CHANGING PATTERNS OF THE AMERICAN CONSUMER MARKET AND THEIR IMPLICATIONS FOR THE RESTAURANT INDUSTRY

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CHANGING PATTERNS OF THE AMERICAN CONSUMER MARKET AND THEIR IMPLICATIONS FOR THE RESTAURANT INDUSTRY

By

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MARKETING AND THE RESTAURANT INDUSTRY

The restaurant industry is over 2,000 years old but, during most of its long history, little attempt has been made to develop a philosophy of management or to make the restaurant into a productive, efficient business enterprise. Until recently, the restaurant remained an extension of the family, filling the need for food away from home, and using production methods found in the home.

Today, our highly mechanized and complex society is making demands on the restaurant industry for greater, better, and different kinds of food service, and at a lower cost. Typically, it is the inability of restaurant operators to meet these demands that has made the failure rate for restaurants one of the highest among all businesses.

With the pressure mounting to produce a profit, the criterion of success in the business world, restaurant operators are frantically searching for new and better ways to serve their modern markets. Restaurateurs have tried to adopt managerial methods, from other industries, and to

develop their own techniques, but they are achieving only moderate success with this approach to their problems. One reason for this limited success is that the restaurant industry is dealing with surface problems which are symptoms of more basic difficulties.

One of these basic difficulties is a lack of understanding of the changing consumer market and the concept of marketing. This paper attempts to describe for the restaurant operator some characteristics of the market and marketing, and how it affects him and his business. Then, with a better understanding of this basic business function, the restaurateur is in a better position to fulfill the needs of his customers.

Marketing Concepts

What is marketing? Definitions in marketing textbooks are usually similar to one from Clark and Clark:[1] "Marketing consists of those efforts which effect transfers of ownership of goods and services and care for their physical distribution." The Committee on Definitions of the

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[1]Fred E. Clark and Carrie Patton Clark, Principles of Marketing (New York: The Macmillan Co., 1942), p. 1.

American Marketing Association[2] defined marketing in 1948 as: "the performance of business activities that direct the flow of goods and services from producer to consumer or user." A discussion of the marketing process usually includes mention of the various marketing functions of buying, selling, transporting, storing, standardizing or grading, financing, risk-taking, and providing market information.

More recently, however, the literature of marketing expands the marketing concept to include the entire business operation. In 1961, the American Management Association[3] stated that marketing is ". . . the total function concerned with analyzing, creating, developing, packaging, pricing, distributing, selling, promoting, publicizing, and advertising the goods or services of every enterprise. . . . Marketing is not only the key to sales success; it is the central function of a business to which all other functions are co-ordinate." Philip Gustafson[4] elaborated this philosophy:

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[2]American Management Association, "Report of the Definitions Committee," Journal of Marketing, XIII, No. 2 (October, 1948).

[3]American Management Association, The Marketing Job (New York: American Management Association, Inc., 1961).

[4]Philip Gustafson, "Selling Tomorrow's Market," Marketing in Transition, ed. Alfred L. Seelye (New York: Harper & Brothers, 1958).

> Basic approaches to selling in the American market are changing. Business is broadly applying a new point of view that begins and ends with the customer . . . .The term commonly used to express the new concept is 'marketing.' It focuses company effort behind one department whose function it is to understand, motivate, and reach the customers. In the new way of thinking, marketing permeates all areas of the business and must be integrated into each one.

A business organization adhering to this marketing concept starts by determining the customer's needs and desires, and then engineers its products according to those needs. Prices, packaging, and production schedules are planned on the basis of the market research and, after the product is sold, the company continues to help the customer get the best use from his purchase. Malcolm McNair,[5] Professor of Retailing at Harvard University, added that marketing goes beyond selling: "It is the creating and delivery of a standard of living."

Why this change in emphasis by the marketing men? Until recently, industry's task was to produce enough to satisfy the needs of a rapidly growing economy. Now, however, through advanced technology, we are capable of producing far more than we can possibly sell. Our ever-rising

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[5]Malcolm McNair, "Challenge of the 1960's," Harvard Business Review (September-October, 1961).

level of productivity, coupled with the highest standard of living in the world, permits consumers to choose between spending and saving, and to decide where to spend their money and for what goods and services. Besides rising incomes, consumers have easy credit available for both large and small purchases. In other words, the consumer has gained independence in the market place. He no longer buys a specific product because he cannot avoid it; his choice is made on the basis of the innumerable factors that influence all human behavior, and recent advances in social science research methods now permit marketing researchers to study how consumers make decisions to buy.

Philip Gustafson (61) quotes a vice president of marketing as saying that the customer is king, and the king will determine what is made, how much, when, and what he will pay for it.

Restaurant Marketing Surveys

Although manufacturers and distributing organizations have spent large sums of money to research their markets, the restaurateur knows practically nothing about what the public wants in a restaurant. However, General Foods Corporation (56)

published an eating-out index and consumer attitudes survey in 1960, and Standard Brands, Incorporated (128) reported in 1958 on the findings of a consumer panel on dining-out habits and attitudes.

The General Foods survey showed that Americans spend over 1 billion dollars a month for food in restaurants. Of the meals eaten out which the survey recorded, 11% were breakfasts, 61% noon meals, and 28% dinner meals. Most morning and noon meals were eaten out from necessity, evening meals from choice. Business reasons accounted for 20% of all luncheons and 15% of all dinners eaten out by men. Only 3% of the people eating out have credit cards for their own personal use.

The Standard Brands survey on habits and attitudes reported that most frequently the wife suggests eating out; that, on the average, 56% of all families go out to eat at least once a month; that the best restaurant patrons are upper-income white-collar workers. Of this group, 73% dine out at least once a month, compared with 39% of the lower-income blue-collar workers.

Cost was given as the major reason for not eating in restaurants more frequently. The factors that influence a

preference for a restaurant are cleanliness, good wholesome foods, good service, and pleasant surroundings and atmosphere. The survey also showed that people go to different types of restaurants for different reasons: for convenience, they go to cafeterias, diners, and drive-ins; for special occasions or change of routine, they prefer table service or hotel restaurants. One-half of all restaurant meals are served on weekends, with Sunday being the most popular day.

Restaurant Marketing Techniques

Stouffer Foods Corporation of Cleveland, Ohio, is a prime example of a market-oriented restaurant company. Originally operating fast-turnover tea-room-type restaurants, Stouffer moved with its market to suburban locations, more luxurious types of service and decor, and to high-quality precooked frozen foods sold through supermarkets. Stouffer is also responding to a market for high quality food service in businesses and institutions with their Management Food Service division, and to a market for fast food on the new interstate highway systems with their automats. Most recently Stouffer is opening motor inns at Columbus and Detroit. In all its diversified operations, however, Stouffer is aiming

at a particular group, the middle- and upper-income white-collar worker. Stouffer feels that its present organization is geared to serving this group, and all expansion is planned to satisfy its various and changing food needs. This policy is largely responsible for Stouffer's rapid growth into one of the country's largest restaurant firms.

Leaders in the restaurant industry tell us that the ability to adjust to a changing market will be a critical factor in the future success of any restaurant. Matthew Bernatsky (16) of the Cornell School of Hotel Administration stated that the challenge of the restaurant industry is to recognize change and modify restaurant operations to meet new conditions. Failure to accept and meet the challenge of change can cause some operations to be unprofitable, even in a period of prosperity.

Markets are people with wants and purchasing power, and since people's wants are changeable and unpredictable, they impart this quality to the market. It is the job of the restaurant operator to determine, first, where his markets lie and, second, how he may best serve them--the type of foods, service, and decor his particular market demands.

THE POPULATION

Since it is common knowledge that the United States population is expanding at a rapid rate, some characteristics of this expansion should be of interest to restaurant men.

The National Planning Association (101) projects a United States population of 214 million by 1970, a gain of 35 million people within the next eight years, providing both a stimulant to economic growth and technical progress, and serious problems in employment, housing, and education. These projections are in the range of 1.7-1.9% increase per year, compared with the current rates of growth (1953-1959) of 1.1% for Japan, 0.9% for France, 0.4% for England, and 1.2% for West Germany. Table 1 shows U. S. population and growth rates since 1900, and Table 2 shows certain projections of future population growth.

Philip M. Hauser,[6] former acting director of the United States Bureau of the Census and presently Chairman

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[6] Philip M. Hauser, "The Challenge of Tomorrow's Markets," Journal of Marketing, XXIV, No. 1 (July, 1959).

of the Department of Sociology, University of Chicago, says:

> Tomorrow's market constitutes one of the greatest challenges and opportunities ever to confront the American business community. Total national population growth alone constitutes a major challenge. For it is necessary for the American economy to expand sufficiently within a period of 25 years to provide goods and services for an additional 65-95 million Americans consuming at the American level of living.

TABLE 1.--U. S. population and rate of increase: 1900-1960

Year	Total Population	Percent Increase Over Previous Census
1900	76,212,168	....
1910	92,228,496	21.0
1920	106,021,537	15.0
1930	123,202,624	16.2
1940	132,164,569	7.3
1950	151,325,798	14.8
1960	179,323,175	18.5

Source: Population of the United States, 1960. U. S. Summary, Table 2, pp. 1-4.

TABLE 2.--Projects of the U. S. population (including armed forces abroad) in thousands: 1965 and 1970

	1965	1970
Series II[a]		
All ages	196,217	214,222
Under 5	22,170	25,135
5-9	20,346	22,215
5-17	49,701	54,304
Series III[b]		
All ages	194,454	208,931
Under 5	20,408	21,600
5-9	20,346	20,459
5-17	49,701	52,548
18-21	12,090	14,244
14 years and over	138,362	150,450
18 years and over	124,345	134,783
21 years and over	115,043	124,059
65 years and over	18,243	20,035

[a]Series II assumes that fertility continues at the 1955-1957 level.

[b]Series III assumes that fertility declines from the 1955-1957 level to the 1949-1951 level by 1965-1970.

