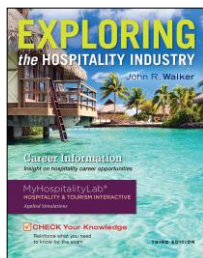


## Exploring the Hospitality Industry

THIRD EDITION



### CHAPTER 7

#### Restaurants

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## Learning Objectives

- Describe the different characteristics of **chain and independent restaurants**
- **Classifications of restaurants**
- Describe **characteristics of the restaurant market**
- **Sustainability** in the restaurant industry

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## Restaurant Origins

- The restaurant Industry 2017:
- <https://www.youtube.com/watch?v=iUyFJOxpSoI>
- What is hot in 2017:
- <http://www.restaurant.org/News-Research/Research/What-s-Hot>
- Oregon:
- [http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/OR\\_Restaurants2016](http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/OR_Restaurants2016)
- Restaurant Industry Sales:
- <http://www.restaurant.org/Restaurant/media/Restaurant/SiteImages/News%20and%20Research/Industry%20dashboard/Annual-sales-for-Dashboard-2016.jpg>

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- First restaurant believed to have originated in 1765 when Monsieur Boulanger created the first European restaurant in Paris.
- The word restaurant comes from the French word (*restaurer*) meaning to *restore*.

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Restaurant Origins  
Credit: ariadna de raadt/Shutterstock



## Restaurant Basics

- Restaurants are a vital part of our lifestyle.
- The restaurant industry employs over 13 million people and is a multi-billion dollar business.
- As a society, we spend over 50% of our food dollar in restaurants.

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## Restaurants

- The most popular meal eaten away from home is lunch, accounting for nearly 50% of fast food restaurant sales.
- The typical day in the U.S. sees nearly 130 million people in restaurants.

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## Restaurant Classifications

- Two main categories of restaurants
  - **Independent** (indies)
  - **Chain**
- By **type of service**:
  - Fine dining
  - Fast casual
  - Casual dining
  - Quick service (QSR)

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### Restaurant Classification by ownership: Independent

- Typically owned by one or more owners
  - Owners are involved in the day to day operations.
- Restaurants are not affiliated with a national brand or name.



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### Restaurant Classification: Independent

- **Benefits** to Independent Ownership
  - Independence
  - Creativity
  - Flexibility
- Possible **Risks** of Independent Ownership
  - Potential for failure
  - Lack of expertise

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### Restaurant Classification: Chain

- Groups of restaurants that are identical in:
  - Market
  - Concept
  - Design
  - Service
  - Food
  - Name

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The founders of Outback Steakhouse, a pioneer in the steak house sector of the restaurant business, have proved that unconventional methods can lead to profitable results.  
Credit: John Walker



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## Restaurant Classification: Chain

- Each restaurant offers the same:
  - Menu
  - Food quality
  - Level of service
  - Atmosphere
- Chain restaurants can be franchised or company owned.

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## Restaurant Classification: Franchise

- A major driving force in the restaurant industry
- Allows for rapid expansion
- Primarily affiliated with chains



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## Restaurant Classification: Franchise

- **Benefits** of franchising:
  - Proven concept
  - Less likelihood of failure
- Potential **drawbacks** of franchising:
  - High initial investment (franchise fee)
  - Construction costs
  - Annual royalty payments
  - Charge for marketing and advertising
  - Limited flexibility and creativity

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## The People in the restaurant business!

- Employee engagement:
- <https://pos.toasttab.com/blog/10-best-ted-talks-every-restaurant-owner-should-watch>

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## Fine Dining Restaurants

- Typically independently owned
  - Operated by entrepreneur or partnership
- Good selection of menu items offered
  - Often 15 or more entrées
- Almost always made from scratch on premises with raw or fresh ingredients
  - Restaurants may be formal or casual.

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## Fine Dining Restaurants

- Restaurants may also be categorized by:
  - Price
  - Décor/atmosphere
  - Level of formality
  - Menu

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## Fine Dining Restaurants

- Levels of service are generally high.
  - Greeters welcome and seat guests
  - Captains and servers advise guest of special items
  - Sommelier provides wine service
- Décor is consistent with the overall ambience of the restaurant.

