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America's Eating Habits: Food Away From Home

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What Is the Issue?

Over the past several decades, Americans have grown to rely on the convenience of foods prepared outside of the home. Unfortunately, food away from home (FAFH) often contains fewer fruits and vegetables and have more calories, fat, and sodium than food prepared at home (FAH), and consuming FAFH is associated with obesity. Recently passed labeling legislation aims to help consumers make healthier FAFH choices and to encourage FAFH suppliers to produce more healthful options. To explore Americans' eating away from home behavior, this report presents research on three broad FAFH topics: (1) food choices and availability; (2) nutrition and diet quality; and (3) food policies, including menu labeling and food assistance programs.

What Did the Study Find?

Food choices and availability of FAFH. Over the past 30 years, FAFH's share of U.S. households' food budgets and total food spending grew steadily. FAFH options also became more widely available as growing numbers and types of businesses—including grocery stores—served prepared foods. Apart from the Great Recession (2007-09), these trends continued uninterrupted from 1987 to 2017, but the changes were not uniform across socioeconomic groups or business types.

- Spending on FAFH surpassed spending on FAH for the first time in 2010, increasing its share of total food spending from 44 percent (30 years prior) in 1987 to 50.2 percent in 2010.
- Higher income households spent more on FAFH and bought it more frequently than lower income households. Households with incomes greater than 300 percent of the Federal poverty guidelines obtained FAFH on 5.5 occasions per week, while households whose incomes were less than or equal to Federal poverty guidelines obtained FAFH on 4.2 occasions per week.
- For households with an elderly individual (over 64 years old), the share of household food spending on FAFH was 8 percent lower than for other households. Also, Americans who were 35–44 years old consumed FAFH more often than other Americans.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

- In 2000–15, quick-service restaurants (QSRs), also referred to as fast-food and limited-service restaurants, drove the industry’s growth both in sales and number of outlets. The fastest-growing segment of the QSRs was fast casuals—e.g., Chipotle Mexican Grill and Panera Bread—which combines counter service with the perceived ambiance and product quality of full-service restaurants (FSRs).
- Much of the growth in foodservice establishments occurred in urban U.S. counties, consistent with patterns of urban and rural migration. As rural populations declined, FSRs in rural areas were particularly hard hit, leaving QSRs to dominate.
- Spending on FAFH declined during the Great Recession, by \$47 billion (18 percent) in real dollars from 2006 to 2010, and rebounded thereafter.
- During the Great Recession, households replaced spending at FSRs with unprepared foods purchased at retail stores (like grocery stores), but households’ share of spending for QSRs stayed constant. In 2014, household expenditures on FAFH had yet to rebound to pre-Recession levels.
- Despite the downturn in household spending on FAFH during the Great Recession, the number of chain QSRs grew, and consumers spent a greater share of their FAFH dollars at these restaurants.

Nutritional composition and diet quality. The nutritional composition of FAFH across all income levels and all FAFH types (except school foods) was consistently lower quality and more caloric than that of FAH. Though FAFH is known to have lower diet quality, access to FAFH did not seem to affect FAFH consumption and did not correlate with diminished overall diet quality.

- FAFH’s share of total average daily energy intake increased from 17 percent in 1977–78 to 34 percent in 2011–12, and consumption of QSR foods was the largest source of this growth.
- On the whole, FAFH contained more saturated fats and sodium, and less calcium, iron, and fiber than FAH—however, the nutritional composition of FAFH varied across outlet types. For example, in 2009–12, the fat content of school lunches (a type of FAFH) was almost identical to that of FAH (33 percent) while the fat content of QSR foods averaged 39 percent.
- Although frequent QSR customers purchased less vegetables, fish, and nuts, their overall diet quality was no worse than that of QSR nonconsumers.

Policies that affect FAFH. FAFH consumption is influenced by public policy mainly on two fronts. First, current food assistance programs with in-kind food benefits affect food choices and diet quality of participating low-income households. For example, new requirements that improve nutrition of school meals directly affect children’s diet quality. Second, new menu labeling regulations may help consumers make more informed food choices at restaurants.

- The average household Healthy Eating Index (HEI-2010) for FAFH was lower than for FAH, regardless of SNAP participation or income.
- School meals provided by the National School Lunch Program and School Breakfast Program contained higher levels of calcium than both FAH and other sources of FAFH and adhered better to USDA’s *Dietary Guidelines for Americans* than other sources of FAFH.

How Was the Study Conducted?

This report uses a variety of data sources and techniques to examine FAFH trends. The analysis was done primarily using descriptive statistics (e.g., means, differences, and correlations) and literature review. The main data sources were the National Health and Nutrition Examination Survey (NHANES), USDA ERS’s Food Expenditure Series, the National Household Food Acquisition and Purchase Survey (FoodAPS), the Consumer Expenditure Survey, U.S. Census Bureau’s Monthly Retail Trade and Foodservices series, NPD ReCount, and Euromonitor Passport. These data sources include self-reported information and measurable individual characteristics collected by household survey, establishment information, and proprietary industry data.

Chapter 6: Evolution of the Food-Away-From-Home Industry: Recent and Emerging Trends

Patrick W. McLaughlin and Christopher Dicken

This chapter uses publicly and commercially available data to characterize changes in the supply-side of food away from home (FAFH) from 2000 to 2015. The number of food service establishments operating in the United States between 2000 and 2015 has increased more than 8 percent, and geographic variation in growth is consistent with patterns of rural-urban migration. Roughly 40 percent of these establishments are chains, as defined according to criteria set forth by an U.S. Food and Drug Administration (FDA) ruling on menu calorie labeling.

Chapter 2 outlines the evolution of the supply of food away from home (FAFH) to meet American's demand for fast, convenient food options. The increasingly dominant role of FAFH in Americans' food consumption shapes the food industry and has implications for dietary quality. For instance, the food service industry's general growth as well as the proliferation of certain subsegments is partly a response to these shifts in consumption patterns. However, the influence may go both ways: just as consumer preferences can shape the food industry, so, too, the omnipresence of FAFH outlets may sway consumer preferences (chapter 8). With public policy concerns in mind about how FAFH may affect Americans' diets, this chapter segues from a consumer-focused analysis into profiling changes in the commercial FAFH industry that occurred from 2000 to 2015.

By drawing on both publicly available and proprietary commercial sources, this chapter focuses on changes in industry size and composition, as well as on new trends in menu offerings. First, the findings from this chapter support previously observed trends (Stewart 2011; Pullman and Wu 2012), although this analysis shows more pronounced differences across types of foodservice establishments than earlier research found previously. In 2000-15, the supply of FAFH grew in terms of sales and number of establishments, and the composition and structure of firms changed. Over 630,000 commercial quick-service (QSR) and full-service (FSR) restaurants³⁹ operated in the United States as of March 2015, more than an 8-percent increase since 2000. Roughly 54 percent of all FAFH establishments in 2015 were QSRs, over 60 percent of which were chains.⁴⁰ QSR chains were the fastest growing subsegment of recent years, even growing during the Great Recession and outpacing the number of independent FSRs.⁴¹ Across the country, chain restaurants in both segments constitute roughly 40 percent of all establishments, although their prevalence varies geographically.

Second, the analysis in this chapter documents the recent proliferation of the so-called fast-casual restaurant. Fast-casual restaurants are generally characterized as QSRs that offer mainly counter service, while maintaining an ambiance and food quality similar to FSRs. Industrywide, these restaurants have been seen as creative leaders in the trend toward better meeting consumers' sometimes-competing preferences for healthiness, convenience, and value. In part, because of the

³⁹Throughout the report, the terms *fast food*, *limited service*, and *quick service* are used interchangeably to denote restaurants that offer counter service, but do not have wait staff that continually tend to customers. Within this outlet type, *fast-casual* restaurants offer mainly just counter service, but servers may bring food to individual tables. *Full-service* denotes restaurants where wait staff continually serve seated customers throughout their meal.

⁴⁰The definition of restaurant chain is based on the Food and Drug Administration's (FDA) ruling on national restaurant menu labeling standards stemming from the Affordable Care Act of 2010: that is, a restaurant brand is a chain if it has 20 or more establishments. See chapter 10 for a detailed discussion of menu labeling in the United States.

⁴¹The Great Recession corresponds to the economic downturn of December 2007 to June 2009. See National Bureau of Economic Research for U.S. business cycle dates (online).

emphasis on higher quality ingredients, many consumers perceive fast-casual meals to be healthier than those of other QSRs, although it is unclear whether or not fast-casual meals tend to be higher in calories. Fast casuals were the fastest growing QSR subsegment in terms of numbers of outlets and sales. Constituting an estimated 3.6 percent of all QSRs in 2002, fast casuals made up roughly 10.5 percent of all QSRs nationwide as of 2015.

Third, the analysis shows that, in recent years, much of the growth in FAFH establishments occurred in urban U.S. counties in ways consistent with patterns of urban and rural migration. In many locales with large population increases, the number of QSRs has likewise risen sharply and the number of FSRs, modestly. Rural regions with population declines saw many FSRs close, leaving QSRs to dominate their FAFH options.⁴² This shift may have implications for the healthiness of FAFH environments in these regions, as QSRs may tend to offer less nutritious and more calorie-dense food than FSRs do (Binkley, 2008; Lin and Guthrie, 2012; chapter 4).