Source: U. S. Bureau of the Census, "Current Population Reports," Series P-25, No. 241.

Birth Rate

Of the four factors controlling population growth--birth rate, death rate, immigration and emigration--the birth rate is presently the only dynamic variable in the U. S. population growth. In the rural America of the early 1800's, the birth rate is estimated to have been as high as 55 live births per 1000 population. It went below 40 in 1880 as the country was becoming urbanized and industrialized and continued to drop until it went below 19 in the dark, lean days of the depression, but rose slightly during the war, leveling off at about 25 during the past decade (141,144). As in all countries, the United States' birth rate is related to the social and economic conditions and the cultural patterns of the times. The initial high birth rate was due to the large numbers of immigrants, most of whom were in the child-bearing age and whose social values encouraged having large families. Then, too, in an agrarian society, large families were needed to operate the farm. A high infant mortality rate was also a spur to a high birth rate. Later, the decreased flow of immigrants, the trend from agriculture to urbanized industry, and the improvement in medicine which decreased infant mortality caused a drop in the birth rate. After World War II,

the birth rate shot back up again due to an expanding economy and the return of young men to civilian life.

A number of reasons have been advanced to explain the current baby boom: an increasing number of infants born in hospitals resulting in a lower infant mortality rate, earlier marriages, and a shift in the concept of an ideal family from two children to four. Additional reasons include rising incomes and credit buying which allow young couples to have both children and consumer goods.

Social and economic class no longer seems to be a factor in the rising birth rates. The high rates cut across all segments of the population, including the highly educated and upper social and economic classes as well as the lower classes. Religion seems to have the most significant effect on birth rates.

Birth rate statistics tell us about more than the present crop of babies. A decrease or increase in the birth rates affects the composition of the population as the crop of babies move through the age groups to old age and death, and as their children grow up, marry and have their own families. Fortune (48) has predicted a second baby boom to start in the late 1960's when the first of the post-war

babies begin their families. Table 3 shows the total live births per thousand of population from 1900 to 1959, and Figures 1 through 6 show the effect that the low birth rates of the 1930's and the high rates of the 1950's and 1960's have had on our population make-up.

TABLE 3.--Birth rate for the United States: 1900-1959. In total live births per thousand population

Year	Rate	Year	Rate	Year	Rate
1900	32.2	1938	19.2	1949	24.5
1910	30.1	1939	18.8	1950	24.1
1920	27.7	1940	19.4	1951	24.9
1930	21.3	1941	20.3	1952	25.1
1931	20.2	1942	22.2	1953	25.0
1932	19.5	1943	22.7	1954	25.3
1933	18.4	1944	21.2	1955	25.0
1934	19.0	1945	20.4	1956	25.2
1935	18.7	1946	24.1	1957	25.3*
1936	18.4	1947	26.6	1958	24.6*
1937	18.7	1948	24.9	1959	24.3*

Source: Historical Statistics of the United States, Colonial Times to 1957.

*From Statistical Abstract of the United States, 1961.

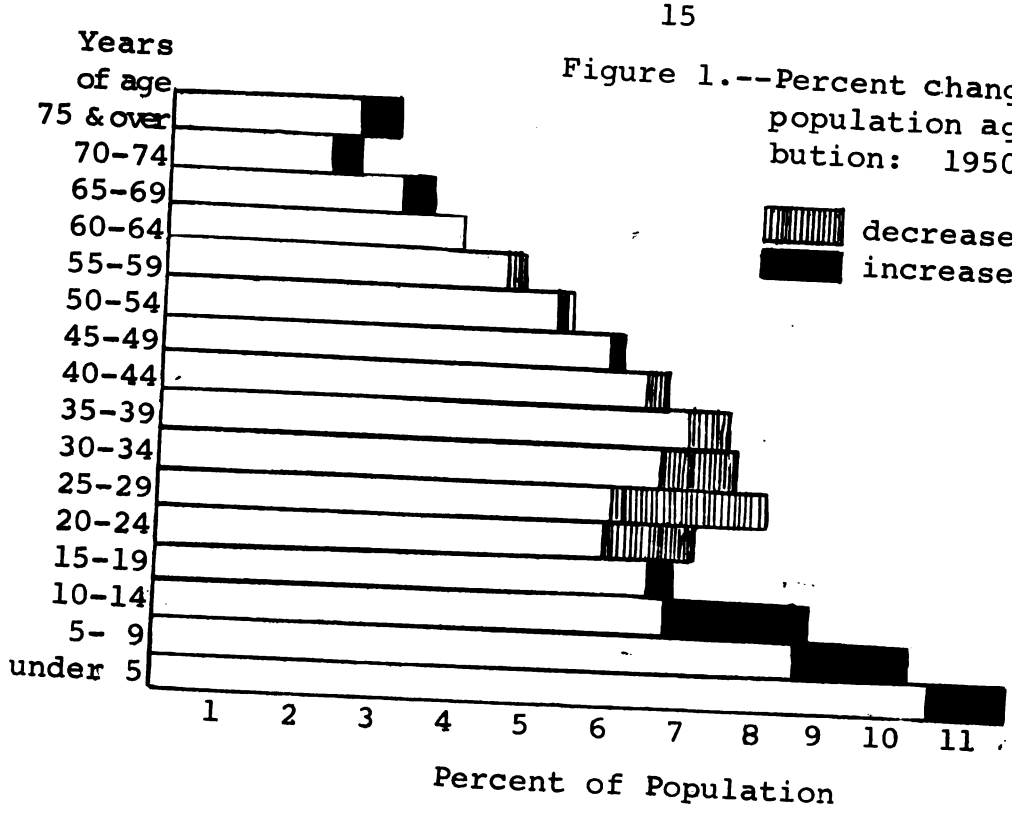


Figure 1.--Percent change in the population age distribution: 1950-1960

decrease 1950-1960
increase 1950-1960

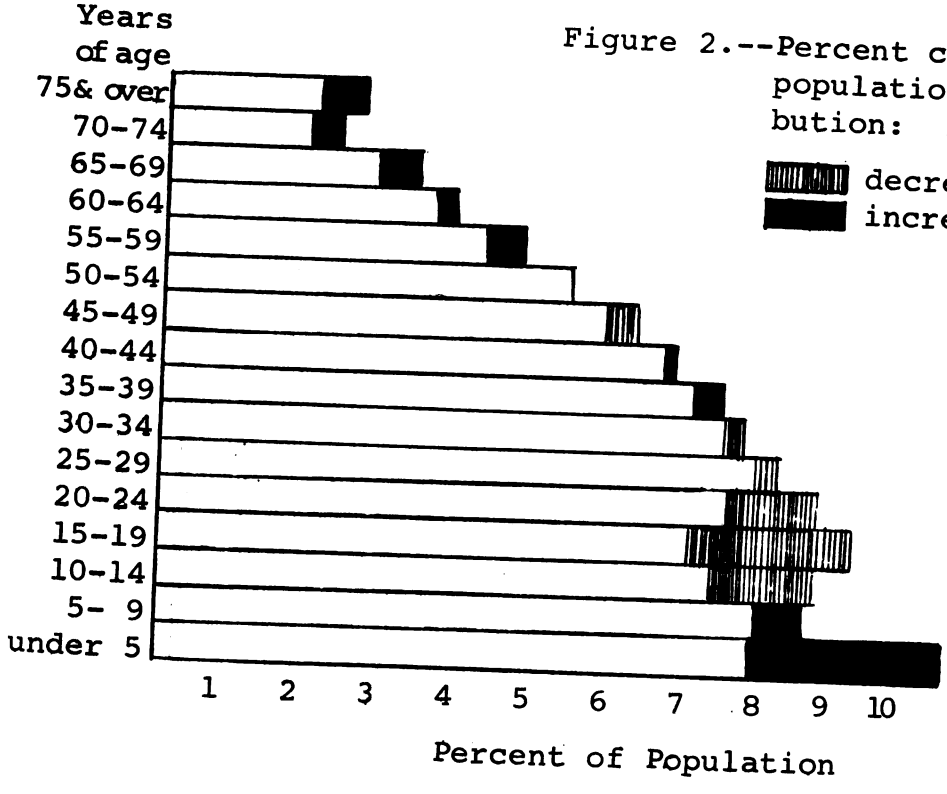


Figure 2.--Percent change in the population age distribution: 1940-1950

decrease 1940-1950
increase 1940-1950

Source: U. S., Bureau of the Census, Census of the Population 1960: General Population Characteristics, Table 47, pp. 1-153.