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## Types of Fine Dining Restaurants

- Several types of restaurants are included in the fine dining segment:
  - Upscale steak houses
  - A few ethnic restaurants
  - Celebrity chef-owned restaurants

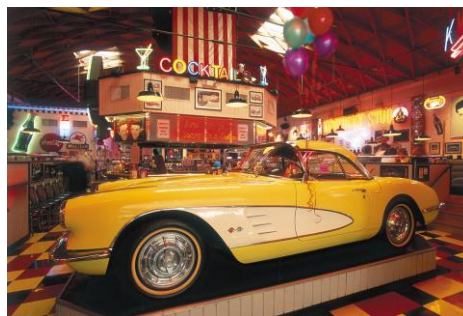
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## Theme Restaurants

- Often a combination of a sophisticated specialty restaurant and several other types of restaurants
- Generally serve a limited menu
- Popular themes include:
  - Nostalgia (i.e. 1950's)
  - Dinner house (i.e. TGI Friday's)
  - Rock and Roll (i.e. Hard Rock Café)

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A vintage car and other memorabilia create the theme at this restaurant.  
Credit: Chris Stowers/Dorling Kindersley, courtesy of Corvette Diner



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## Celebrity Restaurants

- Growing in popularity
- Often have an extra "zing" combining
  - Design
  - Atmosphere
  - Food
  - Chance to see the celebrity owner
- Owners may be chef's, Hollywood stars, athletes, etc.

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## Steak Houses

- Don't expect to see the same customers every week
- Add value by providing items such as chicken and fish to the menu
- May include buffet style operations and sit-down restaurants
  - E.g. Outback Steakhouse

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## Casual Dining

- More relaxed atmosphere
- Restaurants may be from several classifications
  - Chain
  - Independent
  - Ethnic
  - Theme

A casual restaurant offers guests a chance to enjoy each other's company and good food and drinks.  
Credit: Dorling Kindersley



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## Family Restaurants

- Evolved from the coffee shop style of restaurant
- Typically located in or near easy access to the suburbs
- Informal with a simple menu
- Service designed to appeal to the family.
- The line separating concepts is blurring.

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## Ethnic

- Most are independently owned.
- The owners provide something different for an adventurous diner.
- Traditional ethnic restaurants grew to cater to various immigrant groups.
- The fastest growing segment of ethnic restaurants in the U.S. is Mexican.

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## Quick Service/Fast Food

- Consist of diverse operating facilities
- Many different types of operations are included in this category such as:
  - Hamburger
  - Pizza
  - Chicken
  - Pancakes
  - Sandwich shops
  - Delivery service

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## Quick Service/Fast Food

- This segment drives the industry.
- Offer limited menus
  - Less expensive ingredients/processed foods
  - Allow for low prices
- Designed for convenience
- Increased in popularity due to location strategies
- Co-branding becoming a popular strategy

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## Hamburger

- McDonald's is the industry giant.
  - Worldwide sales are in the billions
  - Founded by Ray Kroc
  - Continually introducing new menu items
  - Growth strategy focuses on overseas expansion.
  - 50% of profits come from units outside the U.S.

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## Pizza

- Growing segment fueled by delivery service.
- Several chains which include:
  - Pizza Hut
  - Domino's
  - Godfather's
  - Papa John's
  - Little Caesar's

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## Chicken

- Popular alternative to burgers
- Perceived to be healthier
- Menu items cheap and easily adaptable
- KFC is the market leader with nearly 14,000 units worldwide.
- Other chains are:
  - Church's Chicken
  - Popeye's
  - Chick Fil-A

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## Sandwich

- Menu debuts in the sandwich segment have outpaced all others.
- Sandwiches have achieved "star" status.
- Classics such as melts and club sandwiches have returned.
- Wraps are a new twist.
- Popular way for young entrepreneurs to enter the industry
- Industry leader is **Subway** with more than 45,000 units worldwide.

