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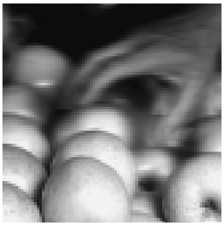

Journal of Consumer Culture

ARTICLE

On Mass Distribution

A case study of chain stores in the restaurant industry

JOEL I. NELSON
University of Minnesota

Abstract. This article considers the problem of chain store development in a particular area of retail trade – the restaurant industry. Restaurants have been singled out as the quintessential example of chain store organization. In this article, it is suggested that, in spite of the increasingly huge size of the market, substantial segments of the industry are composed of single, independent establishments. After drawing on the distinction between full-service and fast-food restaurants, the author shows that mass distribution develops in a bipolar fashion across proximate fields – high in the fast-food sector and minimal in the full-service sector. Differential chain store growth is traced to variation in profit environments. Data from the economic census on chain store development from 1963 to 1992 are used to support the conclusion that different profit environments generate different market structures and different strategies for survival.

Key words
chain stores • economic markets • fast food • food • formal organizations • mass distribution • restaurants • retail trade

IN THE TRADITIONAL VISION of an older, pastoral America, the free and independent entrepreneur was the prototype of the retail sector. But to most contemporary theorists, this is truly a vision of the distant past. Chandler's (1977) pioneering treatise on *The Visible Hand* documented the growth of Sears and other mass merchandisers and coined the concept of mass distribution. Other theorists likewise commented on spiraling

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growth in the retail industry. Mills' (1951) statement about the 'Big Bazaar' or Bluestone's (Bluestone et al., 1981) assertion about the 'retail revolution' – that contemporary retail organizations more likely 'bear resemblance to corporate structures such as General Motors and AT&T' than to small entrepreneurs – assert a parallel between the market structure in which goods are produced and distributed. More recently, Baum (1999) has noted that the development of chains – the typical form that growth in retail trade assumes – may be the prototypical form of contemporary organizational development, and Ritzer (1996) in his popular work on service sector industries has called the McDonalds chain a new and dominant model for organizational growth.

Growth in retail trade, and the large corporate structure in which it allegedly is lodged, is important from various theoretical vantage points. Most generally, and this in spite of numerous but passing allusions to the retail industry, few sociologists have actually researched how goods are distributed, and how distribution changes over time. As a consequence, a sociological perspective on the economy devolves primarily into an understanding of the manufacturing sector, with distribution and retailing relegated to other disciplines. More importantly among the few sociologists who have actually addressed retail trade, they assert that the increasingly corporate form it assumes represents considerable influence in contemporary society, and a new source of power over the manufacturing or industrial sector (du Gay, 1993). In this view, massification in the retail industry is widespread and represents the leading edge of a 'post-industrial society' with considerably more influence accorded to the purveyors of commodities than to their manufacturers.

Arguments on new sources of power – compelling and intriguing as they may be – rest on the presumption that mass distribution is omnipresent throughout the retail sector. I do not believe this to be the case. My argument in the present article is straightforward: the presence of chains or systems of mass distribution is neither total nor fully explained. Considerable literature argues that mass production is not a monolithic development and I argue the same case with respect to retail trade (Hirst and Zeitlin, 1991; Piore and Sabel, 1984; Vallas, 1999). I focus on one segment of the retail industry – restaurants. Restaurants have been singled out as the quintessential instance of chain store organization (Ritzer, 1996) and eating outside the home represents a burgeoning segment of consumer expenditures (Jacobs and Shipp, 1993). If mass distribution follows mass consumption, then chains ought to develop throughout the industry. Using the idea that innovations occur oppositionally in proximate or adjacent fields, I suggest that there is good reason to believe that substantial segments of the industry are composed of single, independent establishments, and this in spite of the growing and substantial size of the market. My research draws on the distinction between full-service and fast-food restaurants, and shows that mass distribution develops in a bipolar fashion – in a manner at odds with the popular conception of a world of restaurants awash in chain store development.

