to the assembly line used in the manufacturing industries. They devised an operation offering a limited menu of products prepared by unskilled workers who had been carefully trained to perform simple tasks in a repetitive manner. Each product was thus the result of a number of simple tasks performed by several workers. It became possible to hire people with limited educational backgrounds and no foodservice experience, and to train them quickly. Because of the assembly-line format, it was easy to respond to demand by producing large numbers of products quickly, and to do so at low labor cost. Because the jobs were unskilled, wages and labor costs were very low compared with competitors'.

The McDonald brothers were successful, and they were beginning to sell franchises when their success came to the attention of Ray Kroc.

Ray Kroc and McDonald's

Ray Kroc was one of the most influential restaurant operators in the history of our industry. He was fifty-two years old in 1956 when he noticed during a trip to San Bernardino, California that people were lining up to purchase hamburgers from a stand owned and operated by the McDonald brothers. He learned that they were selling franchises, and he bought a franchise that allowed him to open McDonald's restaurants anywhere in the state of Indiana. Over the next few years, Kroc opened a number of units but had numerous disagreements with the McDonald brothers over various policies and procedures. Eventually, Kroc offered to buy the business from the McDonalds, and they accepted his offer and retired from the business.

Under Kroc's management, McDonald's became extraordinarily successful, internationally as well as within the United States. His strengths were his ability to organize and standardize, and his marketing ability. He made franchising common in the restaurant business. Today, the company he founded accounts for a greater dollar volume of sales than any other restaurant company in the world.

The Growth of Additional Specialized Chains

By the third quarter of the twentieth century, the seeds had been sown for still more national foodservice chains, many of which grew by selling franchises. The chains typically offered limited menus of specialized, standardized items for consumption, either on the premises or for takeout, as the customer preferred. These organizations included Arthur Treacher's, Kentucky Fried Chicken, and Pizza Hut, among others. Some chains developed around particular themes (such as Victoria Station, the Magic Pan, Trader Vic's, and the Red Barn), whereas others were defined by the specialty foods they offered (such as Taco Bell, Red Lobster, Steak and Ale, and the Spaghetti Factory); another group catered to families (for example, Friendly's and Denny's). Some of these chains have not survived (Arthur Treacher's and Victoria Station), whereas others have continued to succeed.

▶ Changing Tastes in Dining Out

The variety of restaurants in the preceding discussion suggests that Americans have shown a broad taste in their restaurant selections in the years since World War II and that the industry has responded with many types of restaurants. Prior to 1940, dining out was reserved for special occasions for most Americans. As our standard of living has risen, dining out has become more common. For many people, dining out is now considered an everyday experience, part of a normal lifestyle. The term *dining out,* however, conveys varying images to people, and a dining-out experience that some might consider pleasant can induce horrified groans in others. The beauty of a dining-out experience, like beauty itself, is in the eye of the beholder.

The trend toward dining out has caused the restaurant industry to grow in size and scope, and to become one of the fastest growing industries in the United States. In the following chapter, we will discuss the lines along which the restaurant industry has developed as a result of the growth in demand for foodservice.

▶ City Hotels in the Twentieth Century

The twentieth century has brought major changes to city hotels. The first half of the century was perhaps the most important in the history of the hotel industry in the United States. The last half has also seen major changes take place.

▶ From 1900 through World War II

The first half of the twentieth century was both an unprecedented period of growth and later, a period of economic depression that led to many hotel company failures. One hotel organization, founded by Ellsworth M. Statler, began, grew dramatically in the early years of the century, survived the economic downturn, and managed to prosper in the years that followed.

The Buffalo Statler

This three-hundred-room hotel opened on January 18, 1908 in Buffalo, New York. It was named the Buffalo Statler and is considered to be a milestone in the history of the hotel industry. This was one of the first modern commercial hotels to cater to the ever-growing number of traveling businessmen, and it offered them the following.

1. A private bath in every room
2. Circulating ice water in every bathroom
3. A telephone in every room
4. Full-sized, lighted closet in every room
5. Light switch on the wall just inside the door of each room[1]
6. Free newspaper delivered to every guest's room each morning[2]
7. A mail chute that ran from the top floor to the lobby, so that guests could post letters without leaving their floors

The advertising motto of the hotel was "A room with a bath for a dollar and a half," an incredible value for travelers at the time. The Buffalo Statler was very successful, and Statler began to open additional hotels bearing his name, thus creating a group of properties assigned the modern term *chain*. Eventually, he owned or operated properties in Cleveland, Detroit, New York, Boston, and most other major American cities. When he died in 1928, Statler controlled more hotels than anyone in the history of the industry.

The Plaza Hotel in New York

During the years when Statler was developing his Buffalo property and expanding his holdings, many individuals, partnerships, and corpora-

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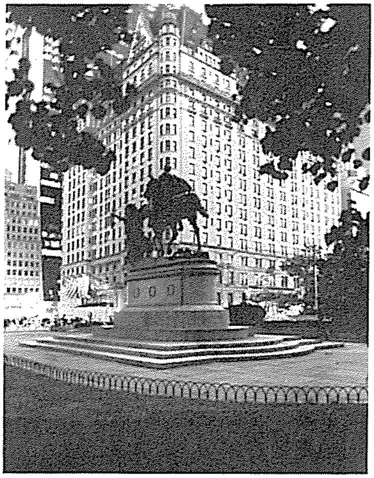
[1]Other hotels had a pull chain hanging from the light fixture, which guests had difficulty locating in the dark.

[2]Each guest-room door had a slot cut out at the bottom so the paper could be slipped through.

One of the most famous hotels in the world, the Plaza Hotel in New York City. Along with E. M. Statler's several luxurious hotel properties, the Plaza was among the most important hotels built in the United States before World War I. (Photo courtesy of the Plaza Hotel.)



tions were designing and building new hotels in cities all across America. In New York City, nearly a mile from the nearest railroad, a new hotel opened in 1907. Named the Plaza, it was actually the second hotel of that name to occupy the site. The first, erected only seventeen years earlier, was torn down so that the new eight-hundred-room Plaza could be built.

The world-famous Plaza is a particularly notable establishment, an excellent example of one of the great American "Palaces of the Public." Interestingly, it is one of the few successful hotels anywhere to operate without a sign. In addition, the Plaza has been continuously operated as a luxury hotel since 1907—an unusually long period. Managers of the hotel have been known to boast that those who would not recognize the Plaza without a sign clearly do not belong there. In the early years, up to 90 percent of the rooms and suites in the Plaza were occupied by permanent residents. This provided financial stability and helped to assure the hotel a prosperous future.

Other Well-Known Hotels

Other important hotels constructed in the period before World War I included the Copley Plaza (1912) in Boston; the McAlpin (1912) and the Biltmore (1916) in New York City; the Willard (1901) in Washington D. C.; and Statler properties in Cleveland (1912), Detroit (1915), and St. Louis (1918).

"The Golden Age of Hotels"

The decade of the 1920s—popularly known as the Roaring Twenties—was a particularly important period of hotel development. It has been characterized as the "golden age of hotels" because of the large number of hotels constructed, their size, and the very high occupancy rates they were able to maintain.

Occupancies during the 1920s were the highest the hotel industry had ever known. Annual guest-occupancy rates for many American hotels averaged above 80 percent during this period. New hotels were almost instant successes, and it seemed as though hotels could not be built quickly enough to satisfy the increasing demand for rooms. This high demand was one consequence of a booming economy that had led to great increases in travel for business purposes, and given the improvements in railroads, automobiles, and roads, long-distance travel was far easier than it had ever been in history.

The opening curtain went up with the opening of the Pennsylvania, a two thousand, two hundred-room hotel located just across the street from a major railroad terminal—New York's famed Pennsylvania Station. The Pennsylvania opened for business in January 1919 and was the world's largest hotel at the time. Although the building was owned by the Pennsylvania Railroad, it was operated by Ellsworth M. Statler. It was his first venture in New York City.

The Pennsylvania was a vast enterprise. When it opened, the chef's staff was reported to consist of "nine bakers, ten pastry bakers, four ice-cream chefs, nine butchers, twelve cold-meat cooks, nine roast cooks, twelve sauce cooks, nine fry cooks, six vegetable girls, four soup cooks, four banquet chefs, eight pot washers, four cleaners," and others too numerous to list. Many years later, it became a Hilton hotel—the Statler Hilton—when Statler's chain was purchased by Conrad Hilton in 1954.

Many important hotels were built during the 1920s, including the Ritz Carlton (1927) and the Statler (1927) in Boston; the Roosevelt (1924) and the New Yorker (1927), both in New York City; the Biltmore (1927) in Santa Barbara; the Mayflower (1925) in Washington D. C.; and both the Palmer House (1924) and the Stevens (1928) in Chicago. The Stevens, a 3,000 room property, was later purchased by Hilton and renamed the Conrad Hilton, after the founder of the company that symbolized the hotel industry for many Americans in the period from the 1930s through the 1960s. The Conrad Hilton long served as the headquarters of the Hilton organization and was the world's largest hotel for many years.

The Great Depression

The Great Depression began in October 1929 and continued for the next decade. During this period, banks failed and firms, large and

▶ Conrad Hilton (1887–1979) ◀

Hilton is one of the most recognized names in the history of the hospitality industry. The chain that bears this name was founded by Conrad Hilton, who had embarked on a successful career prior to going into the hotel business. He was a banker in New Mexico and purchased his first hotel—the Mobley, in Cisco, Texas—in 1919 with an investment of $5,000. This was a time when much oil was being discovered in Texas and the owner of the Mobley decided to try drilling for oil rather than staying in the hotel business. Hilton happened to be in Cisco on bank business at the time and discovered the hotel was for sale.

Hilton was very successful at operating the Mobley. He used some of the techniques employed by innkeepers over many centuries: he increased occupancy by renting each room to two, three, or even four persons every night. They were prospectors and oil field workers who did not know one another, but they were all desperate for sleeping accommodations, which were in short supply in the area. Hilton, who lived in the hotel, was even known to rent his own bed and sleep in a lobby chair on occasion. He was obviously able to achieve maximum revenue from the hotel under these circumstances.

Hilton acquired seven hotels in the area in a very short time, expanding as fast as his credit rating would permit. He knew the banking business well, and he had maintained contacts who would lend him the funds to make the necessary down payments on hotel properties. His business philosophy was to borrow as much as possible on each of his hotels in order to expand as rapidly as possible. This worked well as long as hotel occupancy rates were high. However, when occupancy rates dropped during the depression of the 1930s, Hilton was unable to meet the payments required by this heavy debt and lost several of his properties in bankruptcy proceedings.

small, went out of business. Because the government did not insure against bank failures back then, many people lost their life savings. Unemployment rose to alarming rates, and people were sometimes out of work for years. Nature compounded the economic problems in some parts of the country: prolonged drought was followed by dust storms, and land that had once been fertile could no longer be used for agriculture or to support livestock. Some limited recovery began in

1933, and slow progress continued. However, historians tend to agree that the Great Depression continued until the production demands of World War II reduced unemployment and brought the nation a measure of prosperity.

During the depression, the hotel industry experienced the same problem as other industries—sharply reduced sales volume. The hotel business closely follows business cycles and therefore is profitable when the economy is healthy and unprofitable during economic downturns. The explanation is fairly simple: profitability in the hotel business is closely linked to travel. During periods of prosperity, more people travel, for business and pleasure. During a recession or depression, individuals and businesses reduce the amounts they had formerly spent on travel and related expenses, including food, beverages, and lodging. As a consequence, hotel occupancy rates plunge. Occupancies for those hotels that were able to survive the depression were often below 50 percent, a level that is typically below the break-even point for most hotel operations.

One of the few hotels to open during the Great Depression was the world-famous Waldorf-Astoria, which opened in New York in 1932. The new location was 301 Park Avenue, between Forty-ninth and Fiftieth streets. Actually, it was the second hotel to use that name, the first one being located further downtown (see chap. 2).

The End of the Depression

World War II brought an end to the Great Depression. It also brought renewed prosperity to the hotel industry. Many of the hotels in major cities had higher rates of occupancy than ever before or since. Virtually all economic activity was being directed toward the war effort, and many products, including building materials, were unavailable for civilian use. Thus, no commercial hotel construction was taking place. At the same time, there was a dramatic increase in travel by civilians and by government personnel, including the military. Gasoline was rationed, so people relied increasingly on public transportation for long-distance travel.

Many hotels had failed during the depression, and a number of these hotel buildings had been converted to other uses. Consequently, there was an inadequate supply of hotel rooms available to meet the wartime demand. The existing hotels were busier than anyone had ever thought possible. Day after day, hotel desk clerks would spend eight hours facing unending lines of weary travelers wanting rooms. Travelers to many of the major cities—New York City and Washington, most notably—found it nearly impossible to get rooms. Many hotels failed to honor reservations; others would not even take reservations. It was a desperate time for travelers. National hotel occupancy percentages reached a record annual average well above 90 percent.

After World War II, the changes described earlier in this chapter—increased leisure time, improvements in the comfort of travel, reductions in the time it required, and greater economic prosperity—had a significant negative impact on hotels. The average number of nights a traveler would stay in a given city or resort hotel declined, and as the years passed, that number continued to decrease, with dramatic effect on the industry. There were many positive effects, as well: greater amounts of leisure time, ease of travel, and increased disposable income created a growing number of actual and potential customers for hospitality services.

The Development of Motels

By the early 1950s, the increasing numbers of Americans traveling by automobile and airplane found many of the grand old hotels located near major railroads stations no longer appealing or convenient. Those traveling by automobile sought accommodations in new, more convenient locations.

The new American traveler—both working class and middle class—was not accustomed to the formality of the traditional hotel. Nor was he willing to pay the prices and tip the great numbers of uniformed hotel employees found in the traditional establishments. Moreover, the traditional city hotel did not provide on-premises parking. This new traveler wanted a clean, comfortable room at an affordable price and ready access to his automobile. Business travelers, who had formerly used the train, were also becoming confirmed automobile travelers. They could carry more in the trunk of their cars than they ever could in a train. As a result, it was easier and cheaper to travel by car.