Data

This chapter draws from several commercial data sources for foodservice location and branded sales information, including NPD ReCount and Euromonitor Passport. Retail sales and prices from publicly available data sources like U.S. Census Bureau and the Bureau of Labor Statistics are also used in the analysis.

NPD ReCount

The primary data source tracking the economic geography of FAFH is NPD ReCount, a commercial data set that contains information on nearly all FAFH brick-and-mortar establishments operating in the United States from 2000 to 2015. To collect information on food-service locations, NPD employs a multi-pronged approach that surveys multiple commercially and publicly available sources, including chain directories from company headquarters, restaurants guides and industry magazines, various business lists, as well as Internet and phone verifications. For every outlet conducting business in 2000-15, a record is entered in the dataset at the first observed date the outlet is open. From that time, data collection for each operational establishment occurs on an ongoing semiannual basis and ceases once the establishment closes. NPD ReCount tracks the following relevant variables: firm-level characteristics (such as establishment name), exact geographic location, segment (i.e., quick-service versus full-service), restaurant type (e.g., hamburger, Mexican, etc.), chain membership, open date, and close date (if applicable).⁴³

The nature of the data collection presents challenges for capturing a yearly snapshot. NPD semiannually publishes new versions of the ReCount data set, accounting for all open restaurants at the end of every March and September. One issue that arises is a restaurant that appears, for example, for the first time in the data in March 2015 could have opened any time between the end of September 2014 and the end of March 2015: any opening in this time range would be recorded as a March 2015 release. Given that a similar issue exists in tracking restaurants closing, characterizing the supply of restaurants in a given year poses a challenge. Because the March 2015 release is the latest version of

⁴²Definitions of rural and urban areas are at the county level and come from the 2003 and 2013 ERS Rural-Urban Continuum Codes.

⁴³Note that ReCount may classify some establishments as quick-service that other data sources, such as the U.S. Census County Business Patterns (CPB), classify differently. For example, a specialty food or dessert business that sells items for on-site consumption may be classified as something other than a QSR. The result may be discrepancies in establishment counts due to classification differences.

ERS's available data, March of each year is used to provide annual snapshots in presenting the state of the FAFH industry.

Another point of consideration in defining variables is how to assign the designation of “chain” to a particular establishment. For this analysis, a chain is defined as a brand of restaurants that operated 20 or more outlets in 2015. This definition is consistent with the language of the FDA ruling on calorie labeling for restaurant menus, which is more relevant for diet and nutrition policies than a definition based on business structure would be.⁴⁴ In addition, chains that fit this definition in 2015 were more likely than chains that fit the definition prior years to be covered by any future labeling regulation. Thus, restaurant brands that grew to 20 or more outlets by 2015 (but had fewer prior to then) count as chains, but brands that shrank to fewer than 20 outlets by 2015 do not count as chains (but had more previously).⁴⁵ Although the summary of the NPD ReCount data is retrospective, this analytical choice allows for the characterization of the future FAFH landscape.

The geographic variables are used to characterize the spatial distribution of FAFH establishments over time. In particular, the growth in several key segments of foodservice industry (e.g., QSRs, chains) is examined by comparing maps of summary statistics by U.S. counties. The summary statistics include the share of a restaurant subset in a county, the number of outlets per county, and the percentage growth from 2000 to 2015.

The outlet name reported in the NPD ReCount data is used to integrate secondary data sources that include additional information on FAFH establishments. One such source is a binary variable indicating whether or not a particular establishment is a fast-casual restaurant. Over 200 unique foodservice brands in NPD ReCount are labeled as fast casuals using information from the annually published “Top 100 Movers & Shakers” reports from 2009 and from 2011 to 2015 by FastCasual.com. NPD ReCount considers a restaurant to fit the fast-casual subsegment if it “creates a unique value and quality experience, with gourmet-level food or drink, that delivers an interior that wows the guest, all at a price that is driven by value” (FastCasual.com, 2009).⁴⁶ This list is likely not exhaustive and excludes non-chains, but it positively identifies many high-profile fast-casual chains.

Euromonitor Passport

Euromonitor Passport provides historical data on the value of consumer food sales by local brand names (e.g., Burger King of Yum! Brands) from 2006 to 2014 for FSRs and QSRs. The dataset includes both private and publicly traded companies, which allows for a full composition of industry sales. These data are used to compute the sales concentration ratios of FAFH brands over time, which involves first constructing an ordinal ranking of firms by sales for a given year. Then, sales for the top four firms are summed, for example, and divided by the total value of sales in the segment in that year.

⁴⁴The specific language is that a covered outlet has “20 or more locations doing business under the same name (regardless of the type of ownership of the locations) and offering for sale substantially the same menu items.” In addition, an FAFH establishment must offer “restaurant-type food,” or essentially food for immediate consumption. All businesses included in NPD ReCount fit this criterion. The complete version of the FDA ruling can be found online.

⁴⁵For example, several present-day leaders in the QSR fast-casual subsegment operated a small number of outlets in the early 2000s, and thus, the calorie labeling law would not have applied to them if it was hypothetically enacted then. That these businesses are prolific today means that they have a greater effect on the food environment, health, and nutrition of today's consumers than do businesses that closed many locations. Hence, this analysis tracks over time the types of chains that are available to consumers today.

⁴⁶It is worth noting that one of the original contributors of these reports and founder of FastCasual.com is Paul Barron, who is credited with pioneering the term “fast casual.”

In addition, brand names from Passport are merged with unique outlet names in NPD ReCount to obtain the restaurant category (e.g., hamburger, subs/deli/other sandwich, pizza/Italian, Mexican, and other). The restaurant categories used herein do not exactly reflect those in NPD ReCount, and to simplify, some are combined (e.g., “subs” and “other sandwich.”) Much like the individual brands, sales concentration ratios for restaurant categories are computed over time.

Publicly Available Sources

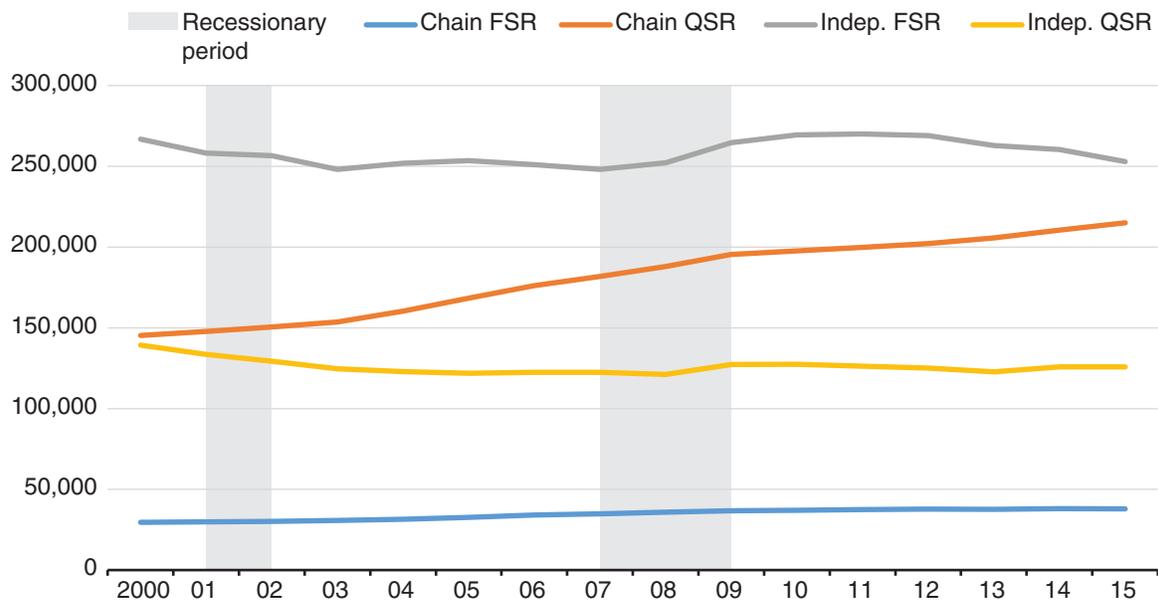
The proprietary data are augmented with a number of publicly available data sources to characterize total sales by segment and food costs faced by restaurant operators. The U.S. Census Bureau’s Monthly Retail Trade and Foodservices series and the Quarterly Census of Employment and Earnings provide (unadjusted for seasonal factors) monthly sales in millions of dollars reported in FSR and QSR segments covering 2000 to 2015. Nominal dollars are deflated with the Bureau of Labor Statistics Urban Consumer FAFH Consumer Price Index so that all relevant units are in 2015 dollars.

Market Size and Structure From 2000 to 2015

In 2000-15, both the total value of sales and the number of restaurants operating in the United States grew significantly, extending long observed industry trends, despite two major recessions. Chain QSRs generated most of this growth, while other subsegments stagnated or slightly declined in numbers (fig. 6.1). Therefore, QSRs continue to outnumber FSRs as the majority establishment type, as they have done for over a decade (Stewart, 2011), accounting for roughly 54 percent of all restaurants in the Nation as of 2015. Because QSRs tend to offer less nutritious yet calorie-dense food at low prices (Lin and Guthrie 2012; chapter 3), the trend may mean some food environments saw a decline in the healthiness of available foods.