THE DIFFUSION OF ORGANIZATIONAL FORMS

Innovations in proximate fields

Chains are networks of establishments linked through franchise contracts or outright ownership and engaged in selling similar commodities or providing similar services. The motivation for these linkages is simple: to gain efficiencies through joint efforts in buying, advertising and management as well as to develop a brand name that provides the cachet or cultural capital instrumental in forging consumer loyalties. By linking the work of multiple establishments, chains are also examples of large-scale capital investment. Consequently, their presence ought to follow paths of profitability. This anticipation is consistent with the tacit understanding in past literature suggesting that as markets grow, chains as instruments of large-scale capital ought to develop and expand (Perrow, 1990; Waldinger, 1990).

The issue of profitability assumes importance in a competitive and relatively unconcentrated area such as retail trade where profits are continually in question. I agree with Scott and Meyer's (1991) characterization of retail trade as an instance of a weakly institutionalized field. In this field, innovations in retailing are rapid and continually aimed at advancing new organizational forms and new strategies for acquiring profits: TV shopping and infomercials, chi-chi boutiques and warehouses, catalogs, telephone solicitations, house parties, and the latest incarnation of shopping in the virtual store on the world wide web. As Schumpeter (1962[1942]) observed generations ago, competition for profits in the retail industry derives not from organizations which resemble one another but from organizations which do not.

My argument is that retail trade is marked by the development of innovations in what I call proximate or adjacent fields. New organizational forms of course arise in previously unoccupied spaces (Rao, 1998). I suggest that they frequently arise in spaces that are proximate to other fields. Proximate fields then are closely aligned fields with the potential for new organizations to provide similar but not identical goods and services. Examples of this are common: traditional department stores and discount stores; supermarket warehouses and convenience stores; gasoline stations and old-time garages. Each grows in opposition to the other. Each provides a new avenue for profitability. But each also provides only a partial source of competition, partial in the sense that while they can and do draw business from one another, these fields co-exist and, strictly speaking, are not functional equivalents. Convenience stores and supermarkets, for example, sell some similar products but both also provide services sufficiently different to suggest that the presence of one does not necessarily make for the demise of the other.

Importantly, proximate fields are structured *oppositionally*: innovations in format in one area are introduced in opposition to the difficulties or perceived inefficiencies in the other. Hence discount merchandisers offer alternatives to the high costs and high prices of traditional stores, be they corner grocers, old-line hardware stores, or traditional department stores. Likewise, 'convenience stores' offer the hours and locational advantages that cannot be matched by large and high-volume suburban supermarket warehouses. In this sense, proximate fields are not merely an additional source of services or commodities, but one in a dynamic, though partial, form of competitive relationship.

Fast-food and full-service restaurants

Fast-food and full-service restaurants are an additional example of organizations in proximate fields. Fast-food restaurants are not recent innovations. McDonalds or Burger King did not invent fast food, but they did popularize the advantages of a particular form of chain organization that standardized quality controls and spearheaded much innovation in operating procedures and technology. In this sense, the recent growth of the fast-food industry was developed in opposition to full-service restaurants, which were seen as complex and costly. As Parcel and Sickmeier (1988) have noted:

> Whereas the traditional restaurant industry is still maintained with elaborate menus and individualized production of customer orders, the fast-food industry has grown up with different labor needs. Clearly the skill requirements differ across these two related industries, with the low-skill-crewperson job growing at the expense of the more diversified semiskilled food preparation jobs in traditional restaurants. (p. 43)

Both observers of the fast-food industry as well as the entrepreneurs actually engaged in developing fast-food chains well understood, I believe, the potential differences in costs and profitability across these two sectors. Leidner (1993) observes that McDonald's founder Ray Kroc's basic idea 'was to serve a very few items of strictly uniform quality at low prices' (p. 48) The ideas on reducing costs and increasing profits are all implied here and connected: (1) limited menus with few items; (2) standardized preparation; resulting in (3) reduced labor costs – or as Leidner (1993) put the matter, 'tight control over work routines' (p. 48).

Profits assume a peculiar shape in the restaurant industry in contrast to the wider retail sector. In all these industries, a major cost of business is the cost of the commodities actually sold. But there is one cost that reaches a different level in restaurants than in any other retail business: labor costs. This is a consequence of the fact that unlike most other retail industries, much of the cost of what is being sold is produced on site. In 1992, average labor costs in the retail industry (excluding restaurants) were 11.1 percent of sales with a standard deviation of 1.8. By contrast the mean labor cost in the restaurant industry was 27.3 percent of sales – nine standard deviations beyond that for the retail industry as a whole (US Bureau of the Census, 1995a: 55, 67).