The demand for convenient accommodations for automobile travelers led, inevitably, to the development of the **motel.** There had been establishments providing roadside accommodations for motorists since the earliest uses of the automobile for long-distance travel in the 1920s. There were two types of these accommodations: groups of small individual cabins, known as **tourist courts,** which offered parking space near the cabins; and private homes, known as **guest houses,** in which spare bedrooms were rented to transient guests. Neither of these forerunners of the motel constituted a significant element in the lodging industry.

Early Motels. Early motels were usually built, owned, and operated by individuals or couples, not by chains. They were typically purpose-built, single structures, constructed all on one floor. Parking was free and convenient; the car was normally parked just outside the door of the rented unit.

The motel was a very informal place, such that the casually attired motorist did not feel out of place. One stopped at an office to check in, pay for the accommodations, and pick up the key; then one drove to the room, parked one's car, and carried one's own luggage. There was no one to tip. There were seldom any foodservice facilities as part of the motel, so the traveler had to walk or drive to a restaurant to eat. These motels were simple, and they were inexpensive compared to the price of hotels; but there were not many of them.

The best and most sought-after location for a motel at the beginning of the motel age was on a main highway close to a city or town. It was generally agreed that a motel should be located on the right-hand side of a road, because travelers driving to a city would be more inclined to turn right into a motel parking area than to turn left across oncoming traffic. As the interstate highway network was developed, the exits from these highways became the preferred locations for motels.

Kemmons Wilson and Holiday Inns. While driving with his wife and children on a family vacation in the early 1950s, a building contractor named Kemmons Wilson from Memphis, Tennessee, took special notice of the difficulty they had finding acceptable, reasonably priced places to spend the night. He conceived of an improved motel, which would offer many of the services of the traditional hotel but would be situated more conveniently for the increasing number of people who traveled by automobile. When he returned home, Wilson began to plan the construction of a motel that was to become the first Holiday Inn. It opened in 1952 in Memphis.

Kemmons Wilson's Holiday Inn was so successful that he constructed another nearby, and thus began the development of an organization that would eventually control more guest rooms than any other in the world. Wilson's special talent was in identifying sites for the location of successful motels. The growth of his chain kept pace with the development of the interstate highway system: wherever an exit was planned, Wilson would be one of the first to determine if that exit was an appropriate location for one of his Holiday Inns. In order to keep pace with the development of the highway system, it was necessary for Holiday Inn to franchise its operations.

An early Holiday Inn hotel (ca. 1955). Following World War II, the typical American traveler—either working or middle class and usually traveling by automobile—required affordable accommodations convenient to major highways. One of the first establishments to satisfy this need, Holiday Inn kept pace with the development of the interstate highway systems and at one time controlled more guest rooms than any other hospitality organization in the United States. (Photo courtesy of Holiday Inn.)

Franchising

Although **franchising** had existed in the restaurant industry for many years, as previously described, it was not an important phenomenon in the lodging industry until it was adopted by Holiday Inns. A franchise is a contract between two parties, a franchisor and franchisee, that allows the franchisee the right to use the franchisor's name, sell the franchisor's products, and participate in the franchisor's programs and services under set, specific conditions. In the lodging field, the franchisor may own and operate many of the establishments bearing the franchise's name. The franchisor will seek independent affiliates—franchisees—for two main reasons: (1) so that the franchisor can expand the network of establishments at a more rapid rate than would otherwise be possible, and (2) so that the franchisor can increase revenues through the fees collected from franchisees without actually owning additional properties. The fees generally include a percentage of sales, an advertising fee, a fee for access to the reservations network, and sometimes other fees.

The advantage to the franchisee is as follows: the franchisee's property is part of a chain that is known, the franchise has the ability to profit from regional or national advertising campaigns conducted by the franchisor, and the franchisee obtains access to professional management and management training (in most franchises) as well as to a national reservation network.

Older Hotels Begin to Change

While Wilson and others were building motels in the 1950s and 1960s, the established center-city hotels, many of them near the disused railroad terminals, were aging and becoming ever more costly to maintain. Some were indifferently maintained, and most were losing much of their business to the new booming motel industry.

A number of the older, decaying properties were finally forced to close; they simply could not compete. In other properties, management added staff to the sales departments and began to look for new ways to survive. Some hotels sought to lure long-term residents by advertising appealing weekly and monthly rates. Some attempted to compete directly with the new motels by merely changing their signs. Many—typically those that lacked meeting and banquet space but had access to parking—began to call themselves motor hotels and motor inns, to suggest that automobile travelers would be as satisfied in these accommodations as they were in a motel.

Many of the hotels that had served the individual commercial traveler attempted, often successfully, to develop tour business—groups of vacationers traveling together, typically by bus or airplane. At about this time, tour wholesalers started to reserve large numbers of rooms at these older hotels because they were able to negotiate comparatively low rates.

Hotels with adequate meeting and banquet space made efforts to attract special varieties of group business, such as conventions and business meetings. These ranged from sales meetings to trade shows, from fraternal to political meetings, and from alumni reunions to educational seminars. Center-city hotels became increasingly popular sites for all of these.

Finally, older center-city hotels attempting to survive would adopt any combination of techniques to fill the vacant rooms. It was not unusual to find a hotel sales staff aggressively competing for both convention and group business; while the banquet manager sold wedding parties, the front office manager sold rooms at weekly and monthly rates. Many of these hotels were very large, and great amounts of skill and imagination were required to produce adequate sales volume from the vast number of banquet, meeting, and sleeping rooms they contained.

Hotel Construction Begins Anew

Unfortunately for the older center-city hotels, their competition was not limited to the new motels being constructed around the perimeters of cities. A new and lively threat was developing much closer than the outskirts of the city: builders and developers had started a new era of hotel construction. For most cities, this new era saw the first hotel construction since the earliest days of the Great Depression thirty years before. In many American cities, new hotels were being built and opened at a record pace. In New York, for example, new properties constructed between 1960 and 1965 included the New York Hilton, the Americana, the Summit, the Regency, and the City Squire, all of which continue to thrive, although some have new names and new owners.

A number of the new center-city hotels constructed during this period were purpose-built, designed specifically to cater to large groups of people. They were truly convention hotels in every sense, with meeting rooms for hundreds of people and banquet rooms for thousands. For many of these, convention and other group business accounted for at least 80 percent of the sales.

International Operations

The introduction of commercial jet aircraft also made international travel for masses of people a practical possibility for the first time in history. Americans began to travel abroad in great numbers, and visitors from other countries began to come to America. This led to more business for the lodging properties in many cities—particularly, at first, for those on the East and West Coasts with international airports. Later, when international arrivals and departures became common at other airports, hotels in those cities were also able to benefit.

One of the outcomes of increased international air travel was the development of international hotel operations: American hotel chains that had formerly restricted themselves to domestic operations began to expand abroad. Until that time, only two major American hotel companies were operating abroad. Intercontinental Hotels, a subsidiary of Pan American had been international since 1947, when the United States government had suggested that the company construct hotels in

Central and South America as an aid to the economic development of those regions. Hilton Hotels had also become international in 1949 with the opening of the Caribe Hilton in San Juan, Puerto Rico.

Most hotel companies were focused on the burgeoning American market during the early 1950s and were slow to go into the international area. Today, most American hotel chains are international in scope. Some of the principal examples include Marriott, Hyatt, Hilton, Sheraton, Holiday Inns, Ramada, and Best Western. Today, these names are clearly visible on lodging signs around the world, and there is no evidence that the American hotel and motel industry will retreat from its international leadership role anytime in the years ahead.

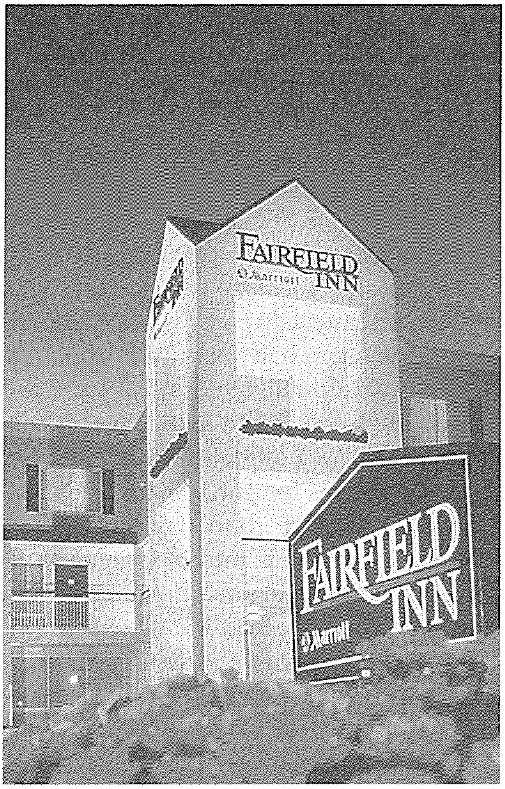
Computers in the Lodging Industry

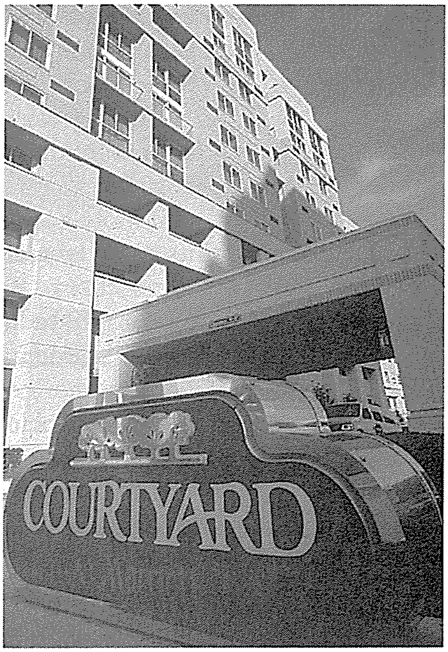
In the early 1980s, an additional important development began to take hold in the lodging industry: hotels and motels started to become fully computerized. Computers had been around for many years, and many hotels had tried them out; however, until the early 1980s, computers had not been successful in lodging properties because they were not yet reliable enough for lodging operations that were open twenty-four hours a day, seven days a week. Further, they were very expensive and very bulky. As early as the late 1960s, the New York Hilton hotel opened with a complete IBM computer operation. However, after only a short period, the system was scrapped and a traditional system put back in place. Other hotels ran traditional systems side-by-side with computers, because they were afraid that the computer system would crash and they could not check in or check out guests. Some of these problems are likely to have stemmed from the fact that hotel people had little computer expertise and computer people had little understanding of the hotel industry. It took some years to get past that initial hurdle.

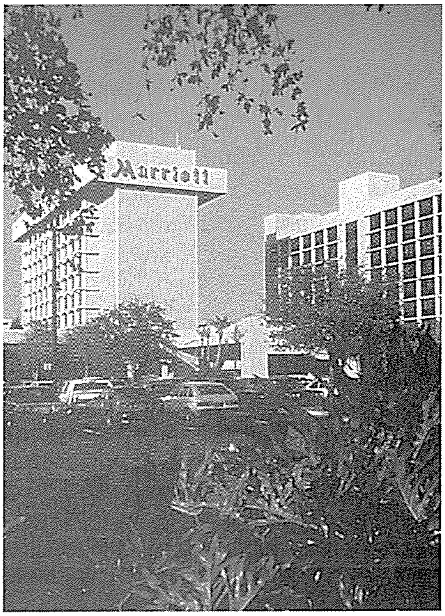
By the early 1980s, computers became more reliable, less expensive, and more powerful. Furthermore, growing numbers of hotel operators had learned a great deal about how computers could improve operations, and many computer experts had acquired sufficient understanding of lodging operations to develop useful systems. Hotel and motel companies began to adopt various computer property management systems. Today, most properties with more than fifty rooms are computerized.

Market Segmentation

Until the 1980s, most lodging companies operated properties that appealed to one or two specific types of travelers. Some operated only







Some lodging companies have become multi-segmented, offering products under several brand names. Marriott is a good example, with the Fairfield Inns, Courtyards, Residence Inns, and Marriott Hotels and Suites. (Photos courtesy of Marriott Corporation.)

luxury hotels. Other companies specialized in economy motels, or budget motels. Still others restricted their operations to first-class hotels catering primarily to business travelers, vacationers, or tours.

In the early 1980s, lodging organizations began to change their approach: they began to make serious efforts to attract more than one part, or segment, of the travel market. Some companies built hotels and motels for specific segments of the market, recognizing that profits could be made by creating establishments designed to appeal to one or another of these segments. Over time, operators established a number of different types of properties to appeal to a large number of different segments that the industry had identified. **Market segments** became more clearly defined, and new types of properties were built. Examples include the development of all-suite hotels for guests who want separate living and sleeping accommodations with limited cooking facilities, and residence motels for guests who intend to stay more than one or two nights.

Some lodging companies became multisegmented, with various brand names for their products. One good example is Marriott. In addition to first-class and luxury Marriott hotels and resorts, Marriott has developed the following brands for various segments of the lodging market.

Courtyard—A midpriced chain of first-class hotels and motels
Marriott Suites—A chain of all-suite hotels
Residence Inns—A chain of first-class accommodations catering to travelers staying more than one or two nights
Fairfield Inns—A chain of limited-service budget motels

Recent Hotel Construction

In recent years, many new large hotels have been built throughout the United States. A number of these have been constructed in the larger American cities, many of which have new or renovated convention centers or exhibition halls. In Philadelphia, for example, Marriott has opened the largest hotel in the state of Pennsylvania, adjacent to the new Pennsylvania Convention Center. Hyatt has built the 2,000-room Hyatt Regency in Chicago, the home of McCormick Place, America's largest (and growing) exhibition center. A number of large new properties have been built in Las Vegas, Nevada, one of America's key resort and convention cities. At present, the world's largest hotel is in Las Vegas; it is the MGM Grand Hotel, with 5,005 rooms and suites. The MGM Grand is more than a hotel; it can perhaps best be described as a complete entertainment center that includes shops, stores, restaurants, lounges, pools, a health club, a casino, a thirty-three acre theme park, and a showroom.