Figure 6.1

Number of food-away-from-home outlets by segment and chain status, 2000-15



Note: Shaded area indicates recessions. Indep. = independent.
 Source: USDA, Economic Research Service calculations from NPD ReCount data.

Between the recession of 2001 and the Great Recession, the FSR segment remained mostly stagnant. FSR numbers rose briefly after 2007: their greatest increase in the study period was roughly 4.7 percent between 2008 and 2009, similar to the QSR segment's growth during this time. This growth may have been driven by increases in FAFH expenditures (especially by higher income Americans), which peaked just prior to the Great Recession (chapter 4).

In contrast with the drop in the number of FSR and QSR establishments in the recession of 2001, the number of establishments in both segments grew during the Great Recession, with FSRs leveling off just after it ended. The apparent delay in the slowdown of new growth is partially an artifact of data collection: the number of restaurants open in 2008 was measured in March of that year, potentially including many establishments beginning to operate before the start of the recession. QSRs continued to show strong growth, albeit at a seemingly lesser rate, perhaps due to Americans shifting their FAFH spending to cheaper fast-food options.⁴⁷ FSRs' prevalence dropped over 5 percent since the peak observed in 2009. A notably slow recovery in general employment delayed the return to previous patterns of FAFH consumption for many consumers (chapter 3). Some of the FSRs that strived to stay open through the lean time have since shut down.

QSR and FSR growth between 2000 and 2015 was heterogeneous across the United States (figs. 6.2 and 6.3). The number of QSR establishments expanded in most regions of the country, with the sharpest increases—amounting to more than a 30-percent change in 2000-15—concentrated in the Mid-Atlantic and Southeast (fig. 6.2). Although the greatest growth in these areas occurred in urban counties, QSRs increased in many rural counties as well. The relatively equal number of establishments in both industry segments in 2015, combined with comparatively modest growth in FSRs (fig. 6.3), suggests an FAFH landscape increasingly dominated by QSRs.

In the urban centers nationwide, QSRs and FSRs showed strong positive growth. For instance, in metropolitan counties in the Northeastern and Western regions, each of these restaurant segments grew more than 30 percent in 2000-15.⁴⁸ Sharper positive growth occurred in several urban regions, such as the Las Vegas metro area—a hotspot for chain and smaller FSR brands seeking publicity by catering to this region's many tourists.⁴⁹ Large FSR expansions also took place also in regions just outside of city cores, including in the western suburbs of Chicago; the counties contiguous to Nashville's Davidson County; Loudon County, VA, west of Washington, DC; and many of the urban counties in eastern Texas. This pattern may reflect significant, recent population increases in these regions.

Echoing patterns of rural-urban migration, many rural counties sustained losses in both restaurant segments, especially in the central United States (USDA, ERS, 2016). For instance, in many of the counties in agriculture-dominated Nebraska and Kansas counties, population decreased in 2010-15.

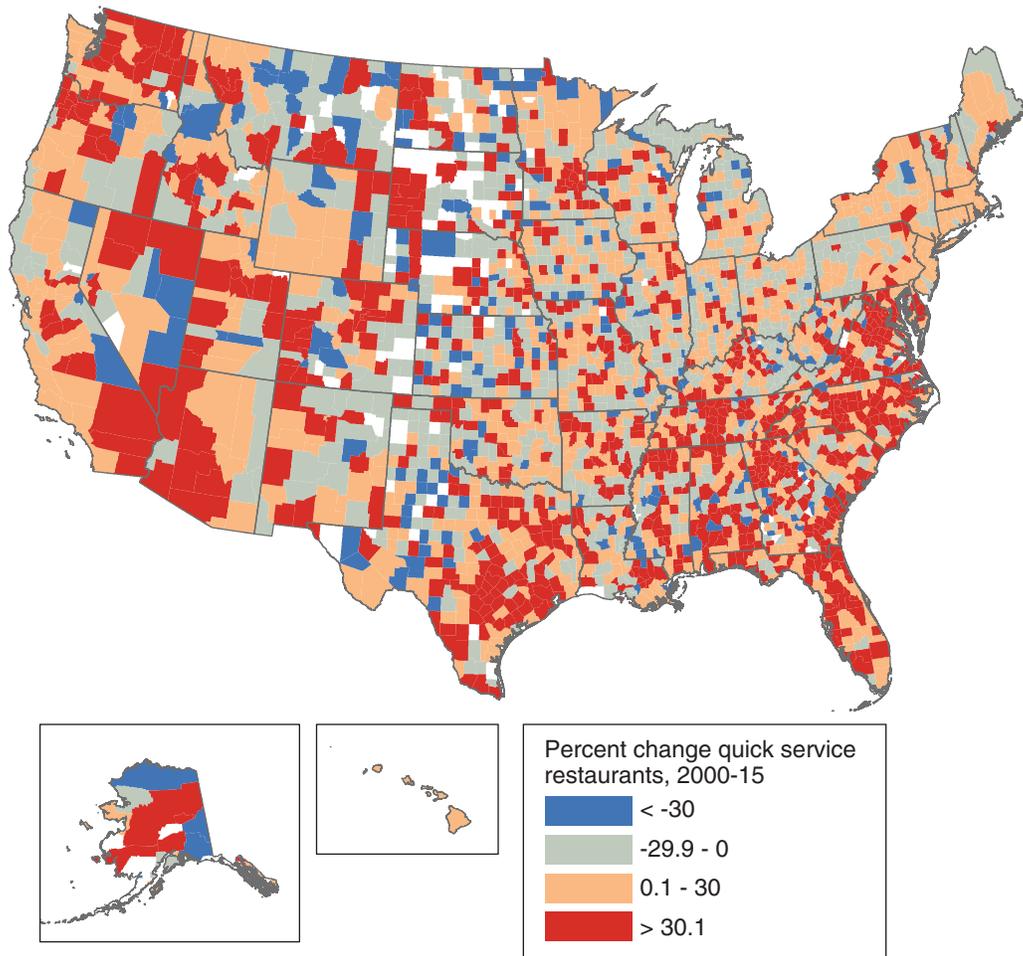
⁴⁷In addition, an observed increase in the diversity (as measured by the predominance of menu categories) of QSRs compared to FSRs in 2000-15 may have helped QSRs retain their attractiveness during this time. The relative number of the top three menu categories of QSRs ("hamburger," "pizza/Italian," and "frozen sweets" in 2000 or "subs" in 2015) fell from 49.3 percent in 2000 to 46.1 percent in 2015. FSRs, on the other hand, had an increase in the relative number of the top three menu categories of FSRs ("Asian-casual dining," "bar and grill," and "family style") from 41.9 percent in 2000 to 47.4 percent in 2015. Although this change was observed over a long time period, it was observed between 2007 and 2010 (i.e., both before and after the Great Recession) suggesting QSR options were increasingly varied.

⁴⁸The definitions of rural and urban areas are at the county level and come from the 2003 and 2013 ERS Rural-Urban Continuum Codes.

⁴⁹The Las Vegas region also experienced high growth in QSRs.

Figure 6.2

Percent growth in quick-service restaurants in 2000-15 by U.S. county



Note: The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

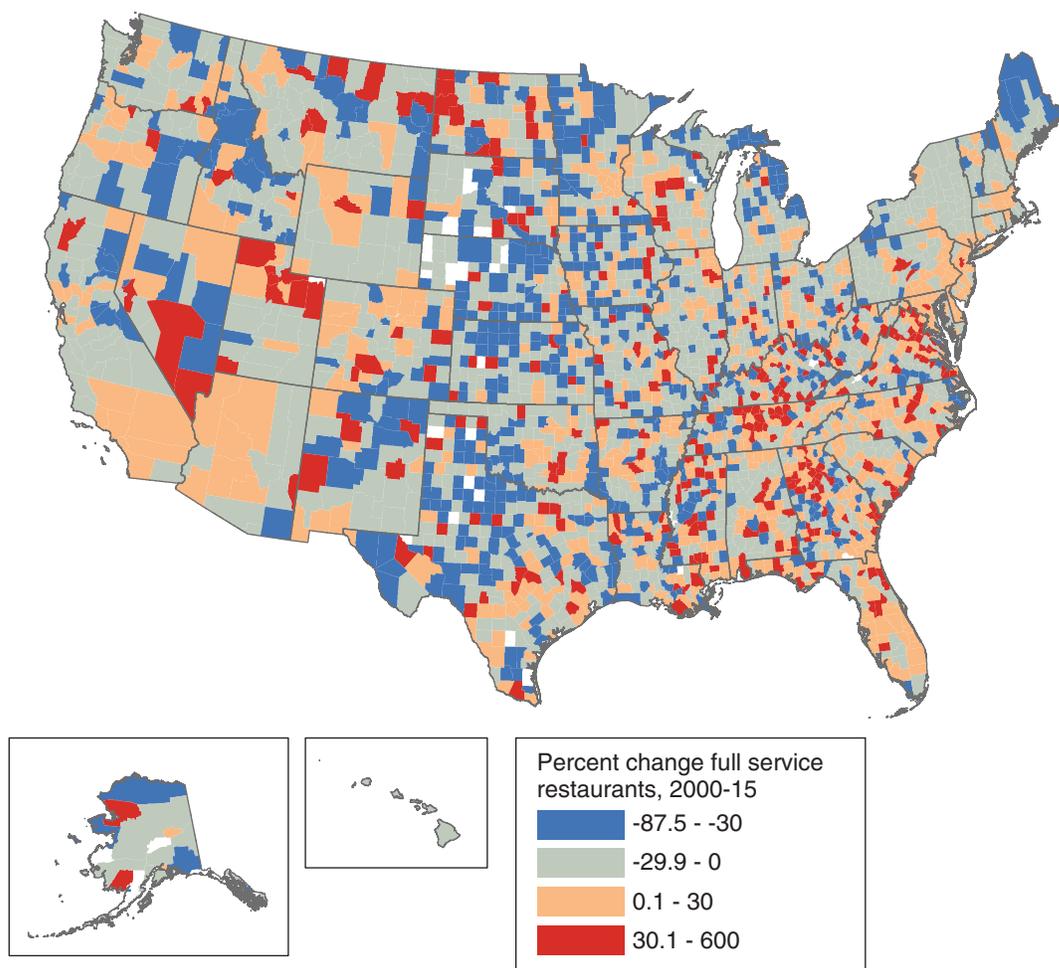
From 2000 to 2015, the total number of restaurants (FSRs and QSRs) fell 30 to 87.5 percent in these counties.