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## Delivery Services

- Delivers prepared foods to customers homes
- Includes "Meals on Wheels" and urban restaurants that deliver
- Another type of delivery service offers limited menus from several restaurants allowing diners to order from multiple options

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## Food and Waste

- Worldwide, about **one third of all food** produced, worth around US\$1 trillion, gets lost or **wasted** in food production and consumption system
- Per-capita waste by consumers is between 95 and 115 kg a year in Europe and North America, while consumers in sub-Saharan Africa, south and south-eastern Asia each throw away only 6 to 11 kg a year.

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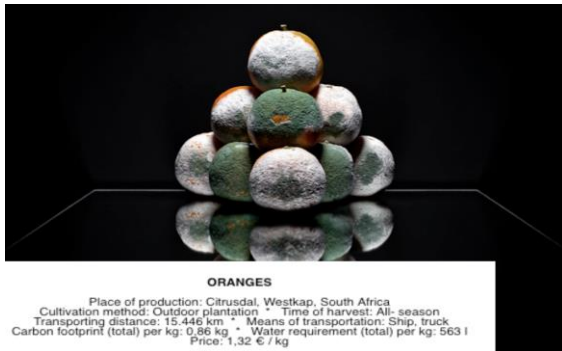
By Klaus Pichler

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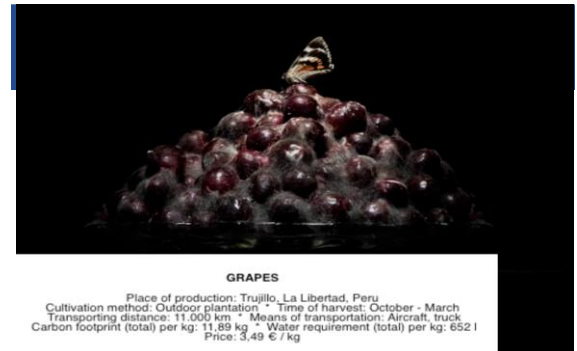
**PINEAPPLE**  
Place of production: Guayaquil, Ecuador  
Cultivation method: Outdoor plantation \* Time of harvest: All season  
growing distance: 10,884 km (direct shipping) \* Means of transportation: Aircraft, truck  
Carbon footprint (total) per kg: 11.56 kg \* Water requirement (total) per kg: 360 l  
Price: 3.16 € / kg

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**ORANGES**  
Place of production: Citrusdal, Westkap, South Africa  
Cultivation method: Outdoor plantation \* Time of harvest: All season  
Transporting distance: 15,446 km \* Means of transportation: Ship, truck  
Carbon footprint (total) per kg: 0.86 kg \* Water requirement (total) per kg: 563 l  
Price: 1.32 € / kg

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**GRAPES**  
Place of production: Trujillo, La Libertad, Peru  
Cultivation method: Outdoor plantation \* Time of harvest: October - March  
Transporting distance: 11,000 km \* Means of transportation: Aircraft, truck  
Carbon footprint (total) per kg: 11.89 kg \* Water requirement (total) per kg: 652 l  
Price: 3.49 € / kg

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## Sustainable Restaurants

- The average American meal leaves a large carbon footprint.
  - Food may travel over 1,500 miles to the plate.
  - Large amounts of CO<sub>2</sub> emitted in the process.
- Restaurants are bring significant greenhouse gas emissions.
- Toogoodtogo: <http://toogoodtogo.co.uk/>

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## Sustainable Restaurants

- **Green Restaurant Certification 4.0 Standards**
    - Reviews restaurants in 7 categories
      - Water efficiency
      - Waste reduction and recycling
      - Sustainable furnishings and building materials
      - Sustainable food
- <http://www.dinegreen.com/certification-standards>

- Sustainable restaurants Talk:
  - <https://pos.toasttab.com/blog/10-best-ted-talks-every-restaurant-owner-should-watch>
  - Unusual restaurants:
    - <https://www.youtube.com/watch?v=cc1c0phb280E>