Resort Hotels in the Twentieth Century

By the early years of the twentieth century, several important factors were beginning to affect the quality of life for the American workforce, and these changes became significant for the operators of resort properties as the years wore on.

▶ Leisure Time in America

Early in the twentieth century, some Americans began to have measurable amounts of leisure time. Most had very little, but it was more than their parents had ever known. At the same time, some had enough disposable income to be able to make plans for their newly found leisure hours. For most, there was little time and little money, but they went about enjoying the little there was.

There were day trips to everywhere by train or by boat, and later, by car as well. The seashore, a park, a zoo, a historic site—Americans were visiting them all. These activities introduced new possibilities, including hotels, rooming houses, and boarding houses catering not to business travelers but to those with a day, a weekend, or a week of leisure time. Increasingly, those who could afford it began to stay awhile.

▶ Vacations

By 1915, growing numbers of white-collar and government workers were being given paid vacation time of one or two weeks a year, and many, with their families, began to take vacations—a nearly revolutionary concept in the industrialized world. As unionized industrial workers began to obtain increased benefits through collective bargaining, many began to pressure their union leaders for vacations with pay. Although it was not easy for the unions to win paid vacations at the bargaining table, they were making gradual progress in this area by 1929.

As time went by, those who could afford it began to travel somewhat farther away. In the New York area, for example, there were a number of possibilities: for those of limited means, a day at the beaches of Coney Island; for others with greater incomes, the extensive rail network offered opportunities for weekends or weeks at destinations in the nearby Catskill Mountains of southern New York and the Pocono Mountains of eastern Pennsylvania. By the mid 1920s, over two hundred resort properties in the Catskills alone catered to holiday seekers, principally from New York City.

There were other possibilities, as well. The beaches along the New Jersey coast were always very popular with New Yorkers and Philadelphians. President Grant said of Long Branch, one of the New Jersey resorts, "In all my travels I have never seen a place better suited for a summer residence." In the early twentieth century, packed trains from New York City arrived at the New Jersey resort towns on summer weekends at the rate of twelve or more each hour.

▶ The Grand Resorts

The resort hotels developed during this period were many and varied. Many of those enjoyed by white-collar and blue-collar workers have not survived. However, it is likely that they attempted to imitate elements of some of the grand resorts, described in the following sections, all of which continue to operate.

The Broadmoor Hotel

One of the premier resort properties in the United States is located in Colorado, near Pikes Peak. Near the bottom of this fourteen thousand foot mountain, in Colorado Springs, stands this classic example of the elegant resort hotels of the West. Named the Broadmoor Hotel, it was founded by Spencer Penrose, an entrepreneur who had attempted to purchase the Antlers, a hotel in downtown Colorado Springs. He had not been able to do so and had decided instead to purchase another property outside of town. This property had once been an established hotel operation, but it had burned down, had been rebuilt, had failed, and had been converted to a girls' school. Existing facilities were inadequate for the resort, so construction began in 1917, and the new resort hotel opened in 1918. It was one of Colorado's first nationally-known resorts. The architects were from the firm of Warren and Wetmore of New York City, designers of New York's Grand Central Station, Biltmore Hotel, and Ritz-Carlton Hotel, among other important buildings.

The Broadmoor quickly became a success. All through the 1920s, the Penroses entertained many wealthy and famous people, and their Broadmoor became a fashionable place for New York society. It is said that one of the reasons for this success was Penrose's preparation for Prohibition: the Broadmoor allegedly had on hand one of the largest liquor supplies in the United States when Prohibition began in 1920.

This period of success for the Broadmoor ended with the onset of the Great Depression. Occupancy rates and guest counts dropped sharply, and Penrose was forced to reduce operating costs. He cut the size of the staff drastically, and it is reported that bellstaff and waitstaff earned only their tips.

After World War II, improving economic conditions brought prosperity back to the hotel. New facilities and new rooms were added during the 1960s and 1970s, and today the Broadmoor is a five-star resort with 560 rooms.

The Arizona Biltmore

Another of America's grand, five-star resorts—the Arizona Biltmore—is located just eight hundred miles south of Colorado Springs, in Phoenix, Arizona. It was built in the style of America's best-known architect, Frank Lloyd Wright, who participated in its design. At the time the hotel was built, Phoenix was a very small community in a large valley, Paradise Valley, which was essentially desert. The Biltmore was situated on a large tract of barren land in the northeastern part of the city, near the foothills of the mountains that surround the valley.

The Biltmore was designed and constructed by Albert Chase McArthur, an architect and disciple of Wright. It opened in 1929 and was sold later that year to William Wrigley, Jr., the chewing gum manufacturer. Wrigley built a mansion for his personal use on a knoll overlooking the hotel. His home was visible for miles around; the resort hotel was not.

After World War II, the population of Phoenix began to increase dramatically. As the city grew, the Biltmore was eventually surrounded by newly constructed homes and businesses. In 1973, the Wrigley family sold the hotel to Talley Industries.

During the summer of 1973, while it was closed for the installation of a sprinkler system, a major fire damaged the property. Repairs were made promptly, and it reopened for the start of the guest season later that year.

Interestingly, the Arizona Biltmore was originally open only during the winter months. Phoenix is normally extremely hot during the sum-

The Arizona Biltmore, Phoenix, Arizona, as it appeared in 1936. Fostered in the early twentieth century by an increase in leisure time and the availability of paid vacations, the "grand resorts" of the United States provided their patrons with respite from the pressures of an industrialized society. Originally intended as a seasonal resort—open only during the winter months, serving primarily individual guests—the Arizona Biltmore now operates year-round, hosting groups and conventions as well. (Photo courtesy of Arizona Biltmore/Westin Resorts.)

mer months, and it is only the development of suitable air conditioning systems that has made it possible for resort hotels in the region to stay open year-round.

The Arizona Biltmore is typical of resorts that have found it increasingly difficult—in some cases, impossible—to survive solely on individual guest business; the vacation seasons are too short to generate the necessary sales volume. In order to remain open year-round, the Biltmore began booking conventions and other group business. The Biltmore, however, enjoys a reputation for restricting its group business to periods of the year when comparatively few individual reservations are booked.

The Boca Raton Hotel and Club

Another five-star hotel built during this period is the fabulous Boca Raton Hotel and Club, which was originally opened in 1926. It was envisioned as a palatial establishment by Addison Mizner, a successful architect who had become famous in Florida for designing many of the homes and other properties there. Mizner wanted to turn the seventeen thousand, five hundred acre site into "a happy combination of Venice and Heaven, Florence and Toledo, with a little Greco-Roman glory and grandeur thrown in." His grand plan included a castle with drawbridge in the middle of a man-made lagoon—for himself! He was not able to construct all he originally had in mind, but all that he did build used the best and most expensive materials available. One of his creations was a luxurious one hundred room hotel that cost $1.5 million to build—a fortune in those days for such a small establishment. He named it the Cloister Inn. He would use this name again later for a property he designed in Sea Island, Georgia.

The Cloister Inn was not financially successful. It was open for only three months before it was forced to close. It was then sold to Charles Dawes, a former vice president of the United States. It was sold again in 1928, to Clarence H. Geist of Philadelphia. Geist closed it and spent millions of dollars converting it to a private club by adding rooms, swimming pools, and other features to the original building. He brought the total number of rooms to four hundred and reopened the facility in 1930 under a new name: the Boca Raton Hotel and Club. During World War II, it was taken over by the United States army and used as a training facility.

In 1956, the Boca Raton Hotel and Club was purchased by Arthur Vining Davis, who set up a corporation to own and operate it. His corporation, Arvida, built a twenty-seven story tower, which added new guest rooms and a convention center. The property has been under continuous development since then, and it is now one of the larger resorts in the area, with one thousand rooms, twenty-nine meeting rooms, four outdoor swimming pools, seven dining rooms, an eighteen-hole golf course, twenty-two tennis courts, and a half mile of private beach.

▶ The Impact of Changing Transportation Modes on Resort Hotels

We have observed how the decline of the railroads and the increased use of automobiles began to affect traditional hotels in the cities and towns of America after World War II. These developments also had a significant and lasting impact on America's resort hotel industry. In New England, for example, the summer resort hotels historically had catered to guests who had arrived by rail and stayed for weeks and months. With changes in transportation, it became more difficult—eventually impossible—to reach these properties by rail, and more guests began to arrive by car, particularly as the quality of the roads improved. Because people in cars have greater mobility, guests tended to stay for shorter periods; they used their new-found mobility to visit other areas and see new sights.

Some of the New England ski areas, formerly accessible principally by train, were much easier to reach by car, particularly as the train service deteriorated. Guests with private cars also found that the car simplified the daily transit problem of getting from hotel to ski slope. As time went on, developers began to plan and construct hotels closer to the slopes and accessible only by car, which helped to sound the final death knell for rail travel in the ski areas. Later, the automobile gave impetus to the development of new ski areas that would clearly not have been built if rail travel had remained the primary means of access.

As people began to accept air transportation as a common means of travel, various changes took place in the resort hotel industry. Just as the acceptance of air travel occurred gradually, so did these changes.

1. Nearby resort hotels accessible with reasonable ease by rail or by automobile—including many fashionable properties in the East—gradually lost their traditional business. Many of their former guests found new destinations easily reached by air. These included Caribbean islands, South Pacific beaches, and historic cities and sights of Europe.

2. Resort hotels in remote locations—including many in the West—that had always been difficult to reach by ground transport were readily accessible by air. It became convenient for residents of the East Coast, for example, to fly to Colorado to ski for a short time. Previously, such trips took more time and were less comfortable. Those who made such trips tended to stay longer to justify the time and trouble the journey represented.

3. Some resort areas that had remained small because of the time and cost incurred by travelers in reaching them began to grow as air travel made them more accessible and the cost of flights decreased. Some destinations—the Hawaiian Islands and Las Vegas, Nevada, for example—grew quickly. After the introduction of commercial jet aircraft in 1958, the number of visitors to Hawaii increased, reportedly by 500 percent between 1959 and 1967.

4. Later, as remote areas became accessible, imaginative developers began to plan and construct resort hotels—and even new resort areas—in places where none had previously existed. Vail, Colorado is an excellent example of this; so are the island of Maui, in Hawaii, and Cancun, Mexico.

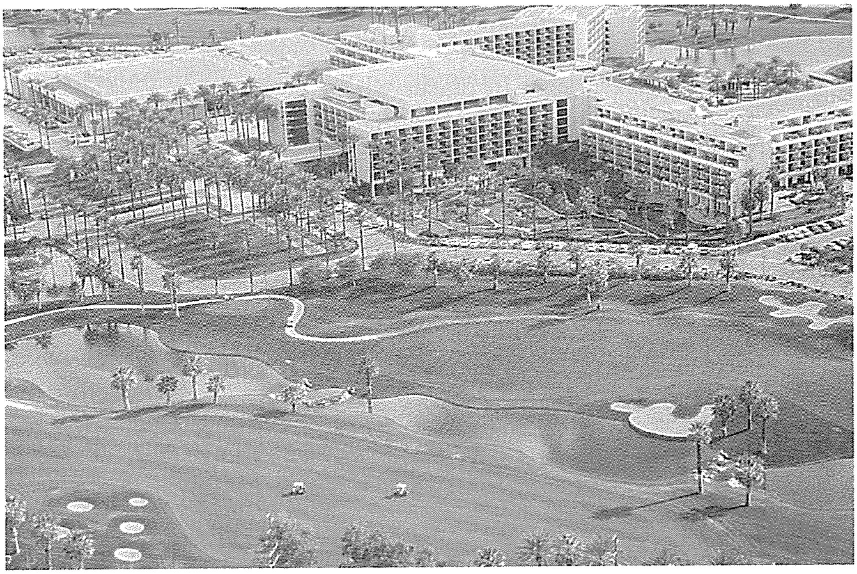
5. Operators of chain hotels, recognizing the outstanding potential for growth in resort areas, gradually developed various types of properties in domestic and international locations. Privately developed resort hotels began to include the names Sheraton, Hilton, Marriott, and Hyatt. Many independent resorts were sold to the chains or were managed by them. Two properties in Phoenix, Arizona are excellent examples: the Camelback Inn, which was sold to Marriott Corporation, and the Biltmore Hotel, which was managed by Western International. Both of these are luxurious, five-star operations.

6. In order to remain competitive, to retain their capable staffs, and to generate sufficient dollar volume to meet growing overhead costs, seasonal resort hotels—both the older, traditional properties and their newer competitors—increasingly began to remain open year-round.

7. In order to generate volume in their off seasons, resort hotels began to move into markets that had formerly been the provinces of the large center-city hotels, such as conventions and other business meetings. To survive, many resort properties competed with commercial hotels for as much convention and meeting business as they could attract. Eventually, many resort operators found that they grossed more money on this kind of business than they did from their traditional customers—families and individual guests.

8. An era of "instant" resort development began. Developers acquired large areas of land and created complete resorts with the typical amenities, all within a short period. Complete resort operations—the Dorado Beach Hotel built by Rock Resorts, for example, and such theme parks as Sea World and Disney World—became both popular and successful. Many of the earlier, more traditional resort hotels that had started as small operations expanded as their fame and success increased. By contrast, many of these new resorts are large operations when they open; they are grandly and imaginatively designed and constructed for instant and continuing success.

Two examples of new properties in the resort world will dramatically illustrate some of the differences between such traditional resorts



Marriott's Desert Springs, in California's Palm Springs area, is one of the exciting new players in today's resort industry. (Photo courtesy of Marriott Corporation.)

as the Broadmoor and the Arizona Biltmore, and the exciting new players in today's resort industry.

