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# The Demand for Food Away From Home

## Full-Service or Fast Food?

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It has been well documented that Americans, as they grow more affluent and time-stretched, spend more dollars on food away from home than at home. Fast food and full-service restaurants must continually jockey for this revenue. The fast food segment had once grown accustomed to an ever-increasing market share. With those days apparently behind them, some fast food restaurants are now offering more of the variety of items and heightened amenities typically associated with full-service establishments.

This report examines how the demand for food away from home is changing, how these changes could affect the size of the full-service and fast food segments, and how restaurants might respond to these shifting demand signals. U.S. households are becoming, on average, richer, older, smaller, more ethnically diverse, and more likely to contain single people or multiple adults without live-at-home children. These changes each have foreseeable impacts on the demand for food away from home, the subsequent offerings of foodservice establishments, and ultimately the diet and health of all those going out to eat.

### *What Is the Issue?*

Both full-service and fast food restaurants are increasing the variety of foods and services available to their customers. Applebee's Neighborhood Grill & Bar, a full-service restaurant, for example, reports that new and significantly improved menu items account for over 50 percent of its offerings. Even among larger fast food chains, such as McDonald's, the situation is similar. Restaurants affiliated with this pioneer of the limited-menu concept can now offer over four dozen items on their menus, including a fruit and yogurt parfait as well as a grilled chicken salad. What is driving these improvements?

Although many factors could be contributing to the evolution of the foodservice industry, a sustained shift in consumer demand appears to be the primary force. A change in demand can alter the competitive dynamics of a market. If consumer demand is shifting in favor of the foods and services traditionally offered by full-service restaurants, full-service restaurant companies will be encouraged to operate more outlets offering more variety and dining amenities. Fast food restaurants might also introduce many of these same foods and services themselves. So, in order to understand why restaurants are adjusting what menu items and services they offer, it must be asked what consumers are demanding when they eat out.

### *How Was the Study Conducted?*

Economic theory and household survey data were used to update existing studies showing how rising income, shrinking household size, and an aging population might influence household expenditures at full-service and fast food restaurants. In addition, we examine the significance of the changing structure of American households. Traditional families, defined as a married couple with children, accounted for 30 percent of all households in 1980. However, they totaled only 24 percent of all households in 2000 and may further decrease in share to about 17 percent by

2020. By contrast, single-person households increased from 23 percent of all households in 1980 to 26 percent in 2000, and may reach 29 percent in 2020.

Household survey data were used to quantify the relationship between a household's spending at each type of restaurant and its demographic characteristics, including its structure, income, age, and race. The resulting statistical model enables us to simulate how much a "typical" household spends on fast food and full-service meals.

The statistical model was next combined with projections from the Bureau of the Census on how the demographic characteristics of American households are likely to change. The results of this exercise indicate how the demand for foodservice may change under these projections and assumptions about the future behavior of consumers and firms.

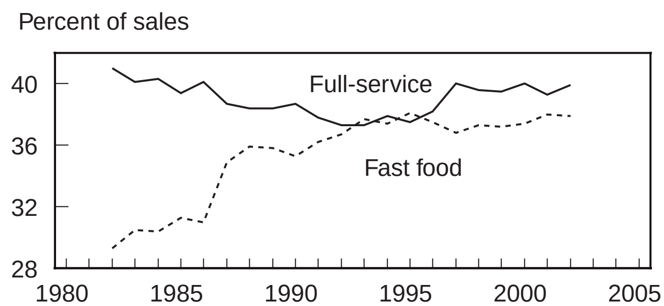
## *What Did the Study Find?*

Simulations indicate that, between 2000 and 2020, per capita spending could rise by about 18 percent at full-service restaurants, versus about 6 percent for fast food. In other words, both segments are likely to grow, but trends favor full-service restaurants relative to fast food establishments. This suggests that, while consumers will value convenience, they will also want meals with more variety, amenities, and recreation traditionally associated with full-service restaurants.

Not surprisingly, an assumed increase in incomes will have the largest impact on the away-from-home market. Members of a higher income household spend more money away from home, especially on full-service dining occasions that are richer in variety and other services. However, the changing structure of households will also have a major impact. Both single-person households and households with multiple adults but no children tend to spend more money per capita—versus a traditional household with children—in both market segments. To be sure, not all anticipated developments in the population bode well for each type of restaurant. The aging of the American population will dampen the demand for fast food.

Our simulations show how the demand for foodservice is changing. Not only could these developments affect the quality of people's diets and, ultimately, their health and well-being, but they will likely affect the structure of the foodservice industry. Restaurant companies and their suppliers will be encouraged to cooperate to ensure the variety of foods and services demanded by consumers. This study lays a critical foundation for future analyses of such questions.

**The away-from-home market by outlet type**




Source: Food CPI, Prices, and Expenditures: Expenditure Tables. Economic Research Service.