However, migration patterns and restaurant growth rates did not parallel each other in all regions. For some regions, such as rural counties in southern Texas and central Tennessee, population and restaurant growth rates did mirror each other: both increased. On the other hand (as a counterexample), much of Wyoming and western Montana saw net population increases, but FSR numbers dropped steeply in many Wyoming and Montana counties—although some counties did have significant positive growth in QSRs, even while losing restaurants overall. Many of the counties with significant population increases were primarily economically engaged in mining, including coal, which saw significant increases in employment in 2000-15.⁵⁰

⁵⁰ERS county typology codes are used to determine a county's primary industry. According to Bureau of Labor Statistics's Quarterly Census of Employment and Wages, employment levels for coal mining (2012 North American Industry Classification System code: 2121) grew by 30 percent in Wyoming and 54.5 percent in Montana, statewide, in 2005-14.

Figure 6.3

Percent growth in full-service restaurants in 2000-15 by U.S. county



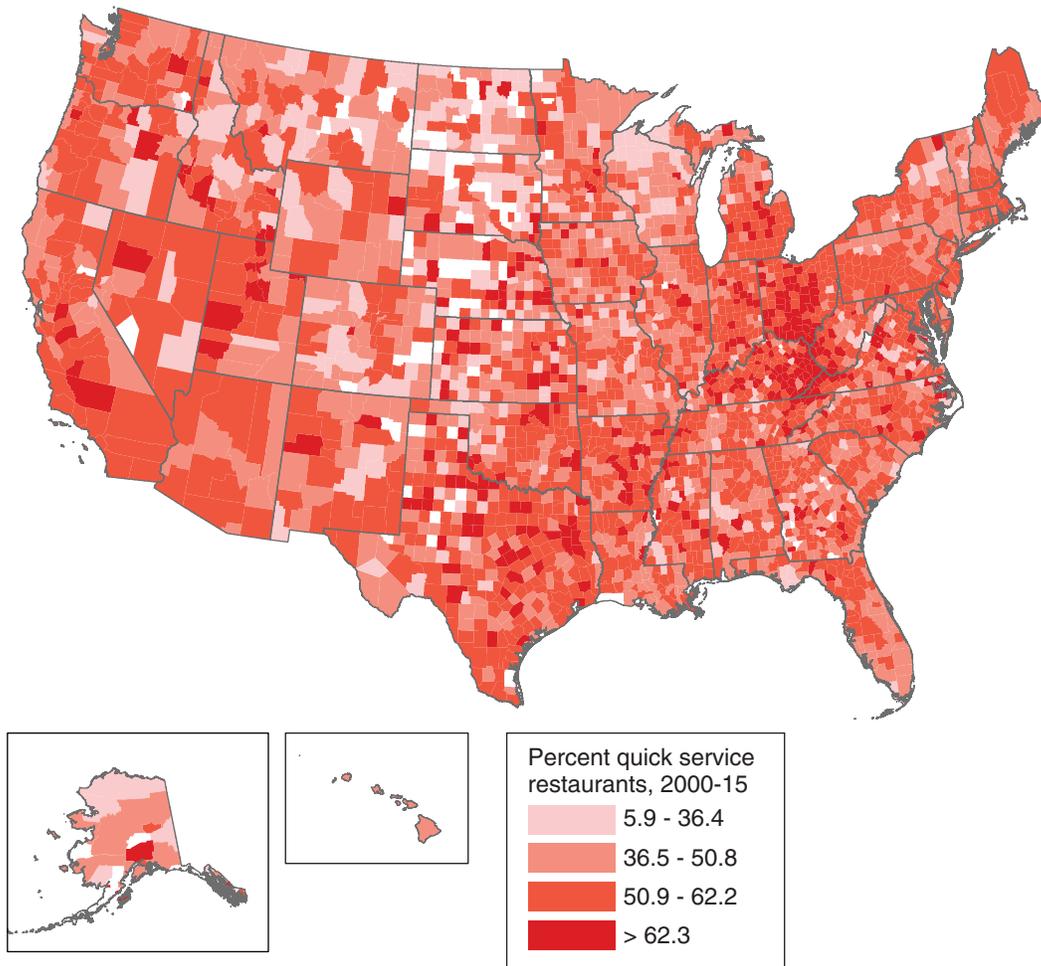
The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

In 2015, as a result of the past 15 years of growth, the numbers of QSRs and FSRs were roughly equal in most counties, especially urban counties, although a significant number of counties did not follow this pattern (fig. 6.4). By this time, the restaurant options in many relatively rural counties in the Northern and Southern Central U.S. regions consisted mainly of FSRs. For example, only 1 in 17 restaurants in Buffalo County, WI, was a QSR in 2015. In contrast, QSRs dominated the FAFH landscape in rural Ohio, Kentucky, and West Virginia in 2015. One such county—Lawrence County, KY—over 80 percent of its 26 observed restaurants were QSRs, which included mostly chain hamburger restaurants and both chain and independent pizza restaurants. However, despite the relative dominance of QSRs in rural America, the number of QSRs per capita in rural America is well below their prevalence in urban areas (fig. 6.5).

Figure 6.4

Share of quick-service restaurants among all restaurants in 2015 by U.S. county



The white areas on the map indicate missing data.

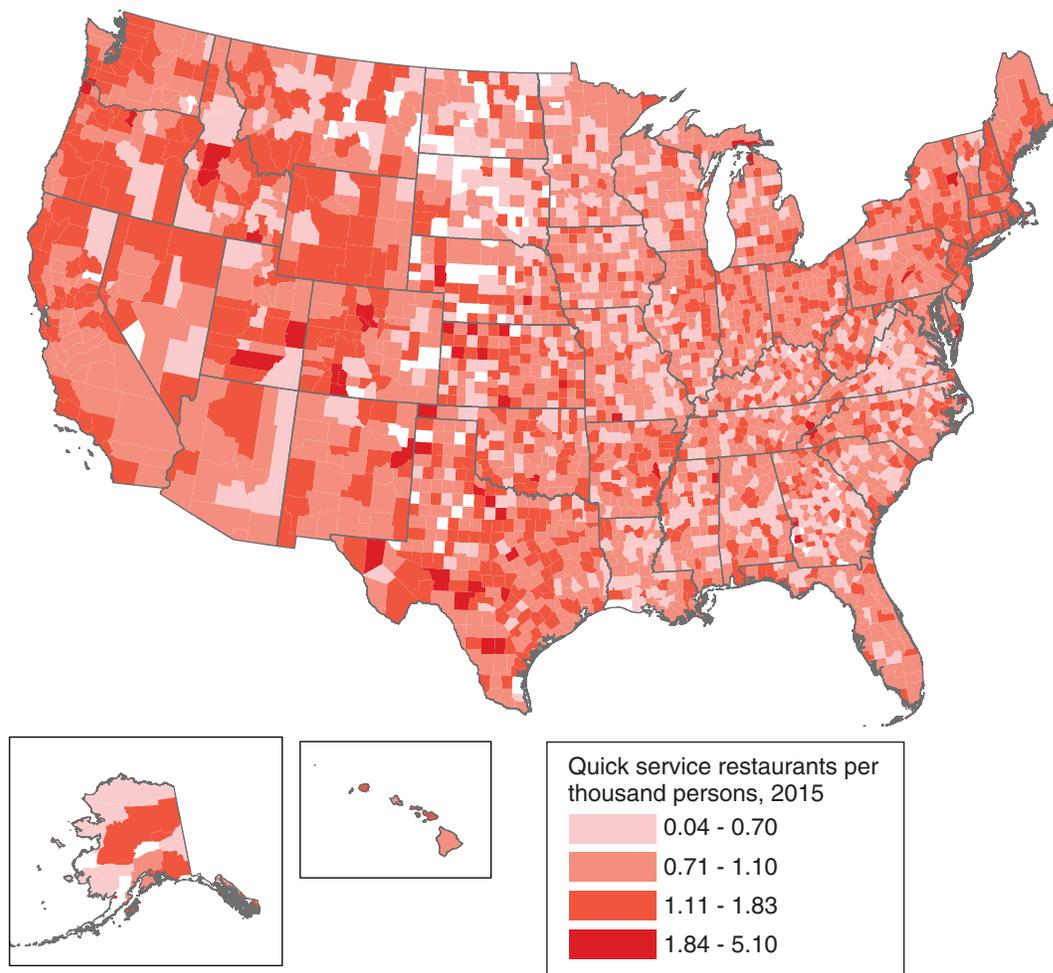
Source: USDA, Economic Research Service calculations from NPD ReCount data.