Marriott's Desert Springs

In the deserts of southern California, over one hundred miles from the Pacific coast, lies a resort area known as Palm Springs. The region has been popular with celebrities for a number of years, and various developers have built important golf resorts in the area. One of the more interesting of these is Marriott's Desert Springs, a beautiful four-diamond Palm Desert resort and spa created on desert land. There, with the aid of modern irrigation, Marriott has developed a lush, green resort property that includes a main hotel building of more than nine hundred rooms and a series of villas. Special features include thirty-six holes of golf, a twenty-court tennis complex, a twenty-seven-thousand square-foot European-style spa, and a number of elegant restaurants. One of the most interesting features is the unexpected series of lakes and waterways that offer incredible views and improbable possibilities for boating in the middle of the desert. In fact, the waterways extend into the main lobby of the hotel, which has a dock for launches that transport guests from the main building to two of the restaurants located across the lake.

Prince Resorts' Hapuna Beach Prince Hotel

In 1994, on the island of Hawaii, Prince Resorts created a new three hundred and fifty unit property in which all rooms and suites face the white sands of Hapuna Beach, considered America's best beach by many discriminating travelers. Special features include five restaurants, a golf course designed by Arnold Palmer, tennis courts, a swimming pool, and a health and fitness center.

Typical of many new resort properties, the designers included features and facilities to attract meeting and convention business. These include over fourteen thousand square feet of function space, an eight thousand, four hundred square foot grand ballroom, four smaller meeting rooms, and two executive board rooms. With the addition of facilities of this type, today's resort hotel operators need not depend exclusively on reservations from individual vacationers, as did the operators of resort properties in the past. Today, the operator of a modern resort hotel is prepared to compete for business with operators of any other kinds of hotel properties.

Summary

In this chapter, late nineteenth-century inventions that helped change the hospitality industry are identified, and the impact of each is described. Ships and trains are identified as principal means of travel in the early years of the century, prior to the development of automobiles and planes. The development of the airline industry is discussed in detail. Its growth and importance to travel are examined, and the effects of deregulation are detailed. The significance of current methods of routing aircraft and frequent-flyer programs are explained.

Significant developments are discussed that occurred in three segments of the industry—restaurants, hotels, and resort hotels—from the turn of the century onward. Economic and social factors that led to increased travel by Americans in the period after 1945 are identified and discussed, as are the principal changes that took place in restaurants, hotels, and resort hotels in this same period. These include the impact of chain operations, the role of franchising and market segmentation, the importance of computers, and the impact of changing transportation modes. The contributions of several important figures—

including Ellsworth M. Statler, Conrad Hilton, Howard Johnson, J. Willard Marriott, Kemmons Wilson, and Ray Kroc—are also examined.

Key Terms

Amtrak
Airline Deregulation Act of 1978
Diner
Drive-in Restaurant
Franchising
Frequent-Flyer Program
Great Depression
Guest House
Hub-and-Spoke Routing
Kelly Act
Market Segmentation
Motel
Roadhouse
Speakeasy
Tourist Court
Vacation Cruising
Zeppelin

Questions

1. List three important inventions of the late nineteenth century and briefly describe the impact of each on the hospitality industry of the early twentieth century.
2. Identify the three major reasons cited in the text that explain the growth in mass travel after World War II.
3. Why are vacation cruises becoming increasingly popular?
4. List the four main attractions of vacationing on board cruise ships.
5. Why did the number of railroad passengers decline after World War II?
6. What is Amtrak? When and why was it created? Has it been profitable?
7. What is a zeppelin? In which decades of the twentieth century were they used for commercial passenger service?
8. Of what significance was the Kelly Act of 1926 to the development of passenger airlines?
9. When was Pan American's first international passenger flight? Its first Pacific passenger flight? Its first Atlantic passenger flight?
10. In what year was the Boeing 747 introduced into commercial service? What was the impact of this plane on air travel? Which airline was first to use it?
11. In what year was the Concord supersonic jet introduced into commercial service? Why was the introduction of this new plane significant? How fast does it fly?

12. List and explain three effects of airline deregulation.
13. What is the hub-and-spoke method of routing aircraft? What are the advantages and disadvantages of this method over direct routing of aircraft?
14. List and describe four types of restaurants that developed in the early twentieth century.
15. What was Prohibition? What was the impact of Prohibition on each of the following: taverns, fine restaurants, roadhouses?
16. Name the first fast-food hamburger chain. When was it started?
17. Who founded the Hot Shoppe restaurants? What circumstances led this individual to start the first of these establishments?
18. What were Howard Johnson's principal contributions to the restaurant industry?
19. After World War II, the interaction of several forces led to significant growth in the restaurant industry. List two.
20. Who founded McDonald's? Who first sold McDonald's franchises?
21. What were Ray Kroc's two principal contributions to the development and eventual success of McDonald's?
22. Identify four specialty food restaurant chains that developed after World War II.
23. What were Ellsworth M. Statler's principal contributions to the development of the hotel industry?
24. Name the property that is generally considered the first modern commercial hotel and describe five features that distinguished it from competitors. What was the advertising motto of the hotel?
25. Name the world-famous New York City hotel that has operated without an identifying exterior sign throughout its history.
26. List three reasons that the 1920s were considered the "golden age of hotels."
27. What effect did the Great Depression have on the hotel industry? What happened to levels of occupancy during this period?
28. Are hotels affected by recession, depression, prosperity, and other changes in the economy? Why?

29. What caused the high levels of hotel room occupancy during World War II?

30. Why did the motel segment of the lodging industry experience rapid growth in the period following World War II?

31. What contribution did Kemmons Wilson make to the development of the motel segment of the industry?

32. What is a franchise? What are the advantages of franchise arrangements for the franchisor? the franchisee?

33. Faced with declining business volume after 1950, older, center-city hotels devised ways to attract new business. List three.

34. Why did American hotel chains begin to move into international markets in the 1960s? Identify five chains that are engaged in international hotel operations today.

35. What factors made it possible for lodging companies to take advantage of computer systems in the 1980s?

36. What is market segmentation? Why did lodging companies begin to move towards multisegmentation?

37. In the early twentieth century, some American workers were beginning to have measurable amounts of leisure time. What kinds of activities does the text indicate were available to the American worker on his day off?

38. Name three five-star resort properties built and opened between 1900 and 1930.

39. The text identifies eight significant changes in the resort hotel industry that have occurred since 1945. List and discuss five of these.

40. What features of Marriott's Desert Springs property set it apart from older, more traditional resorts?

Moments of Truth

1. You have just been appointed assistant to the general manager of a 150-room motel with foodservice, bar, convention facilities for two hundred persons, swimming pool, and exercise room. The motel is an independent operation located on the outskirts of a midsize city. Occupancy and profit at the motel has not been good. One of the options to improve occupancy and profit is to become a franchisee for a well-known chain. The general manager has asked you to

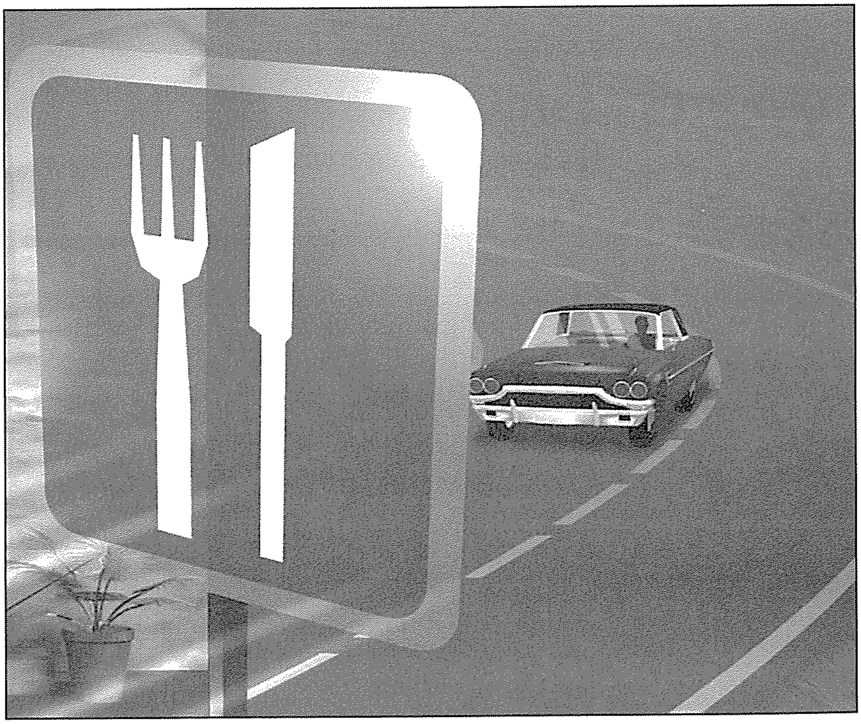
investigate this option. How could this option help? Do you see any advantages to remaining independent rather than becoming a franchisee?

2. You intend to travel by air from Boston, Massachusetts to Seattle, Washington. Your airline tells you that there is no direct flight between these two points. You will have to fly to Dallas, Texas, change planes and then fly to Seattle. What benefits do you suppose that airlines gain from this arrangement? Do you see any benefits to travelers?

3. The president of a chain of high-priced first-class hotels knows that there are many travelers looking for first-class accommodations but unwilling to pay first-class prices. They are willing to give up some services and amenities in order to pay less for their rooms. What steps would you recommend she take to gain a share of this business?

Part Three

Food and Beverage Perspectives



Four

Dimensions of Food and Beverage

Learning Objectives

After reading and studying this chapter, you should be able to:

1 Cite the percentage of gross domestic product (GDP) attributable to food and beverage service.

2 Identify the importance of the food and beverage industry as an employer of women, minorities, and teenagers.

3 List and discuss the three principal reasons cited in the text for increased demand for foodservice.

4 Define *foodservice* and a foodservice enterprise.

5 List and discuss the five most important characteristics of a foodservice operation.

6 Describe each of the characteristic types of foodservice establishments identified in the chapter.

7 Define *beverage service* and a beverage-service operation.

8 List nine reasons for patronizing beverage-service establishments.

9 List and discuss the three terms used to describe the focus of beverage-service establishments.

10 Identify the major categories in the National Restaurant Association's classification system for reporting industry sales.

Introduction

Immigrants from Europe recreated in America the eating and drinking establishments of their homelands in the seventeenth century. These establishments have always enjoyed a high degree of popularity in America. As we discussed in previous chapters, seventeenth- and eighteenth-century taverns sold alcoholic beverages of various types (beer, ale, wine, and rum among them), and most served food as well. Many served a midday meal, known in some parts of the country as an *ordinary.* Many were popular social centers in their communities.

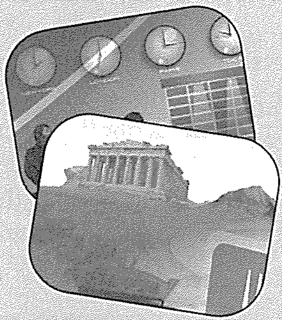
In the nineteenth century, the number and variety of food and beverage operations grew at an amazing pace, and the foundations of the modern food and beverage industry were developed at that time. Restaurants and taverns of all sorts served meals relatively inexpensively. People who lived in lodging houses, where there were no cooking facilities, ate many of their meals in inexpensive restaurants. At the same time, there were also a number of hotels and restaurants providing the finest of food and wines in luxurious surroundings to the growing number of wealthy Americans.

By the beginning of the twentieth century, Americans had access to a number of different types of restaurants—diners, cafeterias, roadhouses, and hamburger stands, to name a few. The concept of dining out—making an important occasion out of the dining experience, with the finest of food and beverages served in a pleasant environment—began to play a growing role in American life.

The Size of the Industry

The foodservice industry ranks as one of the largest in the United States. A recent publication of the **National Restaurant Association** (NRA), the industry's principal trade association, states that "eating and drinking places are first among all retailers in the number of establishments and the number of employees." Today, there are over seven hundred and seventy-three thousand eating and drinking establishments, employing over 9 million people. Information published by the NRA reveals that the foodservice industry employs more women, more teenagers, and more members of minority groups than any other industry in America. Approximately 57 percent of foodservice workers are female; 56 percent are under thirty years of age; almost two-thirds are high school graduates. The foodservice industry employs more minority managers than any other industry.

▶ Trailblazers ◀
More Women Are Gaining Entry into the Executive Ranks in the Foodservice Industry



The National Restaurant Association reports that in 1994, 45.5 percent of all managers in foodservice and lodging operations were women. This is up from 39.4 percent in 1980. During the past fifteen years, many women have committed to careers in the foodservice business and are now valued members of unit management staff.

Where are women making the most progress? Company rosters show that women have moved up in the ranks of human resources, marketing, finance, and training. Operations, the longtime bastion of men, is just starting to attract more women, and that interest in operations seems to be strongest among the twenty-something managers. According to Julie Thompson, vice president of training for a California restaurant chain, "In terms of unit manager classes, of nine trainees, four are usually women."

Adapted from an article in F & B Business, *July/August 1995, Page 32.*

One out of every four retail outlets in the nation is an eating or drinking establishment. In one recent year, more than two out of three eating and drinking places had annual sales of less than $500,000. Approximately three out of four are single-unit operations. Four out of every ten are sole proprietorships, establishments owned by one individual.

On a typical day, foodservice establishments provide approximately 30 percent of American adults with lunch and nearly 25 percent with dinner. Of those patronizing these establishments, over 50 percent are men. On this typical day, over 55 percent of adult men eat out, compared with under 50 percent of adult women. Well over 70 percent of the adult population eats at a restaurant once a month. Younger adults eat out more frequently than older adults: on a typical day, over 65 percent of younger adults eat out, compared to under 35 percent of those over 65. Nearly 50 percent of all consumers visit a restaurant on their birthdays, and the most popular day for eating out is Saturday.