Not surprisingly, in light of Kroc's intent to provide a low-cost alternative to full-service restaurants and Leidner's comment on the 'tight control over work routines', labor costs are lower in fast-food than in full-service restaurants. *The Census of Retail Trade* reports labor costs in the order of 24.2 percent of sales for the former in contrast to 29.8 percent for the latter – an approximately 5.5 point difference (US Bureau of the Census, 1995a: 67). I interpret this difference as reflecting greater routinization in the fast-food industry involving fewer and less complex tasks carried out by a more unskilled labor force.[1]

Since labor costs are the second highest cost in the industry (next to the raw materials necessary for food preparation), these differences assume paramount importance as a determinant of profits. More generally, in a densely populated industry where five to ten cents on the dollar is not an uncommon profit goal, the 5.5 percent (and 5.5 cents) difference is not insignificant; it is in fact a severe constraint on the profitability of sales in full-service as compared to fast-food restaurants. In this sense, the full-service restaurant industry has a lower profit margin than fast-foods, a point I believe entrepreneurs like Kroc understood well. Though restaurants are of course themselves diverse, industry analysts likewise are well aware of this important difference, as a recent Standard and Poors' (1998) summary of the industry suggests: 'Fast-food restaurants can be highly profitable, earning 9.5 cents on each dollar of sales, versus roughly 3.5 cents for full-service restaurants' (p. 17).

Profitability in proximate fields

What do these differences in profitability mean for the restaurant industry? The answer to this question is at the heart of the matter and its logic provides the basis for my central argument regarding bipolar chain development. For new, large-scale capital interests entering the restaurant industry with a view towards capturing the phenomenal increase in consumer spending, the temptation must be great to pursue the higher profitability in the fast-food rather than the full-service industry. This suggests that over time, more chains ought to be present in fast-food than in full-service restaurants.

If chains proliferate throughout the fast-food sector, what then occurs within full-service restaurants? Do chains diffuse across adjacent fields, from the fast-food to the full-service sector, as some organizational theories might suggest? Existing theory discusses three alternative options by which organizations might react to the growing popularity of new and successful organizational forms: (1) exit due to inability to compete with the new form; (2) exit the main area of competition and cater to more marginal or peripheral demands; (3) adopt the new form (Rao, 1998). As for this third and last alternative, I have already suggested this to be unlikely; few large-scale capital interests would ordinarily be tempted to enter an area of documented low profitability. The only way chains would enter this area would be under conditions which allow them to circumvent the more restrictive profit environment, a point I consider further on in this article.

What then of the other two theoretical options? Do full-service restaurants exit the field or become uncommon as the second and third alternatives noted above suggest? These options should hold if full-service and fast-food restaurants are in direct competition with one another. But my argument is that competition between these two forms is partial, catering either to different audiences or to common audiences with multiple and diverse demands – at times preferring the amenities of full-service restaurants, at times the quick and inexpensive offerings of known commodities in fast-food restaurants, or at times whatever is available and at hand. If competition is partial, then marginality or exit is not necessarily an option. In this sense, I anticipate that full-service restaurants – as separate, independent establishments – will persist, will even grow, though perhaps not at the same rate as fast-food establishments.

In brief, differences in profitability between proximate fields form the basis for my anticipation that chains are not diffusing everywhere, but rather will more likely be confined to the fast-food than the full-service sector. I further anticipate that the field composed of independent restaurants will persist and grow rather than sharply decline as they might if competition were direct rather than partial. By predicting the diffusion of popular alternatives and a general homogenized organizational form, much organizational theory misses the real differences in environmental opportunities. But to the extent that these differences exist, differences in organizational forms will follow, even in closely related or proximate fields, resulting in a more complex and differentiated industrial structure.