Growth of Chain Restaurants

In 2015, chain outlets (defined as operating 20 or more outlets), including FSRs and QSRs, accounted for over 250,000 restaurants nationwide, or roughly 40 percent. This represents a 44.7-percent increase from 2000, when chains were roughly 30.1 percent of all FAFH outlets. The QSR sector was mainly responsible for the rise of chains (fig. 6.1). In recent years, the prevalence of the chain-QSR subsegment has approached that of the long-predominant independent-FSR subsegment. Chain FSRs, on the other hand, have remained relatively stagnant. A few possible reasons that most of the new chain outlets have been QSRs include the following: (1) many QSRs are franchised and require significantly less start-up capital than FSRs require; (2) QSRs comprise the quickly growing fast-casual subsegment, which contains many large chains; and (3) few FSR brands operate more than 1 restaurant, let alone 20.

Figure 6.5

Number of quick-service restaurants per 1,000 persons in 2015 by U.S. county



The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

In some regions of the country, independents tended to overshadow chains (fig. 6.6). For example, in 2015, chains constituted at most 35.4 percent of FAFH establishments in the majority of counties in the Northeast. New York City was a case in point. Given the city's small share of restaurants (relative to the rest of the country) that met the Federal regulatory definition of a chain, New York's support for calorie labeling regulations was somewhat unexpected.⁵¹ As of 2015, New York City's share of chain restaurants that would be affected by Federal calorie labeling laws was 14 to 24.4 percent, depending on the specific borough.⁵²

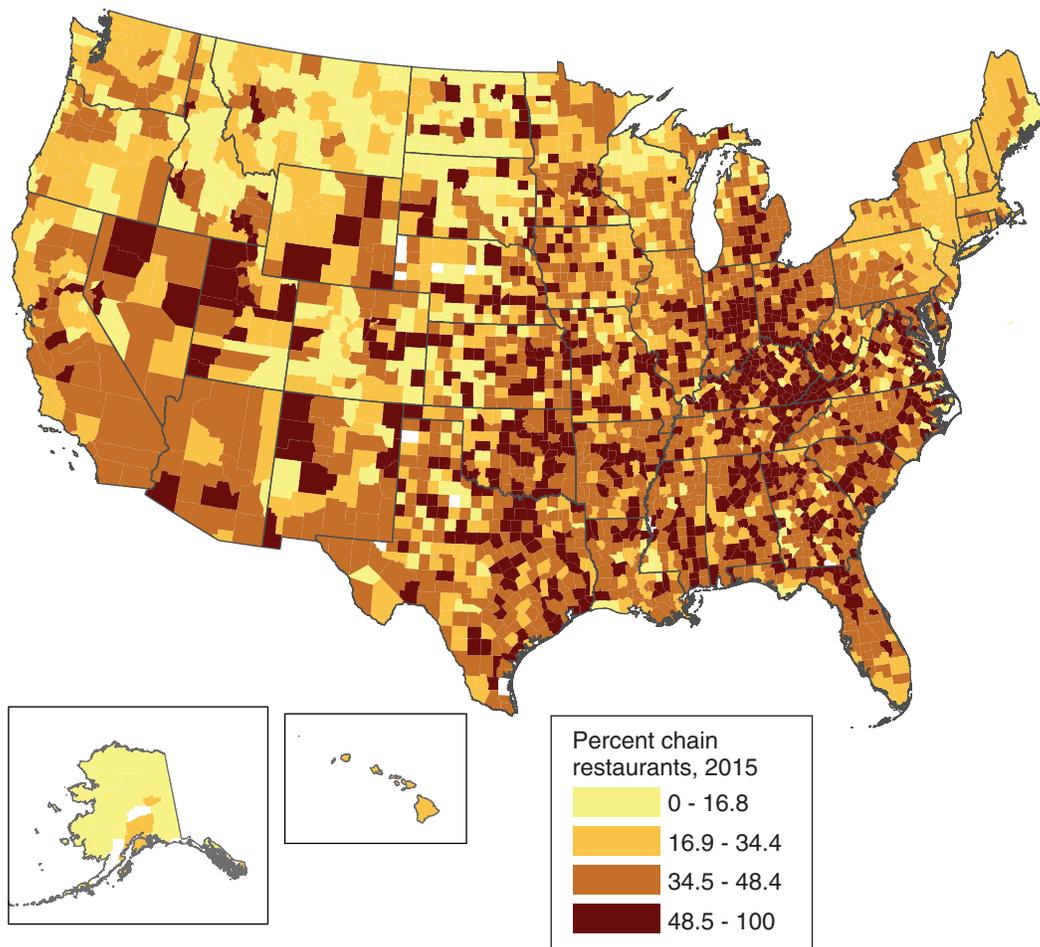
Yet, in many U.S. regions, the restaurant landscape comprises mostly chains, especially in the South, Midwest, and West, where at least 50 percent of the restaurants are chains under the FDA definition.

⁵¹A higher share were affected under current standing New York City law, which considers a brand with 15 outlets to be chain, rather than the federally mandated 20.

⁵²The estimated 2015 shares of chain restaurants in all five counties that make up New York City were 14 percent in Kings County (Brooklyn), 14.9 percent in New York County (Manhattan), 19.2 percent in Bronx County (Bronx), 19.3 percent in Queens County (Queens), and 24.4 percent in Richmond County (Staten Island).

Figure 6.6

Share of chain restaurants among all restaurants in 2000-15 by U.S. county



The white areas on the map indicate missing data.

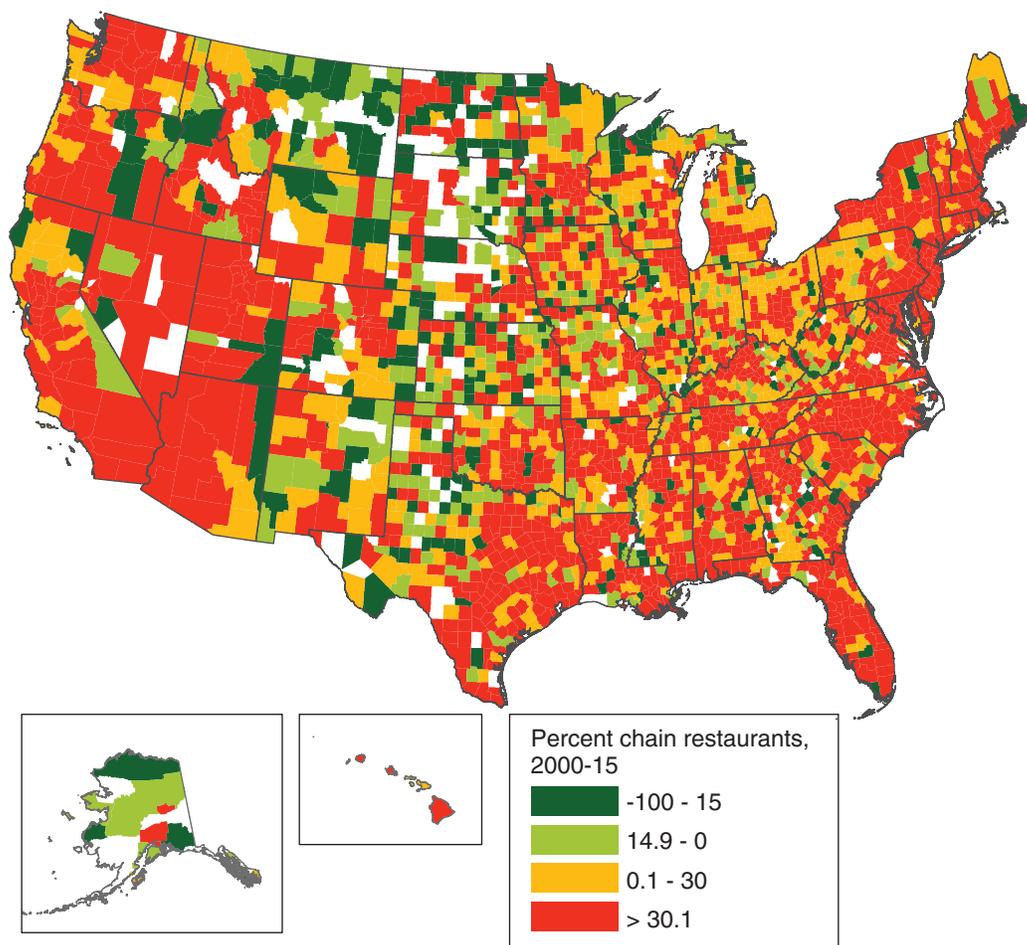
Source: USDA, Economic Research Service calculations from NPD ReCount data.