The growth of food and beverage sales has been continuous. In 1970, NRA figures placed foodservice sales at $42.8 billion. By 1975, sales volume had grown to $70.3 billion. By 1980, it had grown to approximately $120 billion, and the 1980 figure had nearly doubled by

1990. Although these figures are not adjusted for inflation, they point out the extraordinary growth in that ten-year period. Today, food and beverage sales account for over $312 billion. This is nearly 5 percent of the gross domestic product (GDP) of the United States—generally defined as the value of all goods and services sold. By any measure, this is indeed a major industry.

Although a great number of establishments in our industry offer both food and beverages to their customers, it is not a universal practice. The majority of foodservice operators do not sell alcoholic beverages. Because of this, and because there are significant differences between food operations and beverage operations, we will discuss the foodservice and beverage service segments of the industry separately in this chapter.

Foodservice

As suggested by the statistics of the NRA, the demand for foodservice has grown at a very rapid pace in recent years. In today's world, even children are patronizing foodservice establishments at very early ages: young children have "happy meals" at McDonald's and then continue to patronize McDonald's and restaurants in general in their adult years. Today, many adults eat out several times each week—more than ever before in our history. Studies have shown that almost half of all adults are foodservice patrons on a typical day. Furthermore, the NRA reports that 44 percent of the money Americans spend on food is spent in foodservice establishments.

In addition, the frequency of eating out is increasing. Americans are consuming more meals away from home each year, and nationwide foodservice sales continue to increase dramatically. Experts have predicted that Americans will soon be eating half of all meals away from home.

Several reasons are commonly cited for America's increased demand for foodservice. These include

1. increased discretionary income,
2. smaller families, and
3. changing lifestyles.

▶ Increased Discretionary Income

The average American has more discretionary income than ever before. Individuals have more money to spend as they choose, and growing numbers are spending a substantial amount of it in foodservice establishments. For most Americans today, having a meal or a snack in one or another of the restaurants or other foodservice operations that we see everywhere is an unremarkable, everyday occurrence.

▶ Smaller Families

Another reason that Americans patronize foodservice operations more frequently is a decrease in the size of the family. One explanation for this is that more women are in the workforce and are choosing to postpone having children. In fact, many are choosing to have fewer children altogether. In two-earner households, with both adults tired at the end of the day, going out to eat or having a meal delivered has become an acceptable alternative to preparing the evening meal at home. Also, it is probably easier and certainly more affordable to go out to dinner with a small family than with a large one.

▶ Changing Lifestyles

The daily routines of families are considerably different from what they were thirty or more years ago. The term *two-earner household* implies that one individual no longer stays at home all day to take primary responsibility for food shopping, meal preparation, and cleaning up after a meal. As a result, Americans are less inclined to prepare evening meals at home.

Another change in lifestyle that affects the foodservice industry is the fact that neither young people attending school nor working adults carry their lunches from home to the same extent that they did in years past. Students and workers have foodservice readily available at very low cost at school, at work, or at any number of fast-food establishments nearby.

Similarly, each individual in today's family has a greater degree of independence than in the past. Each makes more personal decisions about his or her life than before. More family members have automobiles and can easily decide to go out for a quick meal with friends rather than eat at home. In some households, it would be difficult to identify an evening meal period at all: family members may come home at different times and either prepare their own meals or elect to go to a restaurant to eat. This would have been unusual a generation ago.

At the same time, the increase in the number of wage earners in America has led to a decrease in the number of family members trained in the art and science of food preparation. In many households, there is no longer anyone able to prepare an excellent meal. Thus, for holiday meals and other occasions for celebration, many are depending on restaurants.

Foodservice Defined

Foodservice can be defined as providing fully prepared foods for immediate consumption on or off premises. Foodservice establishments are those engaged in providing foodservice. These establishments include not only the obvious examples of restaurants and college dining halls but also the salad bars and sandwich counters in food markets and such "distant relations" as food vending machines.

Foodservice enterprises range from full-service restaurants to self-service buffets, from fine restaurants to takeout operations, and from company cafeterias to hamburger stands. Foodservice operations may be either **commercial**—those operated with the aim of earning a profit—or **noncommercial**—those operated primarily for the convenience or welfare of those served rather than primarily for profit. In the sections that follow, we will examine in more detail the various kinds of foodservice establishments and the kinds of service they offer.

Variations among Foodservice Establishments

Anyone who has observed the variety of foodservice establishments will agree that there are significant differences from one to another. These differences are the result of decisions made by owners and managers about the five most important characteristics of a foodservice operation.

1. Menu items
2. Food quality
3. Menu prices
4. Service
5. Ambiance

▶ Menu Items

Perhaps the most important difference among foodservice enterprises can be found in the menu items offered. Some establishments present the customer with a menu consisting of several pages, listing many kinds of dishes. This is common in establishments open for long hours daily and serving a varied group of customers. By contrast, other food-service operations offer a very limited menu, such as a few luncheon or dinner items—two appetizers, three entrees, and two desserts, for example.

Some establishments specialize in particular menu items, such as **ethnic** or **regional** dishes. Ethnic dishes are those associated with a particular culture—Chinese or Mexican, for example; regional dishes are those characteristic of a particular geographic area—New England or the South, for example. Regional establishments sometimes cater to the tastes of those living in the region in which they are located: a menu for a restaurant in the South might feature catfish, black-eyed peas, and hush puppies. These items would not normally be found in the North, except in establishments specializing in regional southern dishes. Similarly, a substantial number of restaurants on the coast of New England sell Maine lobster, New England clam chowder, and New England boiled dinner—items one would not commonly find on menus in the South.

Some establishments restrict their menus to **specialty foods.** Specialty foods are those belonging to a particular food family, such as vegetables, seafood, or pasta. Others do not specialize but instead offer menus that appeal to a broader range of customers. School and college foodservice operations typically take this approach. They try to serve foods that appeal to many different groups of students.

▶ Food Quality

Food quality is defined as the degree of excellence in food products. Food quality can vary greatly from one foodservice establishment to another. In the final analysis, variations in quality result from decisions made by management to establish a given level of quality. In general, the level of quality is determined by the interplay of three elements:

1. The quality of the food ingredients used
2. The professional skill of those preparing the food
3. The time and effort expended on food preparation

The quality of the food products prepared is determined largely by the quality of the ingredients used. For example, no one can prepare an appealing tossed green salad using wilted lettuce and unripened tomatoes or an excellent fisherman's platter using fish caught several days before and refrigerated improperly. In addition, a foodservice operator must know that many fresh foods are graded for quality and that items of a given quality may be entirely unsuited for use in certain dishes. For example, oranges used for freshly squeezed juice may be entirely unsuited to displaying on a buffet or using in fruit baskets delivered to guests' rooms in a hotel.

Another important element in determining food quality is the professional skill of those preparing the food. Some food preparers are trained in one of the excellent colleges and institutes offering culinary degrees and diplomas or in one of the splendid apprenticeship programs in Europe. Others have learned on the job from mentors willing to train them. Some claiming to be professionals have never really learned very much about food preparation, but only pretend to know. Still others lack the intelligence, the ability, or the will to excel at food preparation.

Each foodservice operator must determine the amount of time and effort that should be devoted to preparing food for customers. As a general rule, food that is prepared on premises from fresh ingredients should be better than food purchased in a frozen, canned, or other pre-prepared state. The latter is known as **convenience food,** a term used to refer to food products that have been processed prior to purchase, thus reducing in-house preparation time.

The reasons for not preparing all food products from fresh ingredients vary. In some establishments, the kitchen staff lacks the professional skill to prepare products equal to the convenience items. In others, hiring skilled personnel would make the cost of labor too high and cause menu prices to be more than customers would pay. For many, convenience items are of acceptable quality. In fact, sometimes the convenience foods are of better quality than those available fresh. And for many chain operations, in which management wants products of uniform quality used throughout its chain, convenience foods provide the most reasonable means of achieving uniformity.

▶ Menu Prices

Menu prices can vary greatly from one foodservice operation to another. On one hand, some charge low prices and attempt to be successful by making a small profit on each of a large number of sales. Others charge low prices for very different reasons: they are providing a service for a specific group of people—club members or hospital patients, for example—and no attempt is being made to earn a profit. On the other hand, some charge high prices knowing that they will attract fewer customers. Each sale, however, normally results in a comparatively high profit, enabling the operator to prosper with fewer customers than the lower-priced establishment. Other reasons for variations in menu prices relate to differences in operating costs, numbers of customers required for profitability, and the image the operator intends to project for the establishment.

▶ Service

Foodservice operators may provide a number of different service arrangements for their customers. Establishments are often differentiated from one another on the basis of these service arrangements, which include table service, counter service, room service, self-service, and takeout or delivery service.

Table Service

For table service, servers normally take customers' orders selected from menus or their equivalent, then deliver the foods to the customers seated at their tables. There are many variations on this basic procedure as well as several specific forms of service, including those known as American, Russian, French, and English. These will be described in greater detail in chapter 6.

Counter Service

For counter service, customers are served food across a level surface called a counter. They may be either seated at the counter or standing, and they may consume the food at the counter or at some other location within the establishment.

Room Service

For room service, customers are situated away from a normal dining area, typically in a hotel room or a hospital room. Food is transported to the individual's room and "served."

Self-Service

For self-service, customers select foods from an array of displayed items; then they carry the items, with or without a tray, to some location in the establishment to consume them. Cafeterias, buffets, and salad bars are three common examples of self-service arrangements.

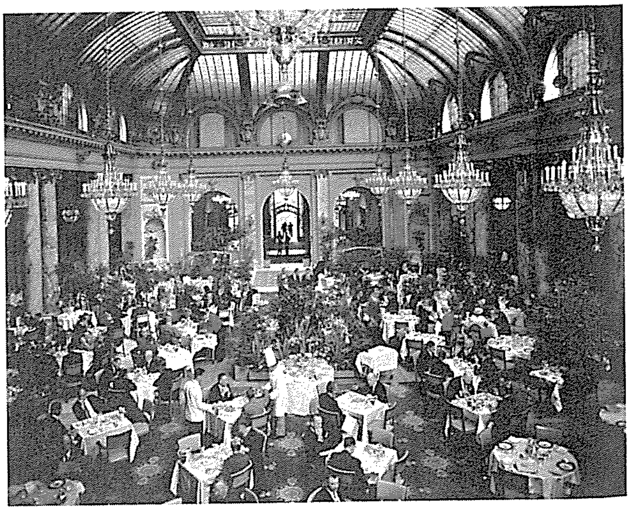
Takeout or Delivery Service

Takeout or delivery service differs markedly from the others: the menu items are expected to be consumed off premises and are packaged accordingly. With takeout, the customer collects the food on premises and carries it out before consuming it. With delivery service, the customer places an order by telephone or fax, then waits for the food to be delivered. Some establishments offer takeout service only; others offer only delivery; and others offer both.

There are no general rules about the types of service offered by foodservice establishments. Some offer only one type—table service, for example. Others provide more than one type—possibly table service and counter service. Still others may employ all of these in their efforts to please the greatest number of customers.

▶ Ambiance

In the foodservice industry, ambiance is a term used to refer to the aesthetic or emotional impact of an establishment on its customers. It has any number of elements, including furnishings, lighting, sound, decorations, themes, table settings, and employees' appearances and atti-



A restaurant's ambiance is one of the most important elements of the dining experience. Beneath its stained-glass dome, the Garden Court of San Francisco's Sheraton Palace Hotel has elegantly served dignitaries from all over the world. (Photo courtesy of San Francisco Convention and Visitor's Bureau.)

tudes, all of which are aspects of the establishment's environment. In a professionally designed restaurant, the ambiance is never left to chance; it is carefully crafted to achieve a particular impact. One of the reasons that the units in a chain operation are the same is that this helps insure that all will have the same ambiance.

The elements of ambiance vary greatly from one establishment to another. Some—often family restaurants—are typically bright, cheerful, and informal. Others are far more formal, featuring subdued lighting, crisp white linen, fine china and glassware, highly polished silver, and a professionally trained staff. Still other establishments—those that cater to college students, for example—are more likely to be lively, noisily informal, and feature current, popular music. Those attempting to create romantic settings may be dimly lighted and provide soft background music.

Characteristic Types of Foodservice Establishments

Because of the large number of variables in foodservice establishments, most attempts at classifying them are not very successful. The classifications are either too simple to be of any value—"with or without parking," for example—or too complex to be useful, with categories based on the many possible variations in menu, food quality, prices, service, atmosphere, and so on.

However, because people discuss foodservice establishments, describing them and comparing one to another, some terms have become commonly accepted. Those that follow are characteristically regarded as describing types of foodservice establishments. One must remember, nevertheless, that they do not constitute any real system of foodservice classification because they are not mutually exclusive: to describe a single foodservice operation, it is commonly necessary to use more than one of these terms.

Fast Food

Fast-food establishments are those that serve foods for which there is little or no waiting. Many people in the industry are beginning to identify these as fast service or quick service restaurants[1] in recognition of the fact that the service is fast, not the food.

[1]As stated in chapter 1, all three terms will be used interchangeably in this text.

In fast-food restaurants, customers wait in line for access to a counter at which they order food from a very limited menu. Often the food is prepared and packaged ahead of time, and the customer's choices need only be picked up by a server and delivered to the customer—on a tray or in a bag, depending on whether the customer intends to consume the food on or off premises. Fast-service operations are relatively low priced. Examples of fast-service restaurants include McDonald's, Burger King, Dunkin' Donuts, Kentucky Fried Chicken, Wendy's, Roy Rogers, Nathan's, and a relative newcommer—Boston Market.

So that the concept works, a high degree of standardization is required: management typically sets rigid standards for procedures, portion sizes, and packaging. Procedures are methods for doing work; portion sizes are the quantities of specific menu items that are to be served each time a given item is ordered; packaging is the particular container or wrapping in which a single portion of a given menu item is to be served.

Other prerequisites to successful operation of a fast-food restaurant typically include an almost inflexible menu, specialized equipment for preparing the foods on the menu quickly, and a staff properly trained to use the equipment efficiently and serve a large number of customers in a short time. A fast-service restaurant is a very well-organized enterprise designed to operate with staff that can be trained quickly and easily.