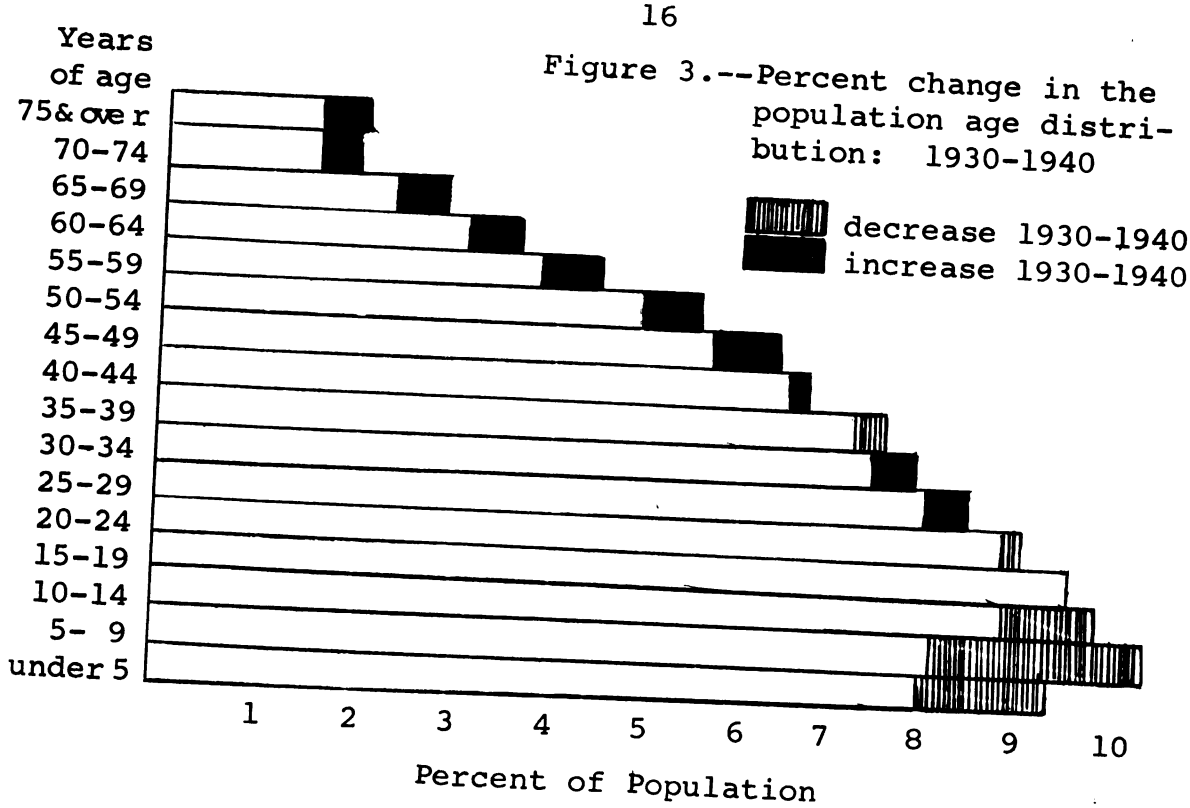


Figure 3.--Percent change in the population age distribution: 1930-1940

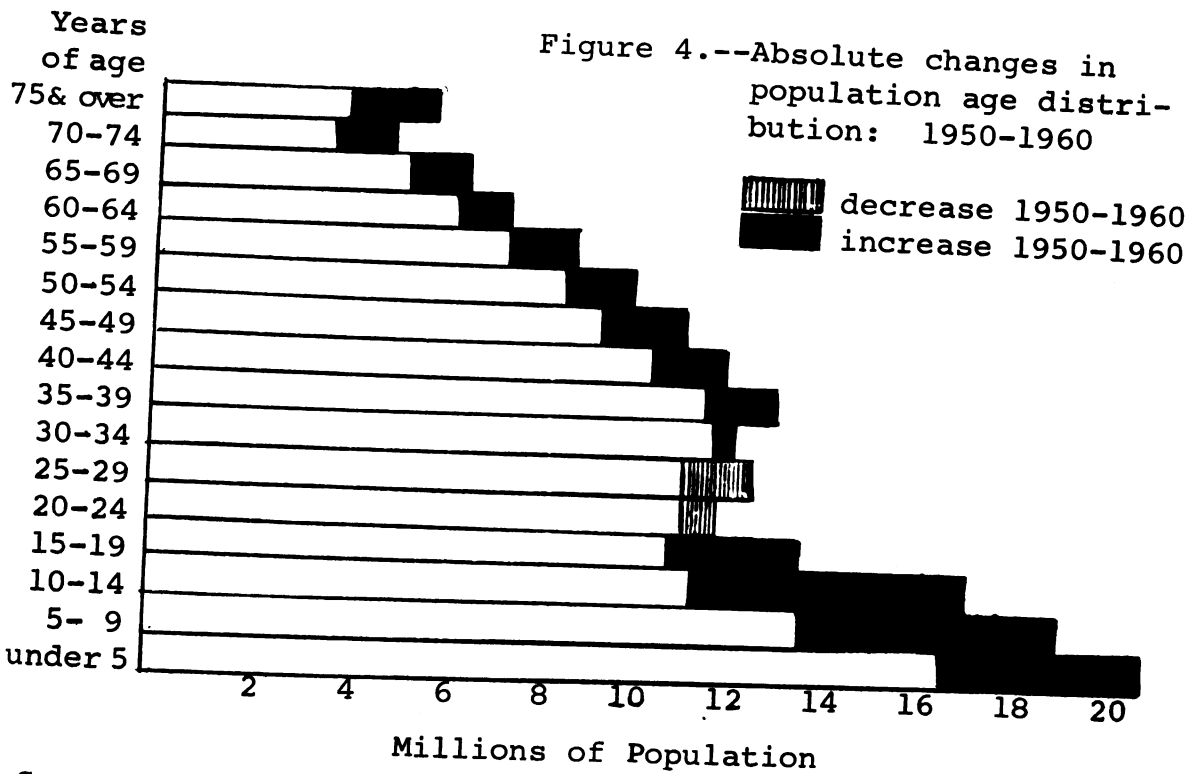


Figure 4.--Absolute changes in population age distribution: 1950-1960

Source: U. S., Bureau of the Census, Census of the Population 1960: General Population Characteristics, Table 47, pp. 1-153.

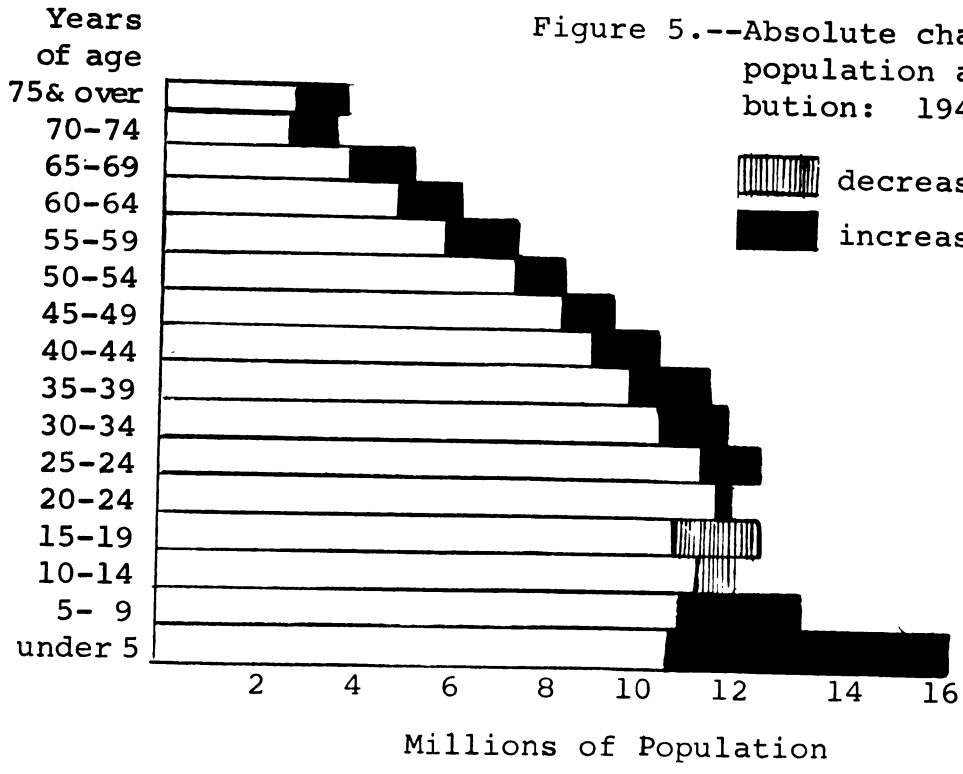


Figure 5.--Absolute changes in population age distribution: 1940-1950

decrease 1940-1950

increase 1940-1950

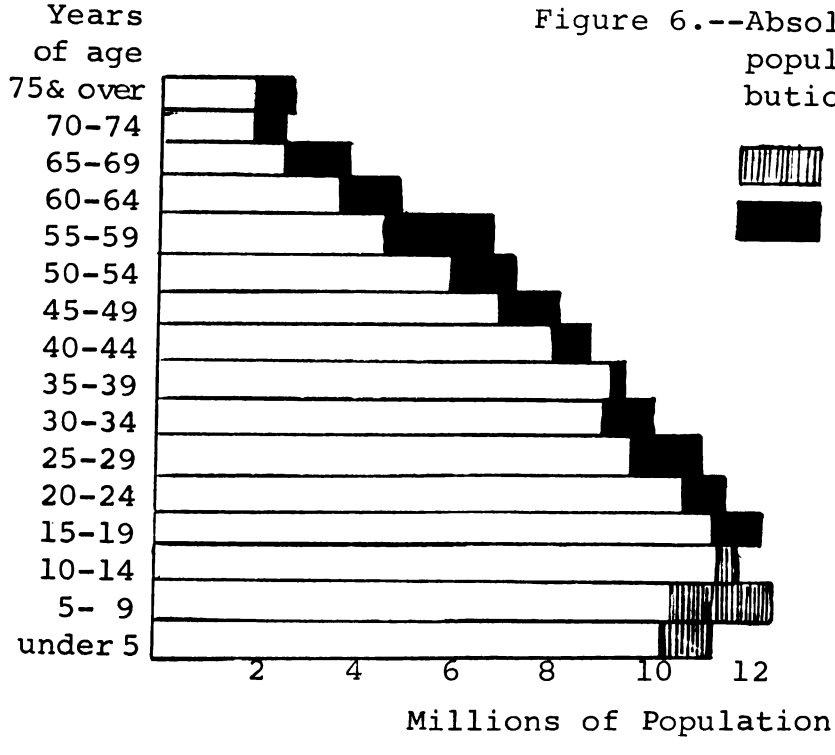


Figure 6.--Absolute changes in population age distribution: 1930-1940

decrease 1930-1940

increase 1930-1940

Source: U. S., Bureau of the Census, Census of the Population 1960: General Population Characteristics, Table 47, pp. 1-153.

In the 1930-1940 period, the number of children under 14 years decreased both in total number and in relative proportion to the rest of the population (Figs. 3 and 6). This decrease was due to the low birth rates of the 1930's. As these children grew, they caused the dip in the population to travel upward, until now it is in the 20-30 age range. At the same time, the baby boom of the 1940's and 1950's shows both relative and absolute increases in the groups under 19. This will develop into a "teenager boom" within the next ten years, increasing the demand for such items as phonograph records, cosmetics, used cars, and hamburgers.