This disparity suggests that any impact of the impending FDA menu-labeling regulations (requiring calorie counts) may be felt unevenly in consumers from different regions across the country. Notably, many of the chain-dominated regions also experience some of the country's highest rates of obesity. Hence, if the new calorie-count menu labels prompt consumers to consume less calorie-dense food, then these chain-dominated regions may reap significant improvements in public health outcomes. Chapter 10 discusses the evidence to date on how consumers have responded to menu labeling.

Despite the overall surge in growth of chains in 2000-15, restaurants in the relatively chain-free Northeast grew more than many chain-dominated regions grew in that period (fig. 6.7). The relatively high share of independent operators in these areas may be explained by the dense concentrations of people with higher incomes, who are the typical FSR customers (chapter 8) and by the fact that most FSRs are not chains. However, the higher FAFH spending of higher income consumers across all restaurant segments likely supports the expansion of chains in the Northeast, as well as in other urban regions. For example, although QSRs form a small share of New York City restaurants, the number of chains per capita is similar to that of most other U.S. regions (fig. 6.8). Nevertheless, the effect of Federal calorie labeling laws will be limited by the healthiness of the food offerings of the available chains, as well as by regional variations in tastes and eating habits.

Figure 6.7

Percent growth in chain restaurants in 2000-15 by U.S. county



The white areas on the map indicate missing data.

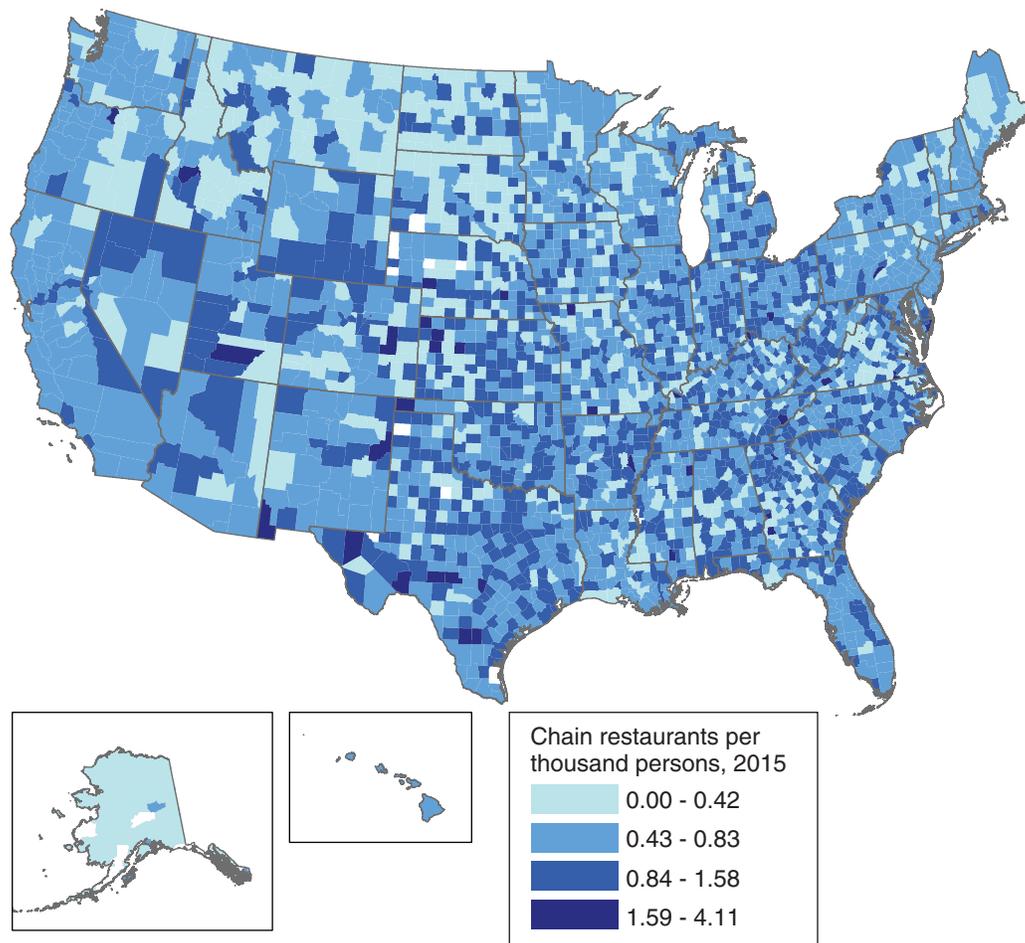
Source: USDA, Economic Research Service calculations from NPD ReCount data.

Emergence of New Foodservice Subsegments

The past decade also saw the emergence of several unconventional restaurant subsegments, including one of the most prolific: the “fast casual.” Although no formal industry definition exists, a fast-casual restaurant can be loosely defined as a hybrid of QSR and FSR restaurants. QSRs offer mainly counter service (instead of servers taking orders), convenience (e.g., food prepared quickly in assembly line format), and lower prices than FSRs. However, fast casuals retain FSRs’ perceived higher quality of menu offerings and ingredients, as well as FSRs’ ambiance. The fast-casual trend synchs with larger consumer-driven trends toward higher quality and potentially healthier menu items offered at relatively low prices. Nonetheless, recently, the nutritional value of fast-casual menu offerings has been called into question, with evidence that fast-casual meals contain more calories than fast-food meals (Schoffman et al., 2016).

Figure 6.8

Number of chain restaurants per 1,000 persons in 2015 by U.S. county



The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

The idea of fast casuals first emerged, primarily as an industry-specific term, some time in the late 1990s to early 2000s. Much of the early fast-casual market comprised large chains with menus other than the typical QSR fare, including Chipotle Mexican Grill, Noodles & Co., and Panera Bread. Since then, fast casuals have continued to offer options different than the typical QSR menus and consistently grown more quickly than any other FAFH subsegment. Although the sales of fast-casual chains have not yet rivaled those of historic QSR juggernauts (e.g., McDonald's), this segment saw 13 percent and 16 percent in sales growth in 2012 and 2013, respectively (National Restaurant Association, 2015). This growth more than doubled that of the QSR segment as a whole in 2012 and 2013.

As of 2015, fast-casual restaurants made up 10.5 percent of all QSRs, up from less than 5 percent 10 years prior (fig. 6.9), but this growth spurt did not manifest itself equally (or at all) in all regions (fig. 6.10). Urban counties, especially coastal ones, saw a massive expansion of fast casuals, and some metropolitan areas, such as in Washington, DC, and San Francisco, CA, underwent more than a five-fold increase in 2000-15. In many urban areas, a significant share of QSRs are fast casuals, and there are a high number of fast casuals relative to local population (fig. 6.11); in urban areas, this emergence of fast casuals has driven the growth of the QSR segment.

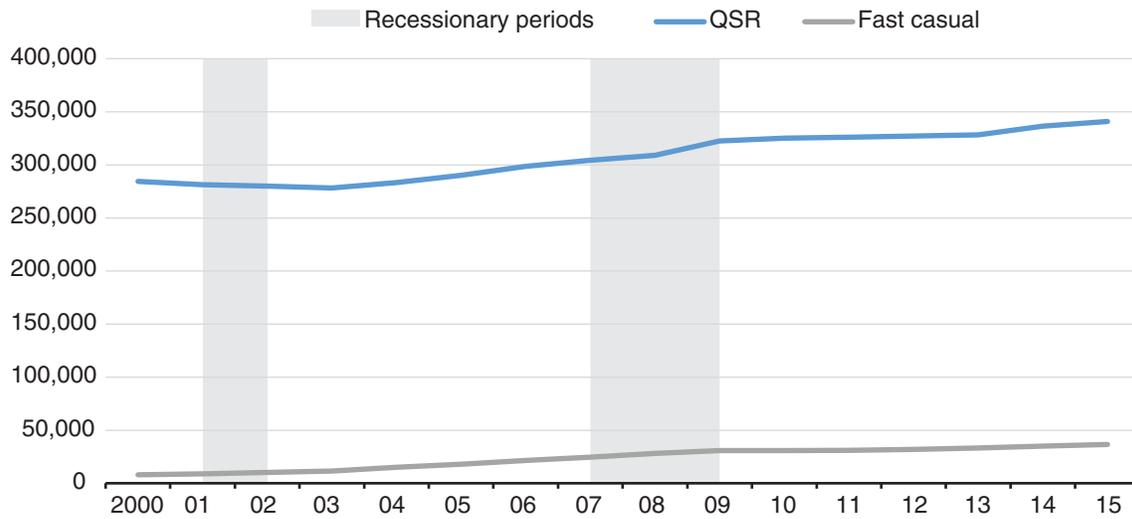
Rural America, on other hand, appears to have been mostly passed over by the fast-casual expansions. The vast majority of rural counties have few if any restaurants, despite the relative dominance of the QSR segment. In fact, in 2015, Los Angeles County contained more than five times as many fast-casual restaurants per capita than most rural U.S. counties. One possible explanation: lower (and shrinking) incomes and, thus, lower FAFH spending in many rural counties have not been able to sustain fast casuals, because despite their purportedly lower prices, fast casuals are not as inexpensive as fast food. Nevertheless, fast-casual numbers did rise in some rural counties. For example, in 2015, some rural counties of western Colorado had fast-casual shares on par with most urban regions. This anomaly may be due to additional revenue from outdoor-recreation tourism in this area, as well as the proximity to metropolitan Colorado, the birthplace of many prominent fast-casual chains such as Chipotle.