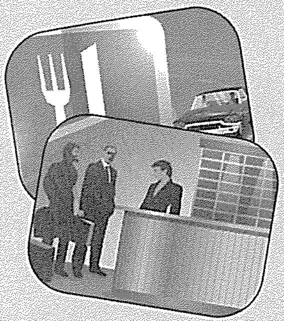
Table Service

A table-service establishment is one in which customers are seated and served at tables. Individuals may be escorted to their tables by an employee known by a title, such as host or hostess, or may select their own tables. They may be given printed menus from which to select foods, or foods may be selected from an equivalent device, such as a sign or a chalkboard.

At the customer's table, an employee may suggest particular menu items and will normally make note of the item or items selected. The selections are conveyed to the kitchen, where the food is prepared. Selections are served to customers when prepared, with the delivery suitably timed if several items have been ordered by one individual. The individual doing the serving (waiter, waitress, or server) is typically the one who has taken the customer's order.

In most table-service restaurants, the customer is presented with a bill at the conclusion of service. The bill is commonly called a guest

▶ That's Amore! ◀ Italian Restaurants Have Increasing Patronage



Even though most restaurants have a pasta specialty or two, Italian restaurants are gaining in popularity. Piero Selvaggio, owner of Valentino in Santa Monica, California explains why: "The cuisine has more than 25 centuries of history. It has so much to offer." Customer demand has turned Italian food and restaurants into big business. Imported and domestic products that once seemed exotic are now available and familiar. Nancy Barocci, a Chicago restaurateur points out, "sundried tomatoes, pesto, polenta, and balsamic vinegar have become part of our food culture in just a few years."

Adapted from an article in Restaurants USA, *January 1995, Page 13.*

check, and the customer is expected to pay, charge, sign, or otherwise attend to the bill at that moment. In some establishments, the bill is settled directly with the server; in others, it is settled with a cashier, who is typically stationed near the exit. Exceptions occur in operations that include meals with room prices.

Ethnic

An ethnic foodservice operation is one that specializes in foods associated with a particular culture. Among the most common of these are restaurants offering Chinese, Mexican, Greek, Japanese, German, Italian, Spanish, Thai, and Indian cuisines.

Ethnic restaurants vary considerably in menu, food quality, menu prices, service, and ambiance, even within a specific ethnic grouping. Chinese restaurants, for example, may serve foods from one or more of four regional cuisines—Peking, Szechuan, Canton, and Shanghai—each of which differs from the others. Some Chinese restaurants offer table service; others offer counter service or takeout. Some ethnic restaurants use high-quality ingredients and prepare the finest of foods; others use food of lower quality in order to keep menu prices low.

Specialty

A specialty foodservice enterprise is one that features foods of a particular type, such as seafood, pancakes, chicken, vegetables, steaks,

A specialty foodservice enterprise is one that features foods of a particular type, such as seafood, chicken, or steak. Long John Silver's, pictured here, specializes in seafood. (Photo courtesy of Long John Silver's Restaurants, Inc.)

doughnuts, omelettes, or sandwiches. The possibilities for specialties are many and varied, as are the establishments that feature them. Some limit their menus almost exclusively to the specialty while others use the specialty item as the focal point of the menu but add other items to broaden the establishment's appeal and attract additional customers.

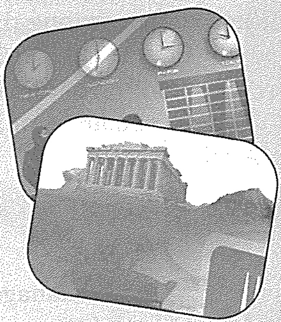
Specialty restaurants can vary considerably in menu items, food quality, menu prices, service, and ambiance, and this can be true even within one specialty. For example, some seafood operations may specialize in shellfish; others feature a more varied assortment of fish and shellfish on one menu. Some have extensive menus, limited only by the availability of particular items in the markets; others may restrict their menus to a very few items that are always available.

Some operators will insist on purchasing fresh seafood daily for their establishments, and others will use frozen products. In some parts of the country, one or another item may be readily available and very popular with diners, while that item may be rare or virtually unsalable in another geographic area. Equivalent differences can be easily observed in relation to menu prices, service, and ambiance from one specialty establishment to another.

Fine Dining

Establishments in this category are those that emphasize high-quality foods, expertly prepared and professionally served. Few convenience foods are used, and most foods are prepared from fresh ingredients.

▶ 20,000 Leagues under Los Angeles ◀ Famous Movie Director Moonlights as a Restaurateur



Steven Spielberg, academy award winning director, has opened a new specialty restaurant featuring gourmet sub sandwiches. The restaurant is named Dive; it looks like a submarine and has twenty different sub sandwiches including a Chinese chicken salad sub, a Tuscan steak sub, and a soft-shell crab sub. Additional items include sourdough bread stuffed with beef stew, chicken pot pie, or tuna burgers. However, the food is not the complete story. Every forty-five minutes, lights flash, sirens blare, bubbles rush past porthole windows, and video monitors flash footage of an undersea voyage.

The restaurant is a definite success. It serves two thousand, five hundred customers a day, and annual sales are projected between $13 million and $15 million.

Such restaurants are typically among the most formal and are often among the most expensive.

Service is a particularly important element in the fine dining experience, but the type of service may vary from one restaurant to another. Some may offer elegant French service, and others Russian or American.

The term *fine dining* gives no indication of the nature of the foods served. The menus may be ethnic, such as Swiss or northern Italian;

Differences between foodservice operations are the result of decisions about their five most important characteristics: menu items, food quality, menu prices, service, and ambiance. In The Manor (West Orange, New Jersey), the owner's decisions about these five have been the key to developing one of the best fine-dining establishments in the region. (Photo courtesy of The Manor.)

they may feature specialties, such as seafood; they may rely on the skill of a chef to prepare dishes unique to the restaurant. Other possible variations among fine-dining establishments include the number of items on the menu: many offer extensive menus with a few special creations that change frequently, whereas some others—often among the finest restaurants in an area—offer only one or two entrees that change daily. In some (which typically require reservations), customers may be given no choice at all: they are served the several courses that constitute the dining experience planned by the chef.

Limited Menu

An establishment that offers a limited menu is one in which management has made a conscious decision to restrict the number of items on the menu. This may be a small but varying number, or it may be a specific, unchanging number—as in a steakhouse that offers only three entrees, all of which are sirloin steaks of varying weights. Sometimes there may be only one basic menu item, such as pizza or hamburgers, for which a large number of variations are available (often in the form of toppings). Other kinds of restaurants with limited menus may feature chicken, hot dogs, lobster, omelettes, or roast beef, among other possibilities.

The quality of limited-menu establishments can vary considerably. A steakhouse may offer the finest aged beef in the state, or the steaks may be of a quality such that miniature hacksaws are required to cut them. Menu prices in limited-menu establishments may vary as well, from the minimum common in hot dog stands to some extraordinarily high prices in some of the finest steakhouses. Ambiance can vary as dramatically as can menu price, from one to another—from the hot dog stand to the steakhouse.

Chain Restaurants

Chain restaurants are those that are linked in some way. For some, ownership provides the link: two or more establishments that may or may not resemble each other in any way have common ownership. For others, the links are provided by common name, appearance, and products, or some combination of these. For those in the well-known national chains—Wendy's, Pizza Hut, and Kentucky Fried Chicken, for example—all three apply. In some instances, all units in a given chain are under common ownership; more frequently, groups of units in one geographical area may be commonly owned by some entity other than

Some chain restaurants are linked by name, appearance, and product line. The restaurants in the Pizza Hut chain are linked this way. (Photo courtesy of Pizza Hut.)

the national organization. For example, Burger King owns some, but not all, of the restaurants bearing that name; groups of Burger King restaurants are owned by other companies, and some are owned by individuals.

Chain restaurants vary considerably in their other characteristics, as well as in their identification as chains. Their menu items range from pizza to steaks and from hamburgers to seafood. Some, such as McDonald's, are relatively inexpensive; others, such as Red Lobster or Houlihan's, are more expensive. Food quality and service vary as well. Some offer table service; others, only counter service. Some feature takeout; others do not. Nevertheless, the ambiance in chain restaurants affiliated by product is typically the same from one unit to another.

Theme Restaurants

A theme restaurant is a restaurant designed around a particular theme such that the theme is used or reflected in every element of the establishment's ambiance. For example, if the circus were selected as the theme, the interior of the restaurant might be decorated to resemble some idealized version of the interior of a circus tent, complete with trapeze; the servers might be costumed as circus performers; the menu might be printed to look like a circus program; and the menu items might be named for circus acts—a hamburger special described possibly as the "Lion, King of the Burger Jungle." Other possibilities for themes are railroad cars or stations, antique automobiles, colonial

America, the old West, Medieval dining, World War II, kitchenware—the number is endless, limited only by human imagination.

Theme restaurants are naturally different from one another in ambiance: any developer of a theme restaurant or chain clearly makes every effort to avoid resemblance to any other foodservice establishment. Menu items and service are typically closely linked to the theme and the atmosphere. Food quality and menu prices vary considerably from one theme establishment or chain to another.

"Tops"

"Tops" is a shorthand term used by some to refer to food and beverage operations located on the top floors of hotels or other tall buildings, usually located in some part of a major city where there is an interesting or spectacular view. Some "tops" restaurants have been specially constructed so that either the floor or the entire room turns, revolving to give customers panoramic and ever-changing views of the city as they dine.

"Tops" vary as greatly as other foodservice operations. Some offer foods and service of excellent quality, while others may not purchase the finest ingredients and hire the most talented professionals to prepare and serve their food. Similarly, one may present the appearance of a very formal atmosphere and select menu items accordingly, while another strives for a high degree of informality in atmosphere and menu to attract larger numbers of younger customers.

Menu prices vary among "tops" restaurants, but as a group, their prices tend to be higher than those in similar restaurants that are not located at the top of a building. Menu prices in "tops" reflect the higher costs of construction and operation, as well as the premium one would expect to be charged for the privilege of dining at an establishment that may represent not only the pinnacle of a building but also the very essence of business or social success.

Family Restaurant

A family restaurant is one that caters to family groups—parents with children and other contemporary family groupings. In order to appeal to families, operators must make a number of important decisions with respect to menu, food quality, menu prices, service, and ambiance.

Family restaurants usually include a sufficiently broad range of items on the menu so that there is something for everyone from child to grandparent. Some have special menus for children under a given age. These menus may be separate from the regular menu or may be in one section of it.

Family restaurant menu items are typically low to moderate in price, in tacit recognition that the American family faces difficult collective financial burdens and is either unwilling or unable to spend large amounts of the family's limited disposable income on restaurant meals. Menu prices reflect food quality, and owners usually attempt to match food quality to their customers' perceptions of quality. The atmosphere in family restaurants tends to be informal: at their best they are cheerfully decorated, bright and well lighted, and radiate a sense of welcome to their customers.

Cafeteria

A cafeteria is a foodservice establishment that permits the customer to see the foods available and to make selections from among those displayed. In many cases this makes it possible for the customer to select the actual portion he or she will consume.

Cafeterias impose a greater degree of self-service on their customers than most other establishments. Food portions are individually plated and priced, and the customer is typically expected to take a tray through an area where foods are displayed, make selections, place them on the tray, and take the tray to a station where the prices are totaled. In some establishments, the customer pays for the food at that point; in others, the customer is given a bill that must be paid at the exit. In either case, the tray is then carried to another part of the establishment, where the food is either consumed or packed for takeout.

Buffet

A buffet is a type of service characterized by a long table or counter on which a selection of varied foods are attractively displayed on platters, in bowls, and in other suitable vessels. Typically, each diner carries a plate, determines selections, places desired quantities of selected foods on the plate, then takes the plate to a table. A set price is usually charged for each person, regardless of particular foods or quantities selected, and diners are commonly permitted unlimited access to the buffet. This is to encourage diners to take smaller portions and revisit the buffet as desired.

Catering

Catering is preparing and serving food to groups of people gathered for a specific purpose, such as a meeting or a wedding. Some caterers prepare and serve food only in their own halls; others prepare food in their own kitchens but serve only on premises provided by their clients. Some will both prepare and serve on premises provided by the client. Some will agree to any of these arrangements. Those in the catering business are normally very flexible and are willing to meet any reasonable requests for particular foods. Most caterers are prepared to offer the client preplanned menus at various price levels for various types of functions, and most will adjust any of these to meet the client's particular needs or desires.

Catering has several advantages over normal restaurant operations. Functions are always booked in advance, so management knows the number of people to expect and can easily determine the proper quantity of food to serve. Staffing and food purchasing, therefore, can be planned precisely, making it possible to estimate costs accurately in advance and thus plan a predetermined profit on each function.

A large number of restaurants are simultaneously in the catering business. Some restaurants have separate rooms used primarily for catering, and others are able to close off part of the public dining area to accommodate groups. The food for these groups is typically prepared in the restaurant's single kitchen: there is no special kitchen set aside for catering.

Many city hotels are in the catering business. These hotels often have both special kitchens and dining facilities for catering. In the hotel business, catering is done by what is commonly known as the **banquet department.** This represents one part of the hotel food and beverage operation that is typically quite profitable. Some hotels staff their banquet operations with part-time or full-time employees who work only in this area.

Institutional Foodservice

Institution is a term used to refer to a wide variety of service organizations, public and private, that attend to one or another of many possible public needs. Schools, colleges, hospitals, nursing homes, and prisons are some common examples of institutions. An institutional foodservice operation is one whose principal purpose is preparing food for those associated with a particular institution. Students in grade schools, patients in hospitals, and inmates in prisons are all examples of those served by institutional foodservice operations.

Institutional foodservice operations are established primarily to meet the needs of the institutions in which they operate by providing food to those working in or using the services of the institution, willingly or otherwise. In some instances, those being served are confined to the institutions and must be provided with foodservice, as in hospitals, nursing homes, and prisons. In others, because of institutional decisions or public policy, foodservice is made available for those who want it, as in schools, colleges, and similar settings.