Life Expectancy

Another interesting phenomenon is shown in Figures 1 through 6: the increasing numbers of people over 65. Advances in medical science and living conditions have pushed the life expectancy at birth to 66.4 years for men (in 1958) and 72.7 years for women. The rising life expectancy in the United States is shown in Table 4.

TABLE 4.--Life expectancy at birth for United States: 1920-1959

Year	Total	Male	Female
1920	54.1	53.6	54.6
1930	59.7	58.1	61.6
1940	62.9	60.8	65.2
1950	68.2	65.6	71.7
1955	69.5	66.6	72.7
1958	69.4	66.4	72.7
1959	69.7	66.5	73.0

Source: Statistical Abstract of the United States: 1961, Table 54.

Much of this increase in the life span is due to reductions in deaths from diseases that once prevailed among infants, children and young adults. Some of the most significant are diphtheria, whooping cough, influenza, and pneumonia, and deaths due to pregnancy and childbirth (Table 5). Because of the drastic reduction in deaths from these causes, more and more people are living to old age where degeneratory diseases such as heart disease, cancer, and respiratory ailments are prevalent.

TABLE 5.--Death rate from selected causes, in deaths per 100,000 population: 1920-1960

Cause	1920	1930	1940	1950	1955	1960
All causes	1,298.9	1,132.1	1,076.4	963.8	930.4	945.7
Tuberculosis, all causes	113.1	71.1	45.9	22.5	9.1	5.9
Diphtheria	15.3	4.9	1.1	0.3	0.1	...
Whooping cough	12.5	4.8	2.2	0.7	0.3	0.1
Malignant neoplasms	83.4	97.4	120.3	139.8	146.5	147.4
Diseases of cardiovascular system	282.5	327.8	406.6	494.4	496.4	512.0
Diseases of the heart	163.4	216.7	293.9	356.8	356.5	366.4
Influenza and pneumonia	207.3	102.5	70.3	31.3	27.1	36.6
Deliveries and complications of childbirth and pregnancy	19.0	12.7	6.7	2.0	1.2	0.8
Motor vehicle accidents	10.3	26.7	26.2	23.1	23.4	20.6
Diseases of early infancy	69.2	49.6	39.2	40.5	39.0	37.0

Source: Statistical Abstract of the United States: 1961, Table 62.

Another factor in the declining mortality rate is that cities, where the mortality rate has always been highest, are now safeguarding drinking water, milk, and food supplies. They also enforce sanitation and air polution ordinances, require quarantine for cases of contagious disease and mass immunization, and provide a wide range of medical services. These services are available to large numbers of people through group medical insurance plans, charitable organizations, and governmental subsidization.

Teen-Age and Old Age Markets

Although the teen-agers of today may baffle their parents with their likes and dislikes, the market researchers refuse to be intimidated. With about one-third of the teen-age population employed, and most others receiving allowances, gifts, and baby-sitting money, teen-agers represent about a $10 billion market (30,43). Such market research firms as Eugene Gilbert Youth Research, The Student Marketing Institute, The Youth Research Institute, and National Youth Panel are dedicated to finding out how teen-agers spend this money . . . and they spend it much

differently than the older generation since they are not burdened with mortgages, insurance, taxes, and time payments. Except for school supplies and lunches, teen-age income is largely "gravy" to be spent on clothes, sports and sporting equipment, cosmetics and grooming aids, food and beverages, and automotive needs. The teen-ager's biggest expenditure is on food--32% (43). According to one of Eugene Gilbert's surveys (85), the weekly average income of a boy is $4.16 at 13 years old, $8.26 at 16, and $16.65 at 18. Girls average two or three dollars less.

Teen-agers not only spend their money differently than older people, but they have different attitudes toward the things they buy. They feel free to indulge in luxury purchases since they have no family responsibility. They are also quick to try new products and, to a great extent, influence the spending in their families.

The market surveyors have found that the old age market is a difficult one to research. With the emphasis on youth in our modern society, no one wants to admit to being old! Retailers of women's apparel have found that the surest way <u>not</u> to sell a garment is to label it as

being for older women. Actually, except for a few health and comfort needs, older people's needs are about the same as those of younger people. The only substantial difference is that they have more free time and, as a rule, less money. The Social Security Administration (22, 41) reported that the financial position of older people is slowly improving as more people receive old age, survivors, and disability insurance benefits and private pensions.

Consideration of income statistics alone may distort the picture of the older person's financial position. Many older persons have planned for their retirement, and by that time they own their own homes and have made all their major purchases. At this time in their lives they don't feel the need to save for the future as do younger persons with growing families, and their pensions are regular and assured. Most of the older person's income is spent as it is received, with those in the lower-income brackets spending on necessities, and those in the middle bracket having some left over for a few luxuries.

Family Formation

For the purpose of studying markets, the number of families is more meaningful since the family is the primary buying unit in many cases. The growth in the number of families does not necessarily parallel the growth in the total population. While the population grew at an average of 1.8% per year in the past ten years, the number of families grew at an average of 1.5% (144). Demographers look for a rapid increase in the rate of family formation because: people are marrying at a younger age; a larger percentage of people are getting married and more divorced and widowed persons are remarrying; a larger percentage of the population is entering the marriageable bracket. The relative peace and prosperity of the times, as well as the military draft, encourage early marriage. Table 6 shows the changing marital status of the population since 1900.

Although the long-term trend of family size has been downward, several components of this trend are of interest. The proportion of large families is dropping rapidly, and the larger the family, the swifter the drop.

TABLE 6.--The marital status of the population: 1900-1960. Percent of population married, by sex. (standardized for age)

Year	Percent of Females Married	Percent of Males Married
1900	58.7%	59.9%
1910	60.1	60.4
1920	60.4	61.3
1930	61.2	62.1
1940	61.0	62.8
1950	66.1	68.0
1960	67.8	70.0

Source: Statistical Abstract of the U. S., 1961, Table 28, p. 35.

At the same time, parents of grown children are maintaining their own homes instead of living with their children. This tends to increase the proportion of two-member families and to decrease the size of larger families. On the other hand, the number of families with one child or none is also decreasing. The proportion of families with two or three children under 18 increased during 1940 to 1953, while the proportions of both smaller and larger families declined. During the early 1950's the proportion of families with four or more began a mild rise, due to the prosperous times and plenty of available housing. This trend

toward a growing proportion of moderate-size families, which seems likely to continue, is shown in Table 7.

TABLE 7.--Changes in distribution of families by size and mean size: 1930-1953

Number of members	1930	1940	1950	1953
All families	100.0%	100.0%	100.0%	100.0%
2 persons	26.1	29.3	32.8	33.5
3-4 persons	41.3	43.5	45.0	44.5
5-6 persons	20.9	18.8	16.7	17.1
7 or more persons	11.6	8.7	5.4	4.9
Mean size of family	4.04	3.76	3.54	3.53

Source: Conrad Taeuber and Irene B. Taeuber, The Changing Population of the United States (New York: John Wiley & Sons, Inc., 1958), p. 172.

THE STANDARD OF LIVING

Probably the most outstanding characteristic of the American way of life is the high level of living enjoyed by almost all Americans, not just a select few. This level of living produces the highest income per capita ever known and is constantly increasing.

Briefly, standard of living refers to a certain minimum of necessities or luxuries to which a people may aspire or desire. Level of living refers to how they actually live, particularly their consumption of goods and services. It is the luxuries and necessities demanded by Americans, and the production by industry of the goods and services to satisfy these demands, that has made the American standard of living desired by countries around the world.

The level of living of a country is difficult to study quantitatively since such factors as political origins, national wealth, educational levels, characteristics of the population, and the structure and operation of the

marketing system all play a part in the consumption levels of a population. One statistical measure of level of living is Gross National Product (GNP), the market value of the output of goods and services produced by the economy. Another measure is National Income (NI), the total earnings of labor and property. These measures are simply different ways of studying the total economic activity of a country, and economic activity is the basis of the standard of living.

Table 8 shows the increase in GNP and NI since 1900. Economists predict that GNP and NI will rise even more rapidly in the next decade, making income and goods available not just for the increasing population, but for improving the level of living now enjoyed by our economy. The difference between GNP and NI is accounted for by depreciation allowances, subsidies, business taxes, and business transfer payments.

Three forces contributing to an improving standard of living are increasing productivity, advancing technology, and a large supply of resources, both human and material.

TABLE 8.--Gross national product and national income for selected years.

Year	GNP	NI
1929	104.4	87.8
1933	56.0	40.2
1939	91.3	72.8
1947	234.3	198.2
1949	258.1	217.7
1950	284.6	241.9
1953	365.4	279.3
1955	397.5	330.2
1956	419.2	350.8
1957	442.8	366.9
1958	444.5	367.4
1959	482.8	399.6
1960	504.4	417.1

Source: National Industrial Conference Board, The Economic Almanac, 1962, p. 133.

Factors in a Rising Standard of Living

Solomon Fabricant (71) defined productivity as a measure of the efficiency with which resources are converted into the commodities and services men want. Higher productivity is a means to better levels of economic

well-being and greater national strength. Thus productivity is the ratio of output to input. Many different measures of input and output can be used but as yet none have been devised that can include all the intangible factors involved. For this reason economists use "Partial Productivity Measures," the most common of which are output per man-hour and output per capital investment.

The U. S. output per man-hour has been rising during the past three generations at about 2.0-2.5% per year and, since World War II, at 3.0-3.5% per year (71). The increase itself is more than the total output per man-hour in many areas of the world. The increase in productivity is due, first, to heavy investment in capital equipment, plants, public improvements, and other tangible capital goods; second, to increasing education of workers and on-the-job training; and, third, to intangible capital investments such as research and development.