DATA AND METHODS

Data

The data for this research are aggregate statistics taken from *The Census of Retail Trade*, a survey of retailers conducted every five years. The *Census* identifies two types of firms: larger firms which receive a questionnaire and smaller firms which either receive a questionnaire or are monitored via administrative records of various federal agencies. Though it is impossible to identify every case in the universe of retailers, the *Census* otherwise claims that 'all data compiled . . . are not subject to sampling errors' (US Bureau of the Census, 1995a: V). In 1992, more than one million retail firms and establishments were surveyed – of which several hundred thousand were classified as eating and drinking places. The data reported in this article are taken from an approximately 30-year period covering 1963–92.[2]

The purpose of *The Census of Retail Trade* is to provide data for other governmental agencies interested in monitoring the nation's economy. The data are aggregated and do not permit the kind of analysis of separate organizations in the sense that the census of the population provides for a separate analysis of persons. Furthermore, the economic retail census suffers from defects that plague many longitudinal data sets provided by governmental agencies; this involves various inconsistencies from one reporting period to the next. At the same time, the scope of the data outweighs these disadvantages, and in my view provides a rich and comprehensive estimate of the market structure of restaurants, extending over a 30-year period which witnessed the rise of the fast-food sector and sharp increases in consumer expenditures for eating outside the home. In this sense, the census data are most appropriate for examining my hypothesis relevant to the diffusion of chains across proximate fields.

Fast-food and full-service restaurants

The level of analysis proposed in this research examines the markets in two different sectors: places serving fast food and full-service restaurants. The *Census* defines eating and drinking establishments as those 'retail establishments engaged in selling prepared foods and drinks for consumption on the premises'. Fast-food restaurants are classified in the Census as 'refreshment places' and were defined as follows (US Bureau of the Census, 1995a):

> Establishments primarily engaged in selling limited lines of refreshments and prepared food. Included in this group are establishments which prepare items such as chicken and hamburgers for consumption either on or near the premises or for 'take-home' consumption. Such establishments do not have waiter/waitress service where the patron's order is taken while the patron is seated at a table, booth, or counter. (p. A-9)

Fast-food establishments were contrasted with eating places designated by the *Census* simply as 'restaurants'. These are defined as 'only those establishments in which waiters/waitresses take orders from patrons while the patrons are seated at a counter, booth, or table' (US Bureau of the Census, 1995a: A-9). The *Census* also differentiates restaurants from drinking places simply in terms of whether food or alcohol make up the majority of sales receipts. Drinking places were omitted from this analysis, as were other eating enterprises including cafeterias and caterers.

Measuring chains

The unit of analysis is not individual restaurants as such but rather the way each of these two markets are structured, specifically in terms of whether chains are present in each. I measured the presence of chains in an industry by whether establishments were part of a multi-unit firm operating within the same sector or industry. Data are reported in eight categories ranging from single-unit firms to multi-unit firms, varying in categories starting with two establishments up to the largest consisting of firms with one hundred establishments or more.

CHAINS IN FAST-FOOD AND FULL-SERVICE RESTAURANTS

Industry background

Figure 1 provides the historical backdrop for examining the distribution of chains in the restaurant industry. The figure graphically juxtaposes two indicators across the 30-year period covered by this research: the comparative distribution of fast-food and full-service restaurants and changing expenditures for eating out. As to the first of these issues, the bar columns indicate the distribution of restaurant types; the respective number in each type are shown along the axis on the left. The figure indicates the dramatic rise of fast-food restaurants over this nearly 30-year time period; the numbers on the axis on the left translate into the following percentage changes for fast-food restaurants, inceasing from 25 percent of the total in 1963, to 44 percent in 1977, and 49 percent in 1992. It is important to note that the absolute numbers of full-service restaurants diminished from 1963 to 1977. *Census* data indicate no specific changes in the distribution of restaurants during this time period either in terms of costs, size or sales. Nonetheless, the decline probably reflects the partial competition from the initial surge in fast-food establishments. But it is also important to note that there is no indication that full-service restaurants are increasingly peripheral. While full-service restaurants do not grow at the same rate as fast-food restaurants, their numbers over the 30-year period have hardly diminished, and in fact increased by about 9 percent. This increase is not, I believe, precisely consistent with theories anticipating exit or marginality as outcomes of direct competition.

Growth in all of these restaurants reflects (and indeed may partially have caused) rising consumer expenditures in eating outside of the home.