Institutional foodservice operations may be run on either a profit or not-for-profit basis and may be managed either by the institution or by some outside foodservice contractor.

Institutional foodservice operations are similar to several other types of foodservice operations—business and industry foodservice and airline catering are two examples. None of these are operated primarily for public dining; they are intended to provide foodservice for a particular group, such as children in a school, passengers on an airplane, or employees of a corporation.

Business and Industry Foodservice

Business and industry foodservice operations are those that provide food during working hours for employees of particular firms in their offices or factories. As in the case of institutional foodservice, they may be operated on either a profit or not-for-profit basis and may be managed by the firm whose employees they serve or by some outside foodservice contractor.

In large firms, it is not uncommon to find several foodservice operations at one site preparing foods at several levels of quality, service, and price for different groups of employees. For example, within a specific building, one might find a cafeteria serving adequate foods at moderate prices for workers earning modest salaries, a table-service restaurant with more elaborate meals at higher prices for midlevel managers, and a fine-dining facility for the executive staff.

Airline Catering

Airline catering is the business of providing food prepared and packaged for service by an airplane crew during a flight. The food is prepared by an airline catering organization at a central facility, called a **commissary,** where it is suitably packaged in serving containers. It is transported to planes in storage units that will keep food warm or cold, as required, until it is served. The storage units are stowed in specially designed units on the plane and served by flight attendants at appropriate times.

An airline catering operation may be owned by the airline it serves, by another airline, or by one of a number of hospitality firms, large and small, that have gone into this specialized business. Marriott, Sky Chefs, Dobbs, and Trust House Forte are some of the leading names in this field.

Club Foodservice

Club foodservice operations are those that provide foodservice in membership establishments known as clubs. Many types of clubs— golf, tennis, athletic, luncheon, college alumni, fraternal, social, to name a few—are organized to appeal to people with some common interest.

Foodservice operations in clubs range from very simple and inexpensive to those that provide some of the finest food and service available—from hot dog stands near a swimming pool to spectacular dining rooms with fine linen, china, glassware, and elegant professional service. Private clubs restrict service to members and their guests; some clubs, however, are open to the general public.

Stand

A stand is a stationary, open-air foodservice establishment without a dining room facility. Customers walk to a counter to order and obtain foods, then consume the foods at the counter or elsewhere, as they prefer. Examples include hot dog stands at beaches and roadside stands selling ice cream, hamburgers, or cider, among other possibilities.

Coffee Shops

Traditionally, a coffee shop was an establishment with a limited menu to which customers typically would go to order coffee and some other item such as a donut, a sandwich, or a slice of pie. They did not provide full meals. Coffee shops tended to be small, usually offering seating on stools at a counter. Some provided a limited number of tables or booths. Today, many have more extensive menus resembling those of diners, as described below.

Diner

A diner is normally a moderately priced, full-service restaurant, typically open very long hours—sometimes twenty-four hours a day—and serving breakfast, lunch, and dinner from a single, multipage menu. In most diners, the customer can order any meal at any hour—breakfast at 11 P.M., for example.

The Tick Tock Diner, located in Clifton, New Jersey, is a good example of a modern diner—a moderately priced, full-service restaurant open very long hours and serving breakfast, lunch, and dinner from a single multi-page menu. (Photo courtesy of Tick Tock Diner, Clifton, New Jersey.)

The modern diner is a direct descendant of the establishments discussed in chapter 3. The exterior design has evolved from trolleys and railroad dining cars of an earlier period, but only older diners display any of the characteristics of the diners of earlier times. There is little physical similarity between today's diner and one built sixty years ago.

Neighborhood Restaurant

A neighborhood restaurant is one that caters to the needs, tastes, and preferences of those who live or work nearby. In general, they reflect the character of the neighborhoods in which they are found. Some are inexpensive, some are medium priced, and some are actually quite expensive, depending on the neighborhood.

More than any other type of establishment, the neighborhood restaurant depends for survival on repeat business from people in the area. Thus, owners of neighborhood restaurants must pay particularly close attention to their customers' likes and dislikes. Failure to do so will have a greater negative impact with more immediate consequences than would be the case in other types of establishments.

Drive-Through

A drive-through is an operation at which a customer can drive a vehicle to a window to obtain and pay for food without ever leaving the vehicle. Having received the food, the customer drives away to consume the food elsewhere. In effect, these can be considered the descendents of the drive-in restaurants of the 1950s and 1960s.

The process limits the kinds of foods that can be sold. They tend to be preportioned items prepared in advance and easily packaged for takeout—in other words, the typical products of the fast-service restaurants. In fact, a number of the chain restaurants specializing in fast-service products have been very successful in providing drive-through service for their customers.

Takeout

A takeout is an operation that prepares foods for consumption off premises. Foods for takeout may either be fully prepared in advance and packaged when ordered by a customer, or they may be prepared when ordered; takeout merely means that food leaves the premises where it is sold. The food may be picked up and transported by the purchaser or delivered, depending on the nature of the operation. Some do both. Most pizza establishments deliver; those offering hamburgers or chicken typically do not.

Some takeout establishments have no facilities for on-premises consumption; they operate exclusively as takeouts. Some are parts of other foodservice operations that provide seating for customers.

These are some of the terms used in general conversation to identify or describe various kinds of foodservice establishments. However, one can readily see that no single term will fully describe a given establishment. For example, the term *fast service* suggests that a customer should be able to obtain food quickly in such an establishment, but it does not provide information about the kind of food served or the extent of its menu. To describe the establishment more completely and usefully, we would have to say, for example, that it is a fast-service restaurant with a limited menu, specializing in chicken. Similarly, to describe a particular restaurant as one dedicated to fine dining is to imply that it features foods of high quality, that it is probably expensive, and that it offers table service. But the term fine dining tells us nothing about the kind of food served, the type of service, or the ambiance. And because the quality of ethnic, specialty, and all other restaurants can vary so greatly, simply stating that a particular establishment is "Italian" tells us next to nothing about it. We would need to know a great deal more to describe it fully.

Beverage Service

Society has not always viewed the consumption of alcoholic beverages favorably. On the whole, however, American society has generally tolerated "drinking" and has even encouraged it under some circumstances, provided it is not done to excess. Today, many believe that alcoholic beverages have therapeutic value when consumed in moderation. Everyone recognizes the dangerous and debilitating effects of alcohol when consumed in excess.

As discussed in the previous chapter, the sale of alcoholic beverages was illegal in the 1920s under the provisions of the Volstead Act. Nonetheless, this did not stop Americans from drinking. Drinking establishments called speakeasies were very popular. Making alcoholic beverages at home—the so-called bathtub gin, for example—was a hobby for many Americans, and illegally transporting and selling alcoholic beverages—bootlegging, in the vernacular of the period—made rich men of many underworld characters.

After the repeal of the Volstead Act in 1933, the authority to regulate the sale and consumption of alcoholic beverages was returned to state and local governments. Laws passed in the years since 1933 have resulted in great variations from one state to another, and even from one community to another within a state. The extent of these variations is so great that it is quite beyond the scope of any introductory text. A few examples will illustrate.

All states and almost all local communities allow properly licensed establishments to serve alcoholic beverages in one form or another— by the glass or by the bottle, or both of these. In a few communities, the sale of alcoholic beverages in any form remains illegal. In some of these, however, a customer can bring his own alcoholic beverages, and the establishment will provide the glassware, ice, mixer, or whatever combination of these the customer requires. In some states, customers cannot be served alcoholic beverages unless they are seated. In others, customers are not permitted to order drinks at a bar and then carry their own drinks from the bar to a table: they must be served by an employee. In some, it is illegal to have more than one drink in front of a customer at any given time. In others, a customer can carry a drink to his table, but only one. If the customer wants a drink for a companion, he cannot have it; the companion must get his own.

All states now prohibit the purchase of alcoholic beverages by anyone under the age of twenty-one years. This was the result of a decision by the federal government to withhold federal highway funds from any state that did not raise the drinking age to twenty-one.

Beverage Service Defined

There are several possible ways to define **beverage service.** In this text, we will define beverage service as providing alcoholic and other related beverages for consumption on premises. The term beverage includes all alcoholic beverages and any nonalcoholic beverages typically prepared by bartenders. A beverage service establishment is one that provides beverage service for its customers. In many cases, beverage service establishments provide customers with food as well, and food sales may even constitute the major source of sales revenue.

Reasons for Patronizing Beverage Service Establishments

There are a number of reasons commonly cited for patronizing beverage service establishments. These include

1. Dining
2. Seeking entertainment
3. Socializing
4. Discussing business
5. Meeting new people
6. Getting away from home
7. Killing time
8. Relaxing
9. Drinking

These are some of the many possible reasons for going to beverage service establishments. For most of the people who patronize these establishments, drinking would appear to be a secondary consideration. In fact, data reveal that sales of alcoholic beverages have actually decreased in recent years, whereas sales of nonalcoholic drinks have increased a great deal. This may indicate that patrons of beverage-service establishments are switching from alcoholic to nonalcoholic beverages because they never had been drawn to these establishments in the first place to consume alcoholic drinks.

There are doubtless reasonable numbers who patronize these establishments primarily to purchase and consume alcoholic beverages. They appear to be a minority, however. To the extent that they abuse alcohol, the social pressures to modify their behavior continue to grow, particularly for those who drive.

The Focus of Beverage Service Establishments

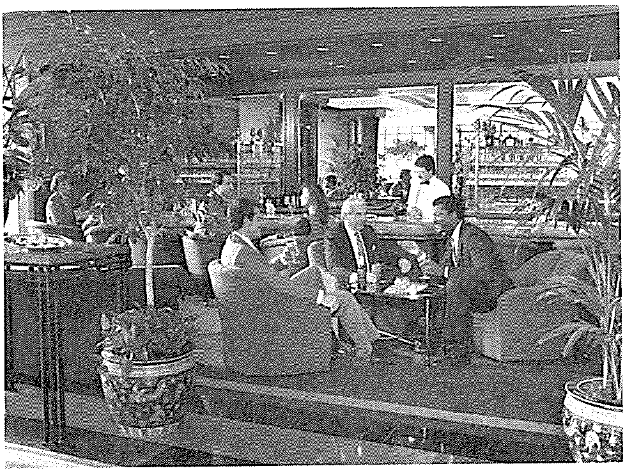
Because customers patronize beverage service establishments for different reasons, those who operate such businesses attempt to appeal to their potential customers by featuring or emphasizing those elements that they hope will attract customers. These elements can be grouped into three catagories, each of which we will characterize as a focal point for operations.

Beverage service establishments can be distinguished from one another on the basis of this focus. Each beverage service operator will have established one of the following as primary:

1. Food
2. Entertainment
3. Beverages

Food

Many establishments that provide beverage service place primary emphasis on their food. These tend to be foodservice establishments



A beverage service establishment, such as the hotel lounge shown above, may have a variety of focuses on food, entertainment, or beverages in order to attract potential customers. (Photo courtesy of Stouffer Harborplace Hotel, Baltimore, Maryland.)

that provide beverages as accompaniments to food. Many of the characteristic types of foodservice establishments described earlier in the chapter—ethnic, theme, family, fine dining, "tops," neighborhood, and others—have this focus. They make beverages available before, during, and after meals: customers may order cocktails before dinner, wines with the meal, and any of various after-dinner drinks, such as liqueurs or dessert wines. To many customers of these establishments, beverages are integral parts of the dining experience. Many would probably not return if the establishment no longer offered beverages with the food.

These businesses may be regarded as both foodservice and beverage-service establishments. They serve beverages to satisfy the expectations of their customers and because drink sales are profitable. But their emphasis, their principal business focus, tends to be the food, which normally provides greater revenue than the beverages.

Some of these establishments may also offer entertainment—live piano music during dinner, for example—but only as a secondary element. The principal focus is food.

▶ Entertainment

In other establishments, primary emphasis is placed on entertainment. *Entertainment* is a very broad term, encompassing any number of possibilities. It can range from sports events on television to professional musicians, from coin-operated games to horse races at a track, or from professional team sports to theatrical companies. Such establishments as night clubs, gambling casinos, theaters, piano bars, racetracks, and sports arenas provide beverage service to those who have come for the entertainment features of these establishments. For many customers, the beverages are an indispensable element of the entertainment.

In some of these establishments, there is no charge for the entertainment. The cost to management may be so low that there is no need to recover any of that cost from customers. This would be the case if the entertainment consisted of sports events on television. However, professional entertainers can be very costly, and the owner of an establishment featuring professional groups might attempt to recover the cost of the entertainment by selling tickets or by imposing either a cover charge or a minimum. A cover charge is an amount per person added to the total bill incurred for food and drink. A minimum is the least amount each customer is permitted to spend; those spending less are charged the minimum.

Many of these establishments also offer food—excellent food, in some cases. For example, some dinner theaters feature professional performances of musical productions. They offer food and beverages as well, but their principal focus is clearly the entertainment.

▶ Beverages

In a vast number of beverage-service establishments, the primary emphasis is clearly and conspicuously on the beverages themselves. Some may give away simple salty foods to stimulate beverage sales. Others may provide entertainment in the form of background music from a radio. The focus of these establishments is clear and simple: they sell beverages and have little or no interest in any other possibilities. Many neighborhood bars are of this type. Closely related to these are the typical bars at airports or railroad stations that cater to those waiting to board planes or trains.

Some beverage service establishments, although focusing primarily on beverages, make some attempt to broaden their appeal. They may, for example, provide a wider range of foods than salty snacks—sandwiches, hamburgers, or a few hot foods in a steam table located near the bar. But the food even in these is typically of secondary importance. Some attempt to provide a limited kind of entertainment for their customers—coin-operated games, for example. In all of these, however, the principal focus is on neither the food nor the entertainment: it is on the beverages.