Increasing emphasis on research and development has brought about rapid advancement in our technology. Whole new industries flourish which were not even in existence 20 years ago. Vocabularies include such words as Orlon, stereophonic, polyethylene, tranquilizer, power

steering, Nike, and electronic computer. Industries are investing vast amounts in research to improve their products and to develop new ones in addition to improving production methods. The government is spending billions of dollars for research in its space program, for armaments, and in the uses of atomic energy.

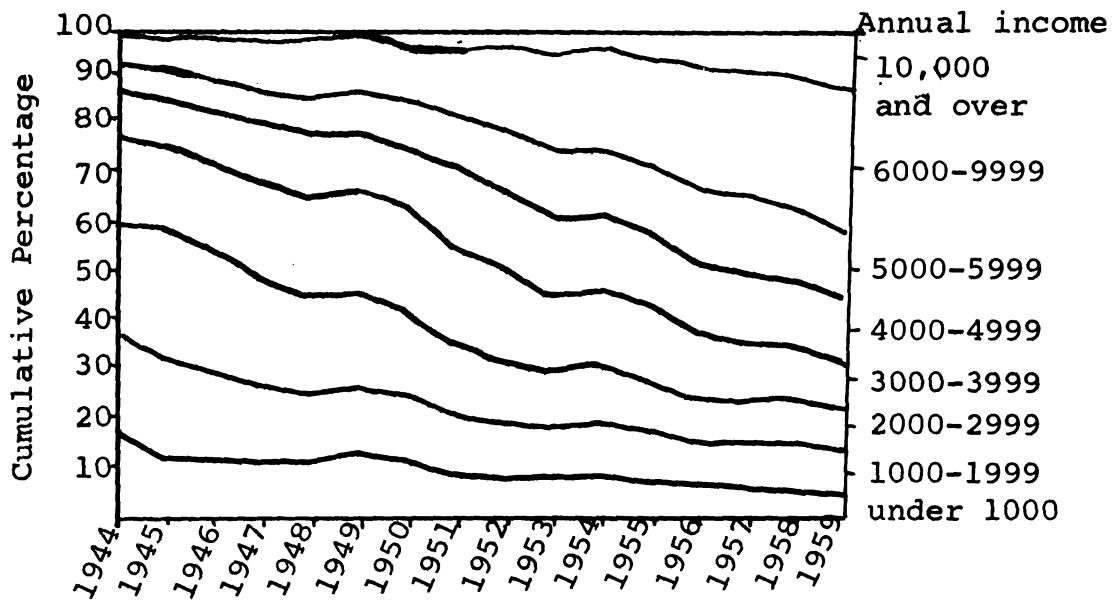
A third factor contributing to a rising standard of living is the amount of available resources, both natural and human. Through research, new ways are being found to conserve our natural resources and to use them more efficiently. In many cases, substitutes are being man-made which are cheaper and more effective than the natural material. Our rapidly expanding population provides not only a growing market but also an increasing source of labor. Furthermore, the educational level of our labor force is rapidly rising, and advanced educational opportunities are increasingly available for lower and middle income groups as well as for the wealthy. People now being trained in colleges and universities and professional schools will form the core of tomorrow's labor force which will furnish trained specialists and technicians needed in the increasingly mechanized work world.

Gains from advanced technology and increased productivity can affect an economy four different ways: increased goods and services may be produced to be consumed by the economy, resulting in a higher standard of living; the man-hours required to achieve the same level of production are reduced, resulting either in a shorter work week or unemployment or both; profits may be invested in capital equipment, accelerating economic growth; military expenditures may be increased to strengthen national security. In our economy the gains from technology and productivity have been expended all four ways. Increased consumer goods are produced, and the wide distribution of income makes them available to all; work hours are shorter, having fallen from 60 hours a week in 1900 to 35 today in many industries, while unemployment is up, even in the peaks of the business cycle; capital investments are high; and the defense budget is a large portion of the federal budget.

The major effect of these gains on the American economy has been to increase incomes continually and provide a rising demand for products. The most rapid strides have been made by the lowest income groups. Since 1944

the percent of families having less than $1,000 income per year has declined from 17% to 5%. The average real family income has risen since World War II from $4,000 to $5,600, about 40% or about 2-1/2% per year (Figure 7).

Figure 7.--Cumulative percent distribution of money income of families in the U. S.: 1944-1959.



Source: Statistical Abstract of the U. S.: 1961, p. 319.

Unionization and social legislation which regulates work hours, conditions and wages, plus unemployment compensation and social security have also contributed to the rising income level of the American worker. Today, blue-collar and white-collar are often indistinguishable in

their buying habits. Both are likely to own their own homes, have a television set, automobile, automatic washer and dryer, and go on a paid vaction every year. On the other hand, since the graduated income tax prohibits the growth of large fortunes, American is fast becoming a middle-class nation. Figure 7 shows the distribution of income among U. S. families.

Multi-Earner Families

The increasing number of multi-earner families has contributed to the rising family income. More than 20 million of the country's 45 million families have two or more members at work and in over half of these families the only other earner is the wife. The number of working wives is rapidly increasing. In 1950 about one-fifth of all married women were at work, compared with one-third today (82). Multi-earner families are growing at an annual rate of about 3%, double the growth rate of households.

Although earning extra money is of prime consideration to working wives, their participation in the labor force is not limited to wives from low-income

families. One-third of the husbands who made $5,000-$7,000 and one-fourth of the husbands earning $7,000-$10,000 in 1959 had wives in the labor force. While wives from lower-income families work out of necessity, middle-income wives work for the few extras they might not otherwise have, such as home furnishings, vacation trips, or college for children. Upper-income wives work because they want to--to fill their leisure time after the children are in school, to use their higher level of education and training, and to seek the prestige and self-fulfillment of a career. Because upper-class women are usually better educated, they are able to earn more money than middle and lower-level women, making it more worthwhile for them to work.

Working wives are filling an increasing need for trained specialists, clerical workers and service employees. In order to make the best use of this labor pool, industry is offering part-time jobs and working hours designed to fit into a working wife's family schedule. Zoe Campbell (15) of the National Industrial Conference Board's Business Record estimated that the working wife contributes around 20-24% of the family income.

Multi-earner families are found predominantly in the middle and upper-income brackets, probably by virtue of the extra income. The median income for all families in 1960 was $5,620; for one-earner families, $5,192; for two-earner families, $6,438; and for three-earner families, $8,002 (143). Multi-earner families have contributed to the establishment of the United States as a middle-class nation.

The buying habits of the working wife differ from those of the non-employed wife. Families with a wife working are more likely to eat out, or to eat food prepared elsewhere and taken home. These families also spend more on entertainment. A portion of the wife's salary goes for the additional expenses stemming from her job, such as clothes and accessories, personal care, grooming aids, and for housekeeping and child care. Unless her salary is needed to satisfy the minimum needs of the family, the extra income is likely to be spent on consumer goods to improve the family's standard of living.

Discretionary Income

The rapidly increasing income of American workers prompted economists to develop a new concept to explain how consumers handle the extra income. The term is discretionary income--that part of the income left over after all necessary spending is done. Discretionary income may be saved without any reduction in the standard of living, or it may be spent freely without the pressure of need or prior commitment. In other words, the consumer has a high degree of control over this extra money and he uses his discretion in spending it.

While the concept itself is fairly simple, it is a difficult one to translate into dollar statistics. Spending for such items as boats, vacations, and furs are relatively easy to catalog, but problems arise in determining how much of the food purchased is beyond the "necessary" level. If the barest minimum of food, shelter, and clothing is taken as necessity, then practically all expenditures Americans make for these items are discretionary. On the other hand, if the purchases required to maintain the present level of living are taken as necessity,

then practically the only discretionary income would be that which is unspent or saved. To solve this dilemma, the National Industrial Conference Board (51, 97) has established points between the present level of living and the barest minimum necessities and uses these points as a basis for determining discretionary income. These points are slowly raised as the standard of living rises, making more "luxuries" into "necessities." Thus discretionary income is progressively deflated by a rising standard of living. Some specific discretionary outlays are for food, liquor, tobacco, clothing, jewelry and accessories, personal care, housing, household operation, personal business, transportation, recreation, private education, religious and welfare activities, and foreign travel.

In order to arrive at discretionary income, the Conference Board has used the following formula:

Disposable income (all income received less personal income tax).

Less: Imputed income and income received in kind (not received in money form).

Less: Major fixed commitments.

1. Scheduled repayments of homeowner and installment debt.
2. Net insurance and pension payments.
3. Homeowner taxes and tenant rent.

Less: Essential outlays.

1. Food)
2. Clothing)
3. Household utilities)
4. Medical care and death expenses)
5. Purchased local transportation)

Standards defined by the Conference Board

From this formula the Conference Board arrived at the following statistics on disposable and discretionary income:

TABLE 9.--Per capita disposable and discretionary income in current and constant 1947-1949 dollars: 1939-1956

Year	Per Capita Disposable Income		Per Capita Discretionary Income	
	Current Dollars	1947-1949 Dollars	Current Dollars	1947-1949 Dollars
1939	$ 537	$ 904	$ 173	$ 285
1945	1,075	1,398	517	657
1949	1,261	1,239	441	428
1953	1,567	1,370	546	471
1956	1,709	1,471	589	506

Source: National Industrial Conference Board, Discretionary Income (Technical Paper No. 6).

Although discretionary income shows a slight long-term trend upward, the Conference Board feels that it would have been greater had there not been an exceedingly rapid increase in fixed commitments, mainly in installment and homeowner debt which has quadrupled since 1939.

Because a large portion of spending for food away from home is discretionary, restaurants must compete not only with each other but with all the other outlets for discretionary dollars, such as the department store, grocery, travel agent, theater, university, charity and the bank. The homemaker may decide to eat out tonight and cook a chuck roast, instead of standing rib, for Sunday dinner, or she might decide to eat at home tonight because she is saving for a vacation trip.