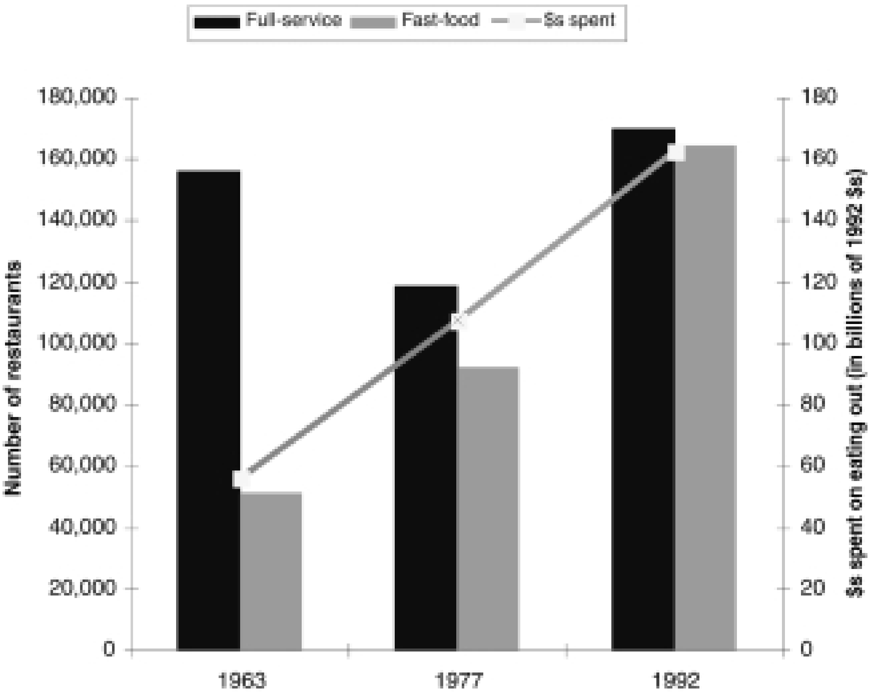

Figure 1: Full-service and fast-food restaurant establishments and dollars spent on eating out, 1963–92 (in 1992 dollars)

Changes in expenditures are displayed by the trendline and the axis on the right hand side of the figure indicating the actual dollars spent on eating out. The trendline shows (in 1992 dollars) a fairly linear increase involving a tripling of such expenditures in all restaurants from $56.2 billion in 1963 to $163 billion in 1992. While some of this may reflect population growth, per capita annual expenditures in the USA likewise increased (again in 1992 dollars) from $297 to $638 per person over the approximately 30-year period. Consumer economists have interpreted these increases as among the more dramatic and consistent rises in discretionary expenditures, reflecting changing demographic characteristics related to the growth in single household families, in working wives and mothers, as well as rising incomes and an expansion of the group most likely to eat outside the home – young adults (Jacobs and Shipp, 1993).

The juxtaposition of the trendline for expenditures and the changing proportions of restaurants suggest that the full-service sector remains a forceful competitor for consumer spending. While full-service restaurants increasingly garner smaller proportions of the market than in the past, the dollar sums involved are substantial and rising over the three time periods – $47 billion in 1963, $64 billion in 1977 and $85 billion in 1992 (all in 1992 dollars). If chains as mass distribution systems are a function of mass consumer markets, then chains ought to proliferate across various types of restaurants. But my data indicate that they do not.

The presence of chains

Table 1 cross-tabulates full-service and fast-food markets with several measures of chain-store development for each of three time periods: 1963, 1977 and 1992. The table shows both the average size of the firm – as indicated by the mean number of establishments – as well as estimates of the tails of each end of the distribution: the smallest firms as indicated by the percent of single establishment firms and the largest firms as indicated by the percent with more than 100 establishments. These data generally support the anticipation that chains are more likely to be present in the fast-food than in the full-service industry. The table shows, for example, that there are more multiple establishments in the fast-food sector and that this difference has grown from 1963 to 1992. In 1963, the mean number of establishments per firm was about at parity but the differences widened in 1977 and again in 1992. In 1992, 84 percent of full-service restaurants were single establishment firms, but this was the case for only 58 percent of the fast-food restaurants. And for the very largest firms, those with 100 or more outlets, there were two to three times as many large firms in fast