There are several terms used to identify those establishments in which beverages are the primary focus, including tavern, inn, saloon, cocktail lounge, and bar. Historically, the distinctions among these were well known and generally accepted. That is no longer the case. It is perfectly possible today to see an establishment identified by its owner as a tavern, then to find another nearby, virtually a duplicate of the first, called a cocktail lounge. Such terms are not readily distinguished from one another any longer.

Strange as it may seem, no one ever speaks of a beverage-service industry. In our industry, beverage service is treated as part of foodservice, and the data related to establishments selling beverages and to beverage sales are commonly reported with foodservice data. Thus, when an individual mentions the foodservice industry, it is unlikely that he means foodservice alone: he is probably referring to the combined industries known by the single term *foodservice industry.*

National Restaurant Association Classification

A number of years ago, the NRA developed a classification system for the foodservice industry, primarily to report information about the industry's total sales. Table 4.1 illustrates the NRA's classification system and provides some interesting data about total food and drink sales for the years shown.

Note that all food and beverage enterprises are divided into three groups.

Group I is the largest, representing the majority of both food and beverage establishments and sales. It encompasses those establishments whose primary business is foodservice, beverage service, or some combination of both. All are profit oriented. This does not mean that every one of them actually earns a profit but that they are being operated with the intention of profitability.

Within Group I, the largest category is Eating Places. This includes establishments operated primarily as foodservice businesses, not those that are part of other businesses. There is no attempt to differentiate among them on the basis of size, type of food served, or food quality. Eating Places are divided into several types, including full-menu restaurants, limited-menu restaurants, cafeterias, caterers, and ice-cream stands. Bars and taverns are separately listed in this category.

The second category in Group I is Food Contractors. These are commercial firms that provide foodservice in other establishments (commercial and noncommercial), such as banks and other financial service operations, office buildings, factories, hospitals, colleges, primary and secondary schools, transportation services, and recreation and sports centers.

The third category in Group I is foodservice operations in Lodging Places.

The final category in Group I is a collection of commercial foodservice operations that do not belong in other categories, including restaurants in drugstores, food stores, and recreation centers, as well as mobile caterers and vending machines.

Group II is for foodservice establishments operated by organizations whose primary focus is in some other field. Foodservice is not their primary business: they choose to operate their own foodservices for the convenience of employees, students, patients, or customers rather than have firms from Group I run them. Some are operated for profit; others are not. This group includes school, college, and university foodservice, and foodservice provided by hospitals and nursing homes, providing they operate their own foodservice.

Table 4.1 **Foodservice Industry Food-and-Drink Sales Projected Through 1996**

	1993 Estimated F&D Sales ($000)	1995 Projected F&D Sales ($000)	1996 Projected F&D Sales ($000)	1995-1996 Percent Change	1995-1996 Percent Real Growth Change	1993-1996 Compound Annual Growth Rate
Group 1—Commercial Foodservice[1]						
Eating Places						
Full-service restaurants[2]	$87,011,439	$95,701,837	$100,008,420	4.5%	2.0%	4.7%
Limited-service (fast-food) restaurants[3]	82,061,346	93,864,066	100,152,958	6.7	4.2	6.9
Commercial cafeterias	3,631,929	3,793,128	3,910,715	3.1	0.6	2.5
Social caterers	2,450,184	2,724,531	2,868,931	5.3	2.8	5.4
Ice-cream, frozen-custard, yogurt stands[4]	2,314,365	2,505,370	2,588,047	3.3	0.8	3.8
TOTAL EATING PLACES	**$177,469,263**	**$198,588,932**	**$209,529,071**	**5.5%**	**3.0%**	**5.7%**
Bars & tavern	10,161,726	10,864,460	11,201,258	3.1	0.3	3.3
TOTAL EATING & DRINKING PLACES	**$187,630,989**	**$209,453,392**	**$220,730,320[5]**	**5.4%**	**2.9%**	**5.6%**
Food Contractors						
Manufacturing & industrial plants	$4,152,768	$4,513,253	$4,716,349	4.5%	2.0%	4.3%
Commercial & office buildings	1,356,484	1,453,013	1,490,791	2.6	0.1	3.2
Hospitals & nursing homes	1,811,249	1,951,519	2,013,968	3.2	1.6	3.6
Colleges & universities	3,454,792	3,892,777	4,157,486	6.8	3.6	6.4
Primary & secondary schools	1,460,874	1,658,516	1,769,636	6.7	3.5	6.6
In-transit foodservice (airlines)	1,547,813	1,841,119	1,856,768	0.8	–1.7	6.2
Recreation & sports centers	2,167,118	2,345,467	2,486,195	6.0	3.5	4.7
TOTAL FOOD CONTRACTORS	**$15,951,098**	**$17,655,664**	**$18,491,193**	**4.7%**	**2.1%**	**5.0%**
Lodging Places						
Hotel restaurants	$14,253,057	$15,713,981	$16,436,824	4.6%	2.1%	4.9%
Motor-hotel restaurants	529,410	562,741	577,935	2.7	0.2	3.0
Motel restaurants	782,598	818,436	832,586	1.7	–0.8	2.1
TOTAL LODGING PLACES	**$15,565,065**	**$17,095,158**	**$17,847,345**	**4.4%**	**1.9%**	**4.7%**
Retail-host restaurants[6]	$11,220,440	$12,406,873	$13,014,810	4.9%	2.4%	5.1%
Recreation & sports[7]	3,185,131	3,453,447	3,617,354	4.7	2.2	4.3
Mobile caterers	876,743	970,295	1,017,839	4.9	2.4	5.1
Vending & nonstore retailers[8]	5,989,836	6,447,484	6,705,383	4.0	1.5	3.8
TOTAL GROUP 1	**$240,419,302**	**$267,482,313**	**$281,424,253**	**5.2%**	**2.7%**	**5.4%**

Table 4.1 **(continued)**

	1993 Estimated F&D Sales ($000)	1995 Projected F&D Sales ($000)	1996 Projected F&D Sales ($000)	1995-1996 Percent Change	1995-1996 Percent Real Growth Change	1993-1996 Compound Annual Growth Rate
Group II—Institutional Foodservice—Business, educational, governmental, or institutional organizations that operate their own foodservice						
Employee foodservice[9]	$1,727,526	$1,731,012	$1,729,594	–0.1%	–2.5%	0.0%
Public & parochial elementary, secondary schools	4,183,108	4,528,445	4,739,047	4.6	1.4	4.2
Colleges & universities	4,514,277	4,610,730	4,652,147	0.9	–2.3	1.0
Transportation	1,378,068	931,662	931,776	0.0	–2.5	–12.2
Hospitals[10]	9,207,584	9,557,475	9,702,188	1.5	–0.1	1.8
Nursing homes, homes for the aged, blind, orphans, and the mentally & physically disabled[11]	4,167,096	4,524,479	4,709,983	4.1	2.5	4.2
Clubs, sporting & recreational camps	2,273,128	2,489,215	2,611,080	4.9	2.6	4.7
Community centers	958,162	1,156,214	1,271,835	10.0	6.8	9.9
TOTAL GROUP II	**$28,408,949**	**$29,529,232**	**$30,347,650**	**2.8%**	**0.5%**	**2.2%**
TOTAL GROUPS I & II	**$268,828,251**	**$297,011,545**	**$311,771,903**	**5.0%**	**2.5%**	**5.1%**
Group III—Military Foodservice[12]						
Officers' & NCO clubs ("Open Mess")	$738,184	$761,935	$778,698	2.2%	–0.3	1.8%
Foodservice—military exchanges	368,450	378,541	386,112	2.0	–0.5	1.6
TOTAL GROUP III	**$1,106,634**	**$1,140,476**	**$1,164,810**	**2.1%**	**–0.4%**	**1.7%**
GRAND TOTAL	**$269,934,885**	**$298,152,021**	**$312,936,713**	**5.0%**	**2.4%**	**5.0%**

1 Data are given only for establishments with payroll
2 Waiter/waitress service is provided, and the order is taken while the patron is seated. Patrons pay after they eat. Formerly restaurants, lunchrooms
3 Patrons generally order at a cash register or select items from a food bar and pay before they eat. Formerly limited-menu restaurants
4 Formerly ice-cream, frozen-custard stands
5 Food-and-drink sales for nonpayroll establishments will total $4,042,918,000 for eating places and $1,302,239,000 for drinking places in 1996.
6 Includes drug- and proprietary-store restaurants, general-merchandise-store restaurants, variety-store restaurants, food-store restaurants, grocery-store restaurants (including a portion of delis and all salad bars), gasoline-service station restaurants and miscellaneous retailers
7 Includes movies, bowling lanes, and recreation and sports centers
8 Includes sales of hot food, sandwiches, pastries, coffee, and other hot beverages
9 Includes industrial and commercial organizations, seagoing and inland-waterway vessels
10 Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals, and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals
11 Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
12 Continental United States only

Source: *Restaurants USA*, December 1995.

Group III is military foodservice, a relatively small part of the industry. It includes only those military foodservice enterprises where people pay for food—officers' clubs, noncommissioned officer (NCO) clubs, and the like. Because those in military service do not purchase their meals, the vast number of meals prepared daily for those in the military are not reflected.

Note that some operations listed in Group I appear at first glance to be duplicated in Group II. For example, colleges and universities are listed in both Group I and Group II. The colleges and universities listing in Group I includes foodservices operated by an outside profit-oriented food contractor, such as Saga, Canteen, or some other. Listings in Group II, however, are for colleges and universities that operate their own foodservice establishments.

The principal reason for developing the NRA system was to provide a means for reporting quantitative data about industry size and dollar sales. Establishments are divided into specific categories, and information about each establishment is classified accordingly.

Because this system is not and cannot be concerned with the very real and significant qualitative differences evident between establishments in our industry, we must use other terms to take these into account—family restaurant, offering table service, moderate prices, and ethnic Italian food, for example; or cocktail lounge focusing on entertainment, featuring live piano music. We must use the kinds of terms discussed earlier in the chapter to make meaningful distinctions between the various types of foodservice and beverage-service operations. Both approaches are useful. The first enables professionals and the public at large to distinguish one operation from another, and the second facilitates the collection and reporting of statistical information about a vast and important industry.

Summary

In this chapter, the size of the food and beverage industry is illustrated. Three explanations for the increase in public demand for foodservice are offered and discussed. A definition is provided for the term *food-service,* and five important elements of foodservice operations that differentiate one from another are discussed in detail. An extensive list of characteristic types of foodservice establishments is provided, and each is described in detail. *Beverage service* is defined, and the principal reasons for patronizing beverage-service establishments are listed. A rationale is presented for distinguishing one beverage service establishment from another on the basis of focus. Finally, the classification system used by the National Restaurant Association to collect and report statistical information is presented and explained.

Key Terms

Airline Catering
Banquet Department
Beverage Service
Buffet
Business and Industry Foodservice
Cafeteria
Catering
Chain Restaurant
Club Foodservice
Coffee Shop
Commercial Foodservice Operation
Commissary
Convenience Foods
Counter Service
Diner
Drive-Through
Ethnic Restaurant
Ethnic Foods
Family Restaurant
Fast Food
Fine Dining Establishment
Foodservice
Institutional Foodservice
Limited Menu Restaurant
National Restaurant Association
Neighborhood Restaurant
Noncommercial Foodservice Operation
Regional Foods
Room Service
Self-Service
Specialty Foods
Specialty Restaurant
Stand
Table Service Restaurant
Takeout
Takeout and Delivery Service
Theme Restaurant
"Tops" Restaurant

Questions

1. What percentage of gross domestic product has been attributable to food and beverage sales in recent years?
2. What is the rank of the foodservice industry as an employer of women? of teenagers? of members of minority groups?
3. Approximately what percentage of America's retail outlets are eating or drinking establishments?
4. What are the three reasons commonly cited for America's increased demand for foodservice in recent years?
5. Define *foodservice*. What is a foodservice enterprise?
6. What are the five most important characteristics of a foodservice enterprise? Illustrate by example how changes in each can affect the character of a foodservice enterprise.
7. Define each of the following characteristic types of foodservice establishments and cite one example of each: fast service; table

service; ethnic; specialty; fine dining; limited menu; chain restaurant; theme restaurant; "tops"; family restaurant; cafeteria; buffet; catering; institutional foodservice; business and industry foodservice; airline catering; club foodservice; stand; coffee shop; diner; neighborhood restaurant; drive-through; takeout.

8. Cite a particular foodservice establishment in your area, an adequate description of which requires the use of four of the terms in question number 7.
9. Define *beverage service.* What is a beverage-service enterprise?
10. List nine common reasons for patronizing beverage-service establishments.
11. Identify three beverage-service establishments that attract customers by featuring or emphasizing entertainment.
12. Identify three beverage-service establishments that attract customers without featuring either food or entertainment. Do these provide any kind of food? What kind?
13. Distinguish between a commercial and a noncommercial foodservice operation.
14. Which of the three major groups in the National Restaurant Association's foodservice classification system accounts for the greatest dollar sales annually? Which accounts for the least? What is the principal difference between the establishments in Group I and those in Group II?

Moments of Truth

1. Imagine you are a regular customer of a restaurant near your home. The restaurant caters primarily to your community, has an extensive and varied menu of items appealing to both adults and children, is moderately priced, is informal, offers both table service and take-out service, is well lighted, and uses some convenience foods to make food preparation easier. Using the terms for restaurants described in this chapter, characterize the restaurant.
2. Identify three beverage-service establishments in your area that attract customers by featuring or emphasizing food. Indicate how each differs from the other two with respect to menu items, food quality, menu prices, service, and ambiance—the five most important elements of a foodservice operation.

3. Your friend wants to open a restaurant and has enough money to do so. She is unsure of the type of restaurant she should open but has found an available location at a busy intersection on the outskirts of a midsize city with a population made up primarily of middle-class families. There is plenty of space for a large parking area. Assuming that there would not be extensive competition from other restaurants, what characteristic types of restaurants would you suggest?