Because consumers now can make this choice, they are becoming far more sophisticated in their buying. They look for certain features and qualities in what they buy, and they compare before spending their money.

CHANGING SOCIAL PATTERNS

One outstanding social characteristic of the American people is their mobility. They move from farm to city, city to suburb, occupation to occupation, home to vacation area, and social class to social class. Unlike the European social system, American society does not confine its members to the occupations, geographical confines, and social levels of their parents. Americans are able to move to better housing and to upgrade themselves occupationally through public education. With increasing income and credit financing, they are able to emulate the living standards of higher social groups. Americans move about the country on business and pleasure trips, and large numbers of people move their households from place to place as their jobs demand.

Urbia: Sub-, Inter-, and Ex-

Probably the most significant change in the social patterns of the American culture in the past half-century

is the shift from a rural to an urban economy and, more recently, the development of the vast, sprawling metropolitan areas. Rapid advances in industrialization meant not only mechanization of farm work, yielding higher productivity per acre, but also more jobs in urban areas. Rapid advances in industrialization meant not only mechanization of farm work, yielding higher productivity per acre, but also more jobs in urban areas. In 1910, 54% of the population lived in rural areas and 46% in urban areas. The proportion had changed to 30% rural and 70% urban by 1960 (144).

To measure urban population, the Bureau of the Census uses a unit called the Standard Metropolitan Statistical Area or SMSA. The SMSA includes: incorporated places of 2,500 or more inhabitants, densely settled urban fringe around cities of 50,000 or more, and unincorporated villages or other compact settlements outside any urban fringe. The urban population of the U. S. is presently contained in 168 areas which meet this definition.

In rural areas, the population increased by about 7% from 1950 to 1960; central cities increased by about 11%. In the suburban and urban fringe areas, however,

the population increased by almost 49% in the same period. Within the five SMSA's of three million or more inhabitants (New York, Los Angeles, Chicago, Philadelphia, and Detroit), the gain in the central cities from 1950 to 1960 was only 1%, but it was as much as 71% in the surrounding suburbs (132).

Census experts see the rapid growth in suburban population simply as a continued peripheral growth, the central cities having overflowed their boundaries into the surrounding towns and countryside. Technological developments such as motor vehicles, hard-surfaced roads, telephone, radio, the transmission of electric power and gas, and sewage disposal now permit deconcentration of the population.

The peripheral growth is composed mainly of upper-income groups seeking the newer and more desirable available housing. Generally, they are young adults with children, wanting safe play areas, good schools, and attractive neighborhoods.

Suburban growth is selective, and suburbs tend to be fairly homogeneous in their composition. The Fortune study (153) of Park Forest, Illinois, and other suburbs

showed that suburbanites are mostly professional people and corporation executives, although some suburbs are composed of workers and lower-income groups. Large numbers of children are common to all suburbs, however.

As a result of selective growth, suburbs are differentiated according to the income and social class of their residents. Executives and professionals who are rising in income and prestige move from house to house and suburb to suburb. Also, in making these moves upward, corporation executives are frequently transferred by their companies from city to city. All this makes impermanence and mobility a major characteristic of suburban life. In order to adjust to new neighborhoods, suburbanites develop a certain autonomy based on the prevailing standards of "culture" and "good taste," allowing them to fit into their new community wherever they move. This set of interchangeable roots takes the place of strong ties of home, family, and friends which no longer exist for these people.

Public relations man Robert Smith (126) discussed the problem of suburban mobility and its effect on the old established "home-town" businesses. He found that,

although the native residents of an area knew the various businesses through their long-established reputations, the new-comers do not have this image of the local stores and services. Merchants in this position may find their sales volume slipping as the native residents leave the area and competitors move in to cater to the suburbanites. Mr. Smith felt that local merchants should plan their public relations program to appeal to the suburbanite's need to establish roots and to "belong" in the community. This can be done by playing up the local business's part in the history and traditions of the area and its contributions to community life.

Home life in suburbia is centered around the children and the family car. Life is informal, with emphasis on outdoor activity, although for entertaining guests and celebrating special occasions, suburbanites prefer a more formal, sophisticated atmosphere. Entertaining is usually done in the home, but a market exists for fancy, restaurant take-home items such as specialty breads and pastries which lend a distinctive touch to the meal. Because of the homogeneity of suburban life, suburbanites strive to conform to the accepted behavior patterns but to be different

from their neighbors in little ways. Their efforts at individuality are usually centered in home decoration. "Good taste" is the criterion of whether or not an effort at individuality is acceptable behavior in suburbia.

The biggest development in suburban marketing has been the shopping center. Such a center consists of a large number of stores selected to provide the proper balance and selection of goods and services. The buildings are integrated architecturally and parking space is plentiful and convenient. The shopping center concept is presently being expanded to provide for social, cultural, and civic activities by inclusion of meeting rooms, office buildings, and recreational facilities.

Night and Sunday shopping is another recent development in suburban marketing. With large numbers of women working, and many others confined to their homes by small children or lack of transportation, night and weekend shopping has rapidly increased in popularity. In many other families, these shopping hours allow the men to participate in the purchasing for the family. For these families, "going to the store" is a family activity.

Recently, business and industry have also been moving to the suburbs in order to take advantage of lower taxes, more space, lower property costs, quick access to freeways, and proximity to residential areas. This has created a market for hotel and restaurant services for traveling business men, and for meeting rooms and entertaining facilities. Businessmen often prefer to hold meetings in airport motels to avoid the long trip into town.

The suburban population explosion may be an interim phase in the development of a megalopolis or "inter-urbia." Inter-urbias are found where the suburbs of one city meet those of another, or where the intervening areas between towns and cities are not farming lands and are relatively densely populated. Freeways and limited-access highways provide rapid transportation throughout inter-urbia. Presently, inter-urbias exist along the Connecticut-New York-New Jersey coast, between Milwaukee-Chicago-Gary, and between Toledo-Cleveland-Erie, and in other industrial centers.

Freeways to and through the city, common ownership of automobiles, the search for more space, privacy and pleasant surroundings, and availability of telephone,

radio, electricity, and fuels have all contributed to the growth of inter-urbia. With this growth has come the market for consumer goods and services. One implication of inter-urban marketing is that the large suburban shopping centers draw business not only from their own immediate areas, but from towns and cities as far as 40 or 50 miles away via freeway. For this reason, advertising to the inter-urban market requires a somewhat different approach than does the local market. The advertising media selected must cover the entire market area, not just the local area. The warehousing and delivery of merchandise to outlying stores and homes also creates problems for the retailer in inter-urbia.

Chambers of commerce and merchants' associations in many inter-urban areas have found that the lure of shopping centers in more distant cities has drawn away much of their local business. Full-scale campaigns to promote local downtown and suburban shopping areas are being used to keep the shoppers at home.

The mass exodus of the middle and upper-income groups to the suburbs has created a number of problems for the central cities. The population remaining, largely

the lower-income groups, must support schools, roads, police and fire protection, sanitation, parks and recreational programs, and all the other services a city provides for its residents. In addition, roads, parking facilities and public transportation are taxed by heavy use of commuters.

A counter-movement to this exodus to the suburbs is the trend toward down-town apartment living. Authorities feel that many suburbanites who are tired of commuting and maintaining a house will prefer to move back into town when their children are grown. Also, at this point in their lives, the suburbanites' incomes have risen sufficiently so that they can afford the high rents of a modern town apartment.

To capitalize on this theory and to bolster their sagging down-town areas, many large cities are planning urban renewal and redevelopment plans with the help of federal aid. By replacing the slums and declining areas around the city center with apartments, offices, stores, and convention centers, city planners hope to draw people back into town from the suburbs. To provide transportation, they are planning parking garages both above and

under the ground, a vast network of freeways linking with the interstate and other highway systems, and fast, efficient public transportation systems such as subways, rapid transits and monorails.

There are four different approaches to the problem of urban renewal (94): 1) Get the people in and out quickly through improvement of traffic and transportation facilities, 2) Give the city back to the people by separating pedestrians and vehicles through the use of shopping malls. This approach also includes improving the aesthetic qualities of the city, 3) Proper use of the land, such as removal of residences from the industrial areas, and 4) Rebuilding or replacing the slums that constrict the center of town. Housing projects are built for low-income families.

Whatever approach is used, however, planning is emphasized. Victor Gruen (115) believes that there should be no conflict between the "downtowners" and the "decentralizers." The two areas should be seen as complementary units of the whole urban community, and both must be planned as such. Downtown serves as a market for shopping goods (large purchases compared before buying) since it can maintain a wide selection of merchandise. It is also a center

of entertainment and cultural activity, and a center of concentrated business activity. Downtown is the hub of administration and warehousing for businesses in the surrounding area. It may also be the location of local, county, state, and federal government activities. Suburban shopping centers provide "convenience" items, such as food, drugs, housewares, and automotive needs. Very little shopping around is done for this type of goods. Thus, downtown and suburban shopping areas serve different markets or, rather, different needs of the same market.

Whether a restaurant is located in downtown, suburbia, or interurbia, its management must be aware of the market it serves. Downtown restaurant business is mainly luncheon trade from office workers, business and trades people and shoppers. Dinner business in downtown areas is dwindling in most large cities, except in theater districts, convention centers and areas catering to tourists. In the suburbs, dinner is usually the bigger meal in terms of volume, although some restaurants in shopping areas may do a large business serving shoppers and special parties or teas. Since suburbanites depend on their cars for transportation, adequate parking facilities are a necessity for the suburban restaurant.

Suburban dependence on the automobile has brought about the development of a new marketing concept, the drive-in. Movies, banks, laundries, and stores, as well as restaurants, have capitalized on the popularity of "drive-in." Some retailers foresee completely automatic drive-in retailing for all kinds of consumer goods in the not-too-distant future. The drive-in restaurant has been successful because it fulfills many of the needs of the suburban restaurant patron. The suburbanite can take his family to the drive-in without concern for his children's public manners; he doesn't have to dress up; and the meal is relatively inexpensive. Financial World (36) reported that about 50% of the drive-in business comes from local families, 20% from transient trade, and 30% from teen-agers who spend one-third of their allowance on hamburgers, French fries, milk shakes, and soft drinks. It is significant that these are the people who will make up the core of the future restaurant market. According to Financial World, drive-ins do about one-third of the nation's restaurant business and are the fastest growing segment of the industry.