Table 1: Chains in full-service and fast-food restaurants, 1963–92

	1963		1977		1992	
Chain indicators	Full service	Fast food	Full service	Fast food	Full service	Fast food
Mean number of establishments per firm	1.04	1.09	1.11	1.38	1.15	1.56
% of single establishment firms	93.9	88.0	88.3	68.3	83.8	58.2
% of large establishments (100+)	0.9	0.7	4.0	11.8	6.4	15.2
Totals						
Establishments	156,477	51,624	118,896	92,357	170,183	164,341
Firms	150,159	47,338	107,097	67,113	148,068	105,538

foods as compared to the full-service sector in 1977 and 1992, though not in 1963.

Many of the multiple establishment firms shown in Table 1 operate under a franchise. But the census materials on franchises are both scant and not tabulated by the size distribution of firms. Nonetheless, whatever is available further supports my argument. For example, in 1977 and 1992, the percentage of franchised restaurants likewise is higher in fast-food than full-service outlets: in 1977, 34.3 percent of fast-food restaurants were franchised in comparison to 5.5 percent of full-service restaurants; in 1992, approximately the same differences appear: 5.5 percent for full-service restaurants and 32.4 percent for fast-food outlets (US Bureau of the Census, 1995b: Table 21, 1981b: Table 15).[3] Both of these statistics refer to franchises that are independent, that is, not owned and managed by the corporation extending the franchise itself. Only in 1992 did *The Census of Retail Trade* distinguish between corporate and independently owned franchises. Again, the differentials between these two sectors persist, albeit less dramatically for company franchises than for independent franchises noted previously: of fast-food restaurants, 19.8 percent were owned and operated by the franchise corporation in comparison with 4.4 percent in the full-service sector.

In brief, there is simply no indication over time of the diffusion of chain store forms from one sector to the other. Each presents separate and diverse opportunities for large-scale capital development and each consequently generates a different market structure. It is conceivable, of course, that much has changed since 1992, and the seemingly omnipresent chain is much more in evidence today. Unfortunately, the format of the most recent (1997) census itself substantially changed, with less detailed information available on the full range of multi-unit establishments. Nonetheless, the singular point of comparison with the census data in Table 1 is illuminating. For 1997, the *Census* lists 83.8 percent of the full-service restaurants as single unit in comparison to 58.7 percent in fast-food restaurants – indicating virtually no change from 1992 to 1997 (US Bureau of the Census, 2000: 29-30).

Profitability in fast-food and full-service restaurants

This portrait of constrained profitability raises an interesting issue for full-service restaurants: how specifically do they survive in an environment of limited profit margins? Past literature provides one possible understanding of what is involved – at least for small entrepreneurs. Large numbers of small restaurants are started by blue-collar workers and by recent immigrants, who work long hours, are exposed to extraordinarily high risks, and are driven by aspirations to independently own a business (Chinoy, 1955; Dun & Bradstreet, 1995; Mayer and Goldstein, 1961; Standard and Poors, 1998; Waldinger, 1990). But large corporations are less likely to be driven by dreams and fantasies and more likely to be motivated by the stark realities of financial ledgers and profitability. While there are a smaller number of large-scale corporations among full-service restaurants, the problem for them is pertinent: what strategies do they use to cope with a less rich resource environment with narrower margins of profitability?

One strategy is to reduce costs comparable to the costs in the more profitable fast-food sector. But given the complexities of full-service restaurants, reduced costs are not easily attained. For example, the aggregate 5.5 percentage point difference between full-service and fast-food restaurants in labor costs does not appear to be a function of the greater number of small establishments in the former category than in the latter. For both industries, the correlation (in 1992) between the number of establishments in a firm and the percentage of labor costs over total sales is small and probably inconsequential: tau = –.22 in fast-foods and .03 in full-service restaurants. As suggested by the small correlation in fast-foods, labor cost differences between fast-food and full-service restaurants are actually slightly greater for the very largest firms (those with 100 or more establishments) than for the entire population of restaurants overall: 6.7 percent vs 5.5 percent. As for other costs such as those related to purchasing food or advertising, it is likewise doubtful that costs in full-service restaurants could be reduced to a level comparable to costs in the fast-food sector. Fast-food firms are on average larger and as a consequence likely have more leverage in exacting competitive prices from suppliers. In the largest size category listed by the census (100+ employees), firms are larger in fast-foods (525 establishments vs 375 establishments) and firm sales consequently are larger as well ($20.2 billion vs $13.7 billion).