The number of mobile foodservice (e.g., food trucks) nearly doubled from 2009 to 2015 (fig. 6.12).⁵³ Setting themselves apart from food trucks' historical reputation for lower quality, many new mobile operations not only offer low cost staple items, but also specialize in higher quality or gourmet offerings (Crowther, 2013). In this way, while bearing comparatively lower operating and start-up costs than fast casuals, mobile foodservice leverages the same demand for higher quality and varied meals that gave rise to fast casuals (Gold, 2012). These factors may partially explain why the surge in mobile foodservice operators began during the Great Recession, when consumers sought cheaper food options and investments in brick-and-mortar operations were either prohibitively expensive or risky. The popularity of mobile foodservice endured even as consumer spending recovered along with the economy.

⁵³Note that mobile foodservice operations do not appear in NPD ReCount, which collects only data on brick-and-mortar commercial establishments.

Figure 6.9

Number of quick-service restaurants (QSRs) and fast-casual restaurants, 2000-15



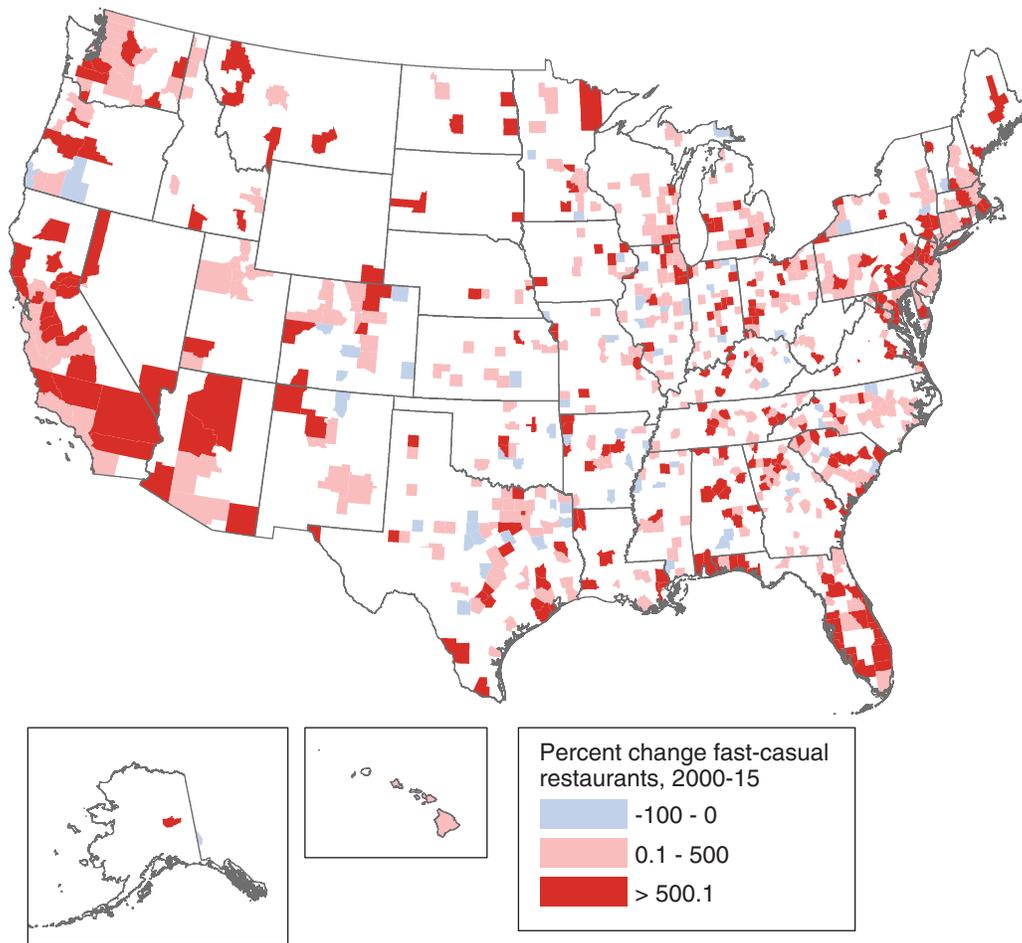
Note: Shaded areas indicate recessions.

Source: U.S. Department of Labor, Bureau of Labor Statistics Quarterly Census of Employment and Wages.

Processed food manufacturers that typically market food-at-home (FAH) products are also tapping into the FAFH market with brand-driven restaurants aimed at presenting products in new ways. For example, Kellogg’s most recently opened a restaurant New York City’s Times Square that serves the company’s ready-to-eat breakfast cereals with the addition of fruits, nuts, spices, and herbs (Black, 2016). Not only does this foray into FAFH allow FAH manufacturers to directly compete with FAFH purveyors in their own marketplace, it also allows FAH companies to test new items. The focus of FAH-brand-driven eatery resembles that of fast casuals and traditional FSRs—i.e., as much about crafting an experiential good as selling food products. The marketing of these “forward integrated” establishments often mimics that of higher quality FSRs, with catchphrases like “artisanal” and “natural” that may soften consumers’ perception of products as being mass-produced commodities.

Figure 6.10

Percent growth in fast-casual restaurants by U.S. county, 2000-15

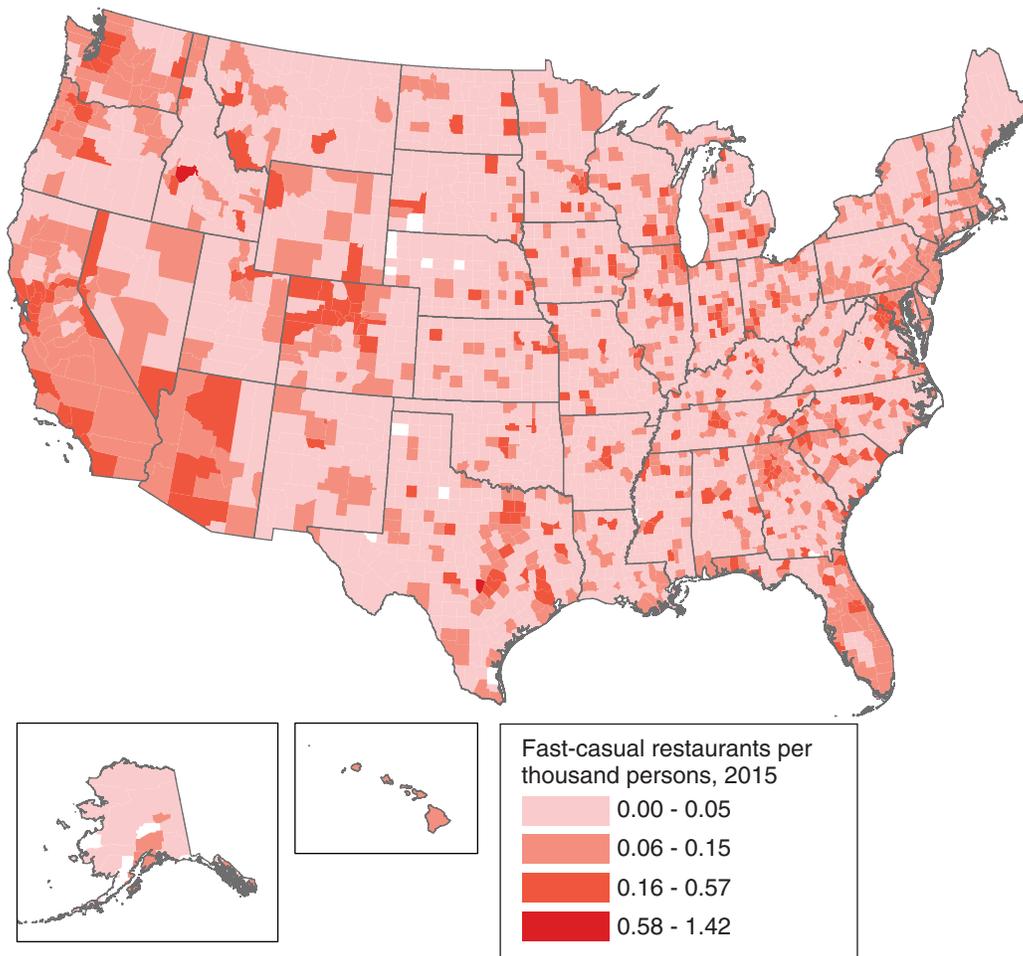


The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

Figure 6.11

Number of fast-casual restaurants per 1,000 persons in 2015 by U.S. county

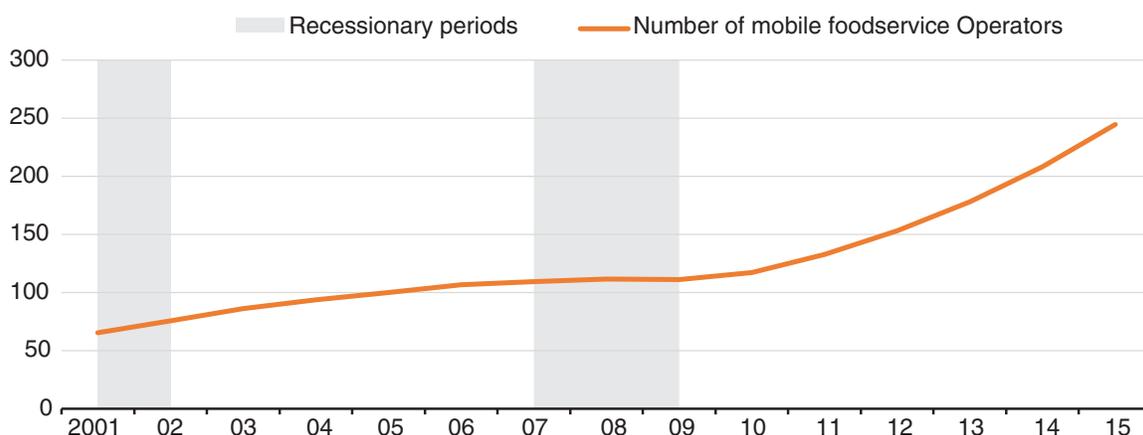


The white areas on the map indicate missing data.