Social Stratification

Social class is primarily a way of describing one of the status systems operating in a society. It is a way of ranking other people according to whether they are superior, inferior, or on the same level as oneself. W. Lloyd Warner (148) first reported this social class system in the 1930's. In his research he found six levels of social class in America:

1. Upper-upper class, comprising about 1% of the total population. They are the "old family" elite with inherited wealth and established lineage.

2. Lower-upper class, also about 1% of the population. These people may be wealthier than the upper-uppers, but their wealth is newer, and their manners and tastes not quite so polished. Their sense of lineage is less pronounced.

3. Upper-middle class, about 10%. This group is made up of moderately successful businessmen and professionals. They have less wealth than the lower-uppers. Some education and polish is required for membership in this group but lineage is unimportant.

4. Lower-middle class, about 30% of the population. These are the small businessmen, school teachers, foremen in industry. The emphasis in this group is on respectability. They are the church-goers, lodge members, and "flag-wavers."

5. Upper-lower class, about 32%. The solid, respectable laboring people who keep their houses clean and stay out of trouble.

6. The lower-lower class, about 26%. These are the disrespectable people who wait for public relief. They are often slovenly, living from day to day.

Since Warner's research in this area was published, many other social scientists have found variations of the six-level society existing throughout the country.

In talking about this system of social stratification, Sociologist Burleigh Gardner[7] said,

> These social strata tend to define the social world in which a person largely participates. It defines his kind of people and within it are the circles from which he draws his major satisfactions of interpersonal contacts. Since most of his social contacts and participation and most of his friendships lie within his own class level, this becomes the source of many of his standards of conduct, his way of life, and his value systems.

Within the system of social status is the idea of social mobility which permits movement both up and down the scale. This is the American dream that everyone should have the opportunity to better himself, translated into rising in the social system. In order to rise in the system, however, one must have more than rising income and

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[7]Burleigh B. Gardner, "Status and Consumer Behavior," Consumer Behavior, Vol. II of The Life Cycle and Consumer Behavior, ed. Lincoln H. Clark (New York: New York University Press, 1955).

the proper occupation; the beliefs and values of the higher status level must be internalized, and the person must be accepted by the group.

The values of social class are of extreme importance in marketing. A lower-class person will not buy a product if he feels that it is not appropriate for a person of his level, but a middle-class member may feel that the same product will give him prestige among his peers. Thus, in addition to their utilitarian functions, goods are expressions of status factors, and give identity to a particular social class.

One such good is food. Food preferences and dining habits vary greatly among social classes, and knowledge of dietary habits is one key to social mobility. In the upper classes, social prestige is derived from knowledge and consumption of rare or expensive foods, or of dishes which are expensive to prepare. Sociologist Harriet Moore (106) stated that as a person strives to gain entree into a more sophisticated social group, he will almost invariably be alert and receptive to the food preferences and dietary habits of its members, because failure to do so may mean failure to get "in."

Stores and services, too, have overtones of social class. An upper-class woman "wouldn't be caught dead" in a store catering to lower-class trade, while a middle or lower-class shopper thinks that the clerks in a high-fashion salon are "snooty." In the same way, restaurants are evaluated by the class of patrons to which they cater. A lower-class patron may be psychologically threatened by a head waiter, while an upper-class patron finds social prestige in being recognized by the staff of a particular establishment. In this way, some restaurants become places to see and be seen, while others concentrate on the sale of food and de-emphasize such social functions as decor and fancy service.

Thus, social class is one characteristic of the market which directly influences the goods and services which that market will or will not buy. A restaurant operator must determine the social class of his patrons and have some understanding of the habits and preferences of that social class in order to successfully serve his market.

The Growing Credit Economy

Credit buying in the U. S. has had spectacular growth for a number of reasons: 1) There has been a basic change in the social and moral acceptability of debt. It is no longer considered sinful to owe money, or virtuous to be thrifty. 2) Inflationary tendencies of the economy encourage buying on credit and repaying with "cheaper" dollars. 3) With the growth of Social Security, pension plans and hospitalization insurance, saving for future contingencies has become less necessary. 4) Early marriages mean that new families are created while their earning power is relatively low but their needs for household goods are high. Credit buying allows these young people to pay for their home furnishings as they use them. 5) With the rising standard of living, more and more luxuries are becoming the necessities of daily living. The prosperity of the times makes younger people optimistic concerning future prosperity. They think that, since the economy will continue to expand, times will be good and there is no need for self-denial. These people are too young to remember the depression years. 6) The use of servants or domestics is declining but the view that the

wife is more than a housekeeper is rising. The only answer has been to provide the wife with all sorts of labor-saving devices in order to eliminate the drudgery of housework.

Available consumer credit has been a great spur to consumer spending. A full 25% of all retail sales are made on credit. Edwin B. George (57) said that credit is the lubricant that facilitates the increased flow of goods in our economy.

The credit card is an off-shoot of this trend toward credit buying. Credit cards were originated by the oil companies as a service to motorists and today the majority of cards in circulation are those of the oil companies. In addition, 5-1/2 million other cards are in circulation, issued by hotels, air lines, stores, credit card companies, restaurants, and banks. Businessmen were the first to recognize the advantages of paying their travel and entertainment expenses with the credit card. The executive doesn't have to carry large sums of money with him, and the charge slips provide an accurate record of his expenses. About one-half of the credit cards are held by company officials and representatives. With this wide acceptance by business executives, the credit card has become a symbol of status and prestige.

Fine stores, restaurants, and hotels have found that they can no longer refuse to accept credit cards. Customers feel that this service is inherent in a fine-quality, reputable business. In order to provide this service, restaurants may subscribe to one of the national credit card companies, maintain their own systems, or belong to a local group plan. Although some restaurant operators have devoted considerable effort to fighting the credit card, many others have come to the conclusion that credit is becoming a necessary part of doing business.

Increasing Leisure Time

Increased leisure time, one of the benefits of increased productivity and technological growth, is a many-sided facet of the American society. But, although leisure has implications for sociologists, educators, political leaders, and religious leaders, it is the marketing aspect which has the most significance for the restaurant industry. Gracious dining has been considered in itself a form of leisure-time activity (74), and eating out is considered a natural addition to many other recreational activities.

Recreation

Some writers (74) foresaw increased leisure as a threat to society, that the tendency to be spectators would "reduce the mass media audience to an imbecility of nonparticipation (48)." Others prophesied an increase of alcoholism, delinquency, and other social evils. What actually happened, however, is just the opposite. While some workers are taking second jobs to augment their incomes, others are spending more and more free time in participation activities. Hunting, golfing, boating, bowling, and fishing are all increasing in popularity. As for alcoholism and nonparticipation, the national liquor bill actually dropped in the 1947-1952 period, and since then has remained about the same; TV viewing has also declined slightly, and stronger declines have been felt by spectator sports and movies. Taking their place as leisure time activities are cultural pursuits such as painting and sculpting, music and theater, recreational travel, and reading. The swift rise in the sales of paperback books, particularly in better quality editions of the classics, political and business books and other good literature, was totally unpredicted.

Institutions Magazine (135) predicted a rise of "pleasure domes" in the Sixties. These recreation centers house swimming pools, gymnasiums, ice rinks, meeting and class rooms, motel, restaurants from French service to snack bar or whatever facilities the management wishes to install. Institutions felt that there would be a definite place in the next few years for family recreation facilities coupled with food service and motel rooms, but warned that public tastes are fickle and that "There is always a possibility that patterns of leisure activity will change under the shifting sands of status, or mobility, or pressure from varying promoters."[8]

For this reason, the operator should not base his pleasure dome on one type of recreation facility but should be ready to change with the market.

The changing patterns of leisure time activity have significance for restaurants. Restaurant operators who draw business from movie patrons and sports spectators have found their sales volume decreasing, while those who

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[8]"A Special Report on the New Leisured Masses and Your Stake in Their Discretionary Pleasure Dollars," Institutions Magazine (June, 1961), pp. 6-14, 23-30.

cater to bowlers, swimmers, skaters, and boating enthusiasts see increasing opportunities ahead.

Travel

With increasing discretionary income and increasing leisure time through a shorter work week and paid vacations, domestic travel is becoming one of the fastest growing industries in the United States. Foreign travel abroad, thousands of upper-income people, the restaurant's best customers, are being exposed to new tastes in foods and are becoming more sophisticated in their food preferences.

Domestic travel has a more direct effect on American restaurants, however. Turnpike and airport feeding are million-dollar businesses. Airlines consider their food served in-flight as a competitive factor in drawing passengers. Some restaurants are built directly on a tourist trade, such as those at Disneyland and Freedomland in New York. Roadside restaurants, resorts, and down-town restaurants cater to tourists as well as the local trade.

Travel for business reasons has also increased, due to increased business activity and the trend toward big, far-flung corporations. The convention is becoming almost a habit in business. The "executive vaction" is an accepted fact: the executive takes his family along on a business trip, and then takes a few days off for a little tour on the way home.

Estimates of the amount of money Americans spend on travel run as high as $25 billion, with about one-fourth of this for business travel. In 1957, the Bureau of the Census made a survey of travel (145) and found that during that year the civilian population of the country made 231 million trips totaling 1.6 billion trip-days away from home.[9] Visits to relatives accounted for 546 million trip-days; vacation and pleasure, 61 million trip-days; and business accounted for 44 million trip-days. Between 85-90% of all travel is done by car, and the majority of trips are taken by families in the middle and upper-income range. Curtis Publishing Company found in their series of

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[9]A trip-day is one person going at least 100 miles and returning the same day, or going out of town and staying overnight. An overnight is counted as two trip-days.

travel surveys (28) that 70% of the traveling was done by families having $5,000 or more income.