But there are alternate routes to profitability. Profits have numerous components including: (1) percentage margins and (2) sales volume. While margins are narrower in full-service than fast-food restaurants, it is highly likely that full-service restaurants attempt to overcome this deficiency by optimizing the other alternative, that is, by increasing sales volume. Volume strategy, after all, is the way many retail sectors compete – as illustrated by other major businesses involved in the food industry. Supermarkets, for example, compete with local convenience stores by increasing sales, but in the context of narrower profit margins than among higher priced convenience stores.

This reasoning suggests that on an establishment by establishment basis, full-service chain restaurants ought to have higher sales than fast-food chains if they are to be profitable. Table 2 presents the average establishment sales for single- and multi-unit firms across the three time periods. To facilitate reading the table, I have omitted the marginal totals that summarize differences across chain status and across full-service and fast-food restaurants. Unfortunately, with aggregate data an ordinary ANOVA type of analysis cannot be used to compare precisely the multiple effects suggested. Before turning to the finding of major interest for my argument, I

Table 2: Average establishment sales by firm size, 1963–92 (in thousands of dollars)

	Average establishment sales					
	1963		1977		1992	
Chain status	Full service	Fast food	Full service	Fast food	Full service	Fast food
Single-unit firms	58.8 (146,908)*	36.4 (45,440)	191.6 (104,993)	144.3 (63,097)	372.4 (142,596)	291.4 (95,712)
Multi-unit firms	154.4 (9,569)	73.3 (6,184)	536.1 (13,903)	340.0 (29,260)	1,162.6 (27,587)	725.6 (68,629)

**Total number of establishments*

therefore initially must address the main effects indicated. First, the data in the table suggest that in all comparisons average sales are higher for establishments in multi-unit firms than in single-unit firms. The table additionally suggests again in all comparisons that average establishment sales are higher in full-service than fast-food restaurants. Not unexpectedly, meal costs are likely to be higher in full-service than in fast-food restaurants. In 1992, for example, 72.5 percent of fast-food restaurants had average meal costs of less than five dollars, whereas this was true for only 30.3 percent of full-service restaurants (US Bureau of the Census, 1995b: 78). The presumption is, however, that the numbers of customers are fewer and stay longer in full-service establishments. Across *all* such restaurants, annual mean sales are not appreciably different. In 1992, for example, full-service establishments averaged about $500 thousand in contrast to $473 thousand in fast-food establishments.

But my main interest in the table is the interaction effect suggested between chain status and full-service and fast-food establishments. The interaction effect indicates that the comparison between full-service and fast-food restaurants differs by the chain status of the firm involved. That is, while per establishment sales are always higher in full-service than fast-food establishments, the data show that for each of the three periods, dollar sales per establishment are always higher for full-service restaurants in the chains than they are in independent establishments. In 1992, for example, full-service sales are 28 percent higher than fast-food sales among independents and 60 percent higher among chains – or a 32 percent difference between the two. The data for 1963 and 1977 show comparable differences: a 28 percent difference in 1977 and a 49 percent difference in 1963. In brief, these statistics suggest that full-service chains – though fewer in number than fast-food chains – do indeed pursue a strategy of high volume sales.

Profits are complicated and self-reported census data cannot possibly reflect this complexity. Nonetheless, the data in Table 2 suggest a different angle of vision on sales and market control in the full-service and fast-food sectors of the restaurant industry. For firms, the concentration ratios in the fast-food sector tend to be higher as a consequence of the larger number of establishments associated with each firm. In 1992, for example, the 50 largest firms in the fast-food sector controlled 26.5 percent of the market in comparison to 18.9 percent of the market controlled by the 50 largest firms in the full-service sector (US Bureau of the Census, 1995a: 135). But when average firm size is taken into account – as it is in Table 2 since sales are establishment averages – the differences in market control are reversed.

Here larger multi-unit firms control more of the market in the full-service sector than the fast-food sector. In this sense, full-service chains garner profits by more dramatically beating the competition from independents than do chains in the fast-food industry.

