

FAST FOOD SERVICE

• By

Max E. Brunk

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There is a strip of road leading out of my home town that is crowded with drive-in eating places not there five years ago. Ithaca, New York is not a big city. It is only 12 supermarkets in size. Five years ago there were eleven and along that strip of highway there were three, maybe four, drive-ins. Last week there were 21! I can get a bite to eat at any one of them quicker than I can go through one of your check-out counters. I can do this with little apparent damage to my pocketbook and my car window provides a rather diversified menu.

No one seems to be able to tell me where all the hungry customers came from or how many there will be five years from now. It would be interesting to talk with a cross section of these people to find out who they are, where they come from, why they choose to eat at these places. But one really does not need a lot of statistics, which we don't have anyway, to know that something very revolutionary in the food business is happening. What can we expect from this process of rapid change? How far will it go? Of what significance is it to the retailer and to his supplier? Are we missing an opportunity by failing to read correctly the changing wants, needs and position of the consumer? And, if so, what can we do to get a better reading?

As you debate these and other pertinent questions this morning, I hope you will keep in mind that you are in the business of supplying the food needs of this nation...that the supermarket business is only one means to that end. After all, the distribution system we know today is of comparatively recent origin developed in response to the changing needs and wants of the consumer. Perhaps the consumer is once again trying to tell us to change our ways or she will be taking her business elsewhere.

One of the great intrigues of the food business over the past few years has been the degree to which maid service has been built into foods -- the degree to which foods have been made fool proof in preparation or ready to eat. Many years ago the unitized packaging of consumer foods found first in counter service stores served to make counter service obsolete. Are we seeing the same sort of thing take place today? Is our present system of food supermarketing really well adapted to the distribution of ready-to-eat foods? In looking back over 20 or 30 years one can see far more change in foods themselves than in the system used to distribute them. About the only difference between a frozen T.V. dinner and a Kentucky Fried Chicken dinner is the marketing system through which the product is distributed. With the T.V. dinner the product was adapted to "the system" while The Colonel adapted the system to the product. In so doing he found a way of bringing the product closer to the ready to eat stage...a way of providing an additional consumer service.

Far too commonly we regard fast food eating establishments as modified restaurants. This is a mistake of the first order. We forget that the

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appeals which have made these places popular come from the supermarket, not the restaurant...drive-in self service, speed, convenience, economy, impersonal but attractive atmosphere, etc. In fact it is to the advantage of the fast food service establishment to do everything it can to divorce itself in the public mind from the traditional high cost service restaurant and what better image of low cost efficiency is there to ride on than the supermarket? Again this is why much of their future growth in share of market will come at the supermarket's expense.

Low price, high turnover, quick service, quality control, and limited menu are the features of fast food establishments but these describe only the conspicuous characteristics of the structure and not necessarily the forces that are making them popular. Low price, quick service, and quality control are consumer appeals. High turnover and limited menu are cost controlling appeals but these are appeals that contrast fast food establishments from the traditional restaurant operation rather than from the supermarket...the true source of their market growth. To get at the latter I think we should turn attention to the changing nature of the consumer and draw contrasts more in terms of the mass food distribution system of which you are a part.

Eating away from home has always been a high prestige, social activity... a fact that I will vigorously, but needlessly deny, when I go home from this meeting and face a wife who will undoubtedly suggest that we go out to eat. But aside from the prestige, the social aspects and the occasional break from the monotony of eating at home, what are the true consumer appeals of fast food service and how does the supermarket stack up in comparison?

The first thing that comes to the consumer mind is cost...a factor that can be expressed in many different ways. Here the supermarket and home kitchen hold the edge but fast food service, using supermarket techniques, is cutting severely into that advantage. Labor cost in eating places has always been expensive. The wage cost alone of a waitress serving a wedge of lettuce from the kitchen to the table is greater than your gross retail margin -- is greater than the cost of transporting that lettuce from California to New York! Dispensing with table service and pushing more and more of the basic food preparation into centralized, assembly-line kitchens or back on the supplier has solved much of the costly labor problem. This move also greatly reduced food wastage -- an element of cost that is notoriously high in conventional restaurants.