The National System of Interstate and Defense Highways has had a great impact on the traveling American public. Planned to handle the traffic of 1975, these roads will form a 41,000 mile network covering the entire country. Total cost of the program is $41 billion with the states paying $2.5 billion and the federal government providing a $25 billion subsidy. The balance, mainly for tunnels and bridges, is financed through tolls. The system is presently about one-third completed, one-third under construction, and one-third still on paper.

The Interstate system is affecting the economy in various ways. First, automobile travel is even more enticing and the motorist can travel further, faster, safer, and stay longer than he did before. Second, while the Interstate system routes traffic around metropolitan areas, feeder-freeways into the downtown areas are expected to bring increasing local traffic into the downtown sections, rejuvenating these areas. Third, with access to downtown via expressways and freeways, the urban population is no longer confined to city and suburbs but can move out to

locations near the highway and, in so doing, move the consumer market with them. Business enterprises are also finding it advantageous to relocate near the expressways. Fourth, this relocation of business and people helps to support the industries which serve the travel market. Mr. G. Carroll Weaver of Harris Kerr Forster says,

> The preponderance of data in our firm's files show that a restaurant with a highway location must generate business from the surrounding local communities if it is to be financially successful. Transient highway traffic alone seldom can support the average restaurant operator.[10]

Fifth, many commercial enterprises catering to the motor traveler, including restaurants, gas stations, and motels have found their business routed away from them when the expressways opened. Land around the access roads rose in value, putting it beyond the reach of many small restaurant owners, but big chains such as Holiday Inn and Howard Johnson are building multi-million dollar units to capitalize on the expressway traffic.

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[10] G. Carroll Weaver, "The Interstate Highway System: Its Effect on the Food Service Industry," Transcript (November, 1959), pp. 1, 6, 7.

Specialty Foods

Another outlet for discretionary time and income is gourmet or specialty foods. Through television, movies, newspapers, home service magazines, and travel, middle-income groups have been exposed to such items as smoked oysters, imported cheeses, and foreign breads, and the whole gamut of domestic and imported wines and liqueurs. The market for these items is presently small, but rapidly growing as these foods take on increasing social significance. Social prestige is attached to knowledge of rare, expensive, or hard-to-prepare foods. In The Status Seekers, Vance Packard (106) stated that knowledge of dietary habits of various social classes is one of the keys to social mobility.

Because of this quality of social prestige, increasing emphasis is being placed on the preparation of food as entertainment. Nelson N. Foote, Professor of Sociology and Director of the Family Study Center at the University of Chicago, has commented that

> . . . the social rituals of cooking are becoming elaborated into an art of boundless proportions; not only is cooking becoming more and more efficient, it is becoming an end in itself. It consumes increasing time, attention, and ingenuity;

> attracts a more and more critical and appreciative audience; requires improved techniques for achieving aesthetic ends.[11]

Katherine Hamill of Fortune felt that snobbism is an important factor in the growth of the specialty food market, particularly in suburbia, where there is emphasis on entertaining, and suburbanites are looking for something new that the neighbors haven't served. Miss Hamill concluded that

> Many Americans now buying fancy foods for their own use may be doing so out of curiosity or snobbism . . . . However shallow the original impulse to buy, the lasting result may be a greater sophistication of the American taste.[12]

Business Entertaining

Business entertaining is an accepted custom in business, as old as buying and selling, but its recent portrayal in popular novels and movies about the business community has been greatly exaggerated. Most businessmen

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[11] Nelson N. Foote, "The Autonomy of the Consumer," Consumer Behavior, Vol. I of The Dynamics of Consumer Reaction, ed. Lincoln H. Clark (New York: New York University Press, 1954).

[12] Katherine Hamill, "Caviar in the Supermarket," Fortune (January, 1959), pp. 101-103ff.

feel that some good will entertaining helps to establish a climate of confidence with their clients. Personal contact is more effective in a social atmosphere than in an office. Extravagant entertainment with liquor and night clubs is of questionable value, though, since most company buyers do their purchasing on the basis of product value, not how they were entertained.

In addition to good will entertaining of clients, Seymour Freedgood (53) lists eight types of business banquets: to honor or introduce an individual; for a "cause" or fund-raising; to give awards for civic, cultural, or professional achievement; to instruct or entertain; to promote; as idea sessions for top executives; functions sponsored by trade associations, professional groups and foundations; and political events. Protocol also requires government officials to entertain. The State Department has a budget of $2 million a year for entertaining.

Because of the exaggerated picture of business entertaining in books and movies, and some misuses of expense account deductions from tax returns, the government is presently pushing for stringent restrictions on such deductions. President Kennedy recommended a $30 a

a day limitation for business travel expense, and complete elimination of business entertainment deductions. The National Restaurant Association, in lobbying against these restrictions, estimated that a $2 billion restaurant market is involved, about 20% of the total industry volume. Convention and banquet business would be almost completely eliminated. Although the N.R.A. does not condone income tax abuse, it feels that the present laws with proper enforcement would be sufficient, and that the elimination of business entertainment would prove a great detriment to business relations and to the restaurant and related industries.

Implications

Among industries, the restaurant industry is a paradox, being both ancient in origin and tradition, and newly emerging in management concepts. The idea of preparing meals for sale dates back to pre-Roman times, while the idea of a restaurant as an efficient, profitable business enterprise is only now developing. Restaurants are still sometimes thought of as houses of the

disappearing art of haute cuisine, or an extension of a certain family's hospitality.

In the modern, highly mechanized and interdependent society, however, restaurateurs who do not see their operation as a business and who do not apply known, tested business principles in its operation are doomed to failure. One of the most basic of these business principles is the knowledge of the consumer market and the ability to meet that market.

In summarizing the changing patterns in the American consumer market, we can say that: first, the population is increasing very rapidly, particularly in the numbers of children and people over 65. Second, consumer income is growing even faster than the population, with the greatest rise in the income of the middle class. Some of this increased income is due to greater numbers of working wives in the labor force. With a rising level of living, consumers are working shorter hours and have more dollars available for discretionary spending. Third, changes in American social patterns have radically affected the consumer market: a growth in suburban living, coupled with dependence and emphasis on motor transportation; greater

informality and increased demand for fun and recreation, including pleasure travel; rising interest in education and cultural activities and a growing credit economy. Large corporations have developed which employ greater numbers of white collar workers, transferring them around the country, giving the American community the quality of both physical and social mobility.

With all these forces bearing upon it, the restaurant industry is forced to change its approach to the consumer market. The industry has probably changed more in the past 50 years than it did during all the previous history. Types of food services are emerging which were inconceivable a few years ago.

Automatic vending machines, for example, incorporate heating and refrigeration devices, changemakers, and electronic reheating units. These machines are gaining usage in areas where cost would make a manned operation uneconomical.

The rapid growth of business and personal travel has brought about rapid changes in restaurants which serve travelers. The original restaurants catering to travelers in colonial America were the country inns and post houses.

Fred Harvey advanced the field in this country with his railroad terminal restaurants and dining cars. Increased dependence on automobile travel brought the development of tourist courts and motels, which have progressed from their rather tawdry beginnings to large, beautiful plants. Their food services are aimed at attracting not only travelers, but also conventions, local meetings, and dinner trade. Toll-road restaurants, airport restaurants, and airline catering are the newest versions of food services catering to travelers.

The shift from an agricultural economy to a manufacturing economy took workers away from home for long periods of time, including meal periods. Employers found that it was to their advantage to feed their workers on the premises and turned the job over to industrial caterers. Labor unions supported the idea, considering subsidized lunch rooms a fringe benefit.

Drive-ins are the most rapidly growing segment of the restaurant industry (36), probably because they cater to the most rapidly growing segment of the population, suburban automobile-oriented families with children and limited incomes.

Specialty houses such as steak houses or Polynesian restaurants cater to the more sophisticated tastes of today's restaurant patrons. A different type of specialty house limits itself to the 15¢ hamburger or the $1.09 steak, or a wide variety of pancakes. Through lower overhead due to specialization, these restaurants are able to charge lower prices.

Large multi-division companies have grown in the past few years, catering to different sectors of the changing restaurant market, as restaurants are becoming more and more large corporate enterprises.

A small but rapidly growing segment of the restaurant industry is the food and liquor services in recreational clubs. Historically, some of the finest restaurants have been in private clubs. Today the recreation clubs are available to almost everyone, and their food services are increasing in number and sales volume. Bowling alleys, swimming pools, golf clubs, skating rinks, and gambling casinos all offer some sort of food and/or liquor frequently with more than one type of service. Experts (127) foresee the growth of large recreational complexes with many types of recreational facilities and

a variety of food services, catering to a public with increasing leisure time.

These are some of the responses the restaurant industry has made to the demands of a highly mechanized and complex society. These responses are the result of knowledge of the needs of the market and the development of products and services which fulfill these needs. It is precisely the restaurant operators who have assessed their markets and geared their operations to serve them who have been able to maintain and expand their profitable businesses in an industry with one of the highest failure rates in the country.

G. Carroll Weaver of Harris Kerr Forster summed up the picture of restaurant marketing when he wrote:

> . . . the problems and difficulties of the operator in many cases were directly linked with changing markets and a lack of understanding as to the significance of the change and how to cope with it.
>
> I suggest that the answers and solutions to meeting changes in the market and customer attitudes can come only from an intelligent study, analysis and appraisal of the facts of the market, the present demand, and the developing potentials. Establish the needs, and then produce the products and services to meet these needs. . . .
>
> The success of these operators who were definitely confronted with adverse trends

steadily undermining and depleting their business, was due to their ability to seek out and face facts and adapt products and policies to the determined market pattern.

In today's market, you are in the minority if you can stand still and maintain a profitable business.[13]

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[13] Weaver, Transcript, pp. 1, 6, 7.

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