Source: USDA, Economic Research Service calculations from NPD ReCount data.

Figure 6.12

Number of mobile foodservice operators in the United States by year



Note: Shaded areas indicate recessions.

Source: U.S. Department of Labor, Bureau of Labor Statistics' Quarterly Census of Employment and Wages, NAICS 72233.

Food-Away-From-Home Sales

From 2010 to 2015, the average monthly real value of FAFH sales climbed to over \$20 billion each for QSRs and FSRs (table 6.1). These real sales were up from \$16.8 billion for FSRs in 2000 and up from slightly under \$16 billion for QSRs 2001, with sales steadily growing in the years preceding the Great Recession years. FAFH sales maintained positive growth even during recessionary period of 2001, albeit than in the 6 years that followed. In addition, growth and levels of FSR sales exceeded those of QSRs in 2000-15.

FSRs' dominance in sales began to wane with the onset of the Great Recession, fulfilling economists' prediction made of the late 1990s that QSR sales would exceed FSR sales (Stewart et al. 2004). During the Great Recession, while FSRs lost the real value of all sales gained in 2005-07, QSR sales grew slightly. QSRs' position strengthened as consumers shifted FAFH consumption to less costly QSRs and the number of QSR outlets grew steadily. With the economic recovery, both sectors returned to previous sales trends with average annual growth over 3 percent each. Both segments now have roughly equal shares of all commercial FAFH expenditures in the United States.

Generally, in 2000-15, sales revenue in the FAFH sector remained diffused across brands in line with the characteristic competitiveness of this industry, despite several high-profile mergers and acquisitions among key brands.⁵⁴ In 2005-15, FSR sales revenue remained extremely diffused, with roughly 7 percent of sales revenue going to the top 4 brands and 16 percent going to the top 20 brands. The QSR sector, on the other hand, stayed comparatively more concentrated, with 30 percent of all sales revenue accruing to the top four brand owners (fig. 6.13).

⁵⁴For example, Restaurant Brands International owned by the private equity firm 3G Capital acquired Burger King and Tim Hortons. Both of these brands consistently rank among the top 10 of all QSRs.

Table 6.1

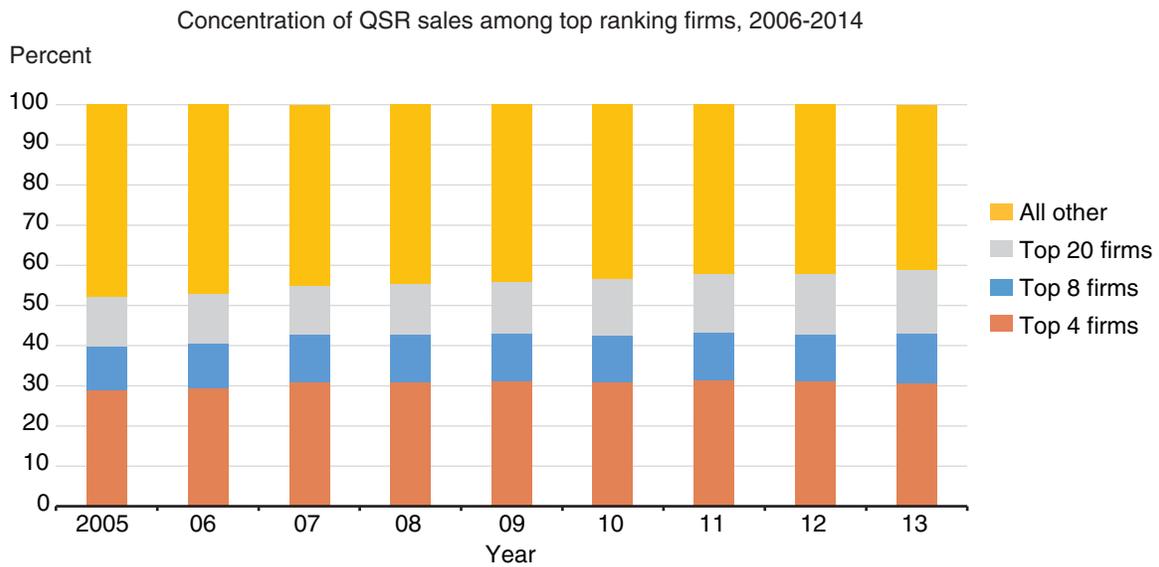
Growth rates of total sales for full-service restaurants (FSRs) and quick-service restaurants (QSRs)

Years	Average annualized growth rate		Average value of monthly sales	
	FSR	QSR	FSR	QSR
	<i>Percent</i>	<i>Percent</i>	<i>Billion \$</i>	<i>Billion \$</i>
2000-01	1.90	1.04	16.827	15.994
2002-04	3.21	3.52	17.999	16.802
2005-07	2.55	1.50	19.535	18.748
2007-10	-2.33	0.07	19.023	18.833
2011-15	3.77	3.18	20.793	20.629

Source: U.S. Census Bureau Monthly Retail Trade and Foodservices.

Figure 6.13

Concentration of quick-service restaurant (QSR) sales among top-ranking firms, 2006-14



Source: USDA, Economic Research Service calculations from Euromonitor Passport data.

In general, the relative position of dominant brands remained constant in 2006-14 (fig. 6.13).⁵⁵ The shares of sales to QSR restaurant categories remained the same. One exception is the share of QSR sales revenue going to the top 20 QSR brands—a share that grew by nearly 10 percent from 2006 to 2014. This rise reflects the growing dominance of fast-casual chains in QSRs. For example, the top fast-casual chains ranked either near 20th place or below in terms of QSR sales share in 2006, but climbed to nearly the top 10 by 2014. For QSR menu categories, the most sales revenue accrued to the fast-food burger market throughout 2006 to 2014 (table 6.2). However, the “hamburger” category’s share showed a modest decline, and the shares of the “subs/deli/other sandwich” and “Mexican” categories showed small upticks. This change is attributable to the growth of sales by Panera and Chipotle, the two largest fast-casual chains.

Table 6.2

Concentrations of quick service restaurant sales among top ranking menu categories, 2006-14

Category	2006-08	2009-11	2012-14
	<i>Percent</i>		
Hamburger	44.9	44.4	42.4
Subs/deli/ other sandwich	14.8	16.6	17.6
Pizza/Italian	10.6	10.3	10.5
Mexican	6.6	6.9	7.6
Other	23.1	21.8	22.0

Source: USDA Economic Research Service calculations from Euromonitor Passport data.

⁵⁵That is, one QSR brand (McDonald’s) retained its first-ranked position in share of sales throughout 2006-14.

Conclusion

The recent increase in the supply of FAFH is partly driven by the rising dominance of chain QSR restaurants. Growth in QSRs outpaced that of FSRs for most years in 2000-15, which resulted in QSR sales now nearly equaling those of FSRs. As of 2015, well over half of all restaurants were either a QSR, a chain, or both. Most U.S. regions, including the independent-restaurant-heavy Northeast, saw significantly large growth in chain QSRs. With the chain QSR subsegment, hamburger-centric brands accounted for 42.5 to 44.9 percent of all QSR sales in 2006-15.

Along with the strong growth of QSR chains, the emergence of the fast-casual restaurant and large gains in mobile foodservice combined to further expand the QSR market share. Responding to the bar set by fast casuals for perceived healthiness, high quality, and competitive prices, many traditional QSRs were incentivized to improve these value markers in their own outlets. During the Great Recession and subsequent sluggish recovery, fast casuals and other subsegments such as mobile foodservice were able to thrive while many traditional QSRs and FSRs struggled. As of 2015, the fast-casual subsegment alone accounted for roughly 10 percent of all QSRs and overtook many longstanding QSRs in terms of sales. Two large fast-casual chains have even overtaken longstanding traditional QSRs firms in terms of the rankings of sales by chain.

However, these broad industry trends did not manifest uniformly across the country. Growing urban population centers of the United States saw the most growth in commercial FAFH establishments of all types but especially QSR fast casuals. Yet, the restaurant landscape in rural counties told a different story. There, FSRs declined to the point that, by 2015, many rural counties that had been served mainly by FSRs in 2000 came to be served mainly by QSRs. Although QSRs' dominance in rural areas mirrored the rest of the Nation, the rise of the fast-casual subsegment, so pronounced elsewhere, mostly passed over rural America (with several notable exceptions). The general shift from FSRs toward QSRs in rural areas may have health implications insofar as FSRs and QSRs differ in the healthiness of their menus.

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