Fast food service has taken quality control out of the hands of high salaried chefs who are traditionally more temperamental than skillful and substituted for them the use of a high proportion of low cost, non-unionized labor. The development of simplified, idiot-proof procedures, all put up in a neat package, now make it possible to operate these establishments with both management and labor skills well below those required in the average supermarket. This system, designed by geniuses to be operated by idiots, includes specialized and superior heating equipment that is far beyond the reach of the average home kitchen. Then to top it all off there is an illusionary cost advantage in that money is extracted from the consumer in the form of a continuous flow of nickels and dimes and not in the supermarket shock treatment form of paper dollars and paychecks. These

achievements in cost, both real and illusory, have made the old lunch pail obsolete and put the cherished privilege of eating out within the grasp of all income groups.

Another question which you may want to debate is the extent to which fast food service is consistent with an increasingly affluent, sophisticated consumer. Is the quality there? Can more quality be built in? I believe that the quality of prepared foods sold through supermarkets has done much to condition consumer tastes to accept the standardized, centrally prepared product of the fast eating establishment. In this sense the supermarket has been slowly digging its own grave.

Is the convenience there? And what about variety of choice? Are fast eating places destined to be little more than hamburger, hot dog, fried chicken and fish joints with an occasional pizza, doughnut, and milk shake thrown in? I think not. I think this is only a door opener. Variety in a supermarket can be found under one roof. But the variety to be found in the supermarket is not to be translated to the individual consumer who habitually buys from the shelf a comparatively narrow selection of product and proceeds to subject that selection to a routine preparation in the home kitchen that serves to further limit true variety in both foods and taste. In fast food service variety in both foods and their preparation can be found by driving down the road. Ready and instant transportation in the form of the automobile did much to build the modern supermarket. Will the automobile also contribute to its demise?

The increasingly direct competition of fast food service with the supermarket and the gradual recognition of the many similarities in mode of operation is stimulating the interest of food chains in various forms of fast food service. As of today, the food chain still enjoys a distinct advantage over the fast food establishment in the area of procurement. Will some form of marriage bring this advantage to the fast food service field? Many questions can be raised concerning the compatibility of this marriage. Is the management capability of food chains consistent with the requirements for the successful operation of eating establishments? Are there unique "people problems" among supermarkets and suppliers that make breaking into the fast food business slow, cumbersome and unimaginative? Most certainly you don't beat competition by emulation. You beat it by doing a better job. What kind of management thinking and personnel training is needed? Will eating establishments owned by food chains be subject to the public suspect that integrated establishments are a dumping ground for distressed merchandise? Experience to date at least would indicate that the lack of quality control by a few bad actors may prove to be a stumbling block to an otherwise happy marriage.

Whatever marriage takes place I think we will see a changing role of the supplier. Moving from counter service to self service altered the whole structure of the supply industry and the services it rendered the retailer. I believe the same thing will happen as the food industry moves increasingly into the area of the fast food service.

In this short talk it has been my function to raise issues for discussion rather than answer questions. My only misgiving in doing this is that, I know from my years of teaching experience, you can't get the right

answers if you fail to ask the right questions. Perhaps even more appropriate questions can be raised if you will consider some the changing characteristics of tomorrow's consumer. Accordingly, I will conclude by briefly summarizing the way I see her.

The consumer will have money. As food takes a decreasing share of her dollar she will demand increasing services. The more services she gets the less she will know how to cook...the less cooking will appeal to her.

The consumer will have less uncommitted time. She will spend more time in gainful employment and, accordingly, will place an increasing value on her leisure time. She will be increasingly involved in social activities and have less time to stand over a stove or impatiently in line at a checkout counter. Think what it means when customers budget time instead of money.

The consumer will be more mobile. She will move frequently and travel more...an experience that will broaden her food habits...make them less provincial yet more discriminating.

The consumer will be more sophisticated demanding a greater variety and products with educated looks, tastes, flavors and services. She will not only be more aware of qualities but also seek and get a greater selection of price ranges, package sizes, flavors and brands not withstanding all the consumerist talk we hear today.

The consumer will respond increasingly to appeals of pleasure and enjoyment. She will be younger, more venturesome, more independent from tradition. The custom of three meals a day and family meals will gradually give way to the finger foods of continuous eating. Variety in environment and eating will be increasingly sought to break the monotony of her increasingly limited kitchen skills and satisfy her much broadened and experienced palate.

These are but some of the consumer characteristics which will have a profound impact on the way you do business in the future.