This finding underlines the importance of sales volume in the full-service sector as a source of profitability; by contrast, profits among chains in the fast-food sector are more likely to be based on lower costs, particularly for labor. Thus the suggestion of two strategies for chain store profits: a 'strategy of scope' in the fast-food industry where the parent company becomes profitable by casting a large number of low-volume but highly profitable outlets; a 'strategy of scale' in the full-service industry where the parent company becomes profitable by generating a smaller number of high-volume outlets. This emphasis on 'scale' is further suggested by data on the number of employees working in each sector. Using 1992 as an example, the size of full-service and fast-food establishments are roughly comparable in terms of employee size (17.6 for the former vs 16.1 for the latter). But among chains, not surprisingly, individual establishments in full-service chains are larger to handle the increased volume of sales: 42 employees for full-service restaurants as compared to 25 employees in fast-food restaurants.

CONCLUSIONS AND DISCUSSION

In the context of the widespread growth of chains throughout the fast-food sector, it is somewhat surprising that chains in a related industry would be as minimal as they are, particularly in light of the substantial size of the market. To explain this apparent paradox, I suggested that proximate markets grow oppositionally and further that the full-service sector – with extensive menus, service, and on-site preparation – provided few opportunities for the high-profit margins of interest to large-scale capital development. Data from *The Census of Retail Trade* documented that growth in chains in the full-service sector was indeed minimal and additionally outlined the possible ways full-service chains might cope with restraints on profits by generating high-volume sales. In this view, restaurants over all are not as commonly chained as Ritzer (1996), for example, suggested. My data thus conform to previous literature indicating that restaurants are hardly at the forefront in proliferating chains (Hannan and Freeman, 1989: 315–16; Hollander and Omura, 1989).

Equally important are the findings suggesting that restaurants are not marginalized by the growth of fast-food chains. The data in Figure 1 indicate continual erosion of the proportions of the market controlled by the full-service sector, but not at a level reflective of increasing marginality. Furthermore, this pattern persists into 1997 as well. The most recent census, for example, shows that fast-food restaurants are now slightly more predominant than full-service restaurants (53% vs 47%); at the same time, the full-service sector in 1997 did $112 billion in business, about 51 percent of the total for the two sectors together – in contrast to 52 percent in 1992 (US Bureau of the Census, 2000: 29–30).

The conclusions here are straightforward: different profit environments generate different market structures and different strategies for survival. But these conclusions must be tempered by the very limitations of the data provided by the census, specifically in not disaggregating variables to allow for a more refined multivariate strategy of analysis accounting for diverse influences. Also deficient is the macro level of the data, providing a broad historical record devoid of the nuances in the diversity of restaurants and in the more micro level motivations of managers and entrepreneurs. Numerous questions consequently remain unanswered, among them the details of the very strategies pursued in the multi-unit full-service sector to generate the volume necessary for profits and survival and the risks these strategies entail. These limitations, in my view, are the costs involved in providing a broader historical picture of industrial trends with minimal sampling error than is ordinarily available with survey data or other historical records. I do not believe, for example, that any alternate data set could so easily examine the question of chain development over as long a time period.

At the same time, questions also remain about my case study approach. Case studies have the virtue of providing detail but deficiencies in restricting generalizations (Ragin, 1987). The case study is at its best in furnishing details useful for explanation that ordinarily remain unnoticed in cross-sectional research. I have argued here, for example, that the micro environment of an industry – the proximate field – is a useful means of coming to understand how large scale capital interests work and what the strategies are they pursue. Thus the emphasis on the micro environment and industrial context: we come to know discount stores as we understand traditional department stores, come to know convenience stores as we understand supermarkets, and come to know fast-food restaurants as we understand the full-service sector.

The same case study strategy has been recommended more broadly by Fine and Leopold (1993) who assert that a sociology of consumer behavior and a sociology of retail trade will have difficulty supporting generalizations which ignore the micro-level environments in which commodities are produced, distributed, and consumed:

> We posit an approach to consumption should always be based on the recognition of distinct systems of provision across commodities, and argue that such an approach needs to be acknowledged theoretically to emphasize the integrity of separate systems of provision and to encourage recognition of the important differences between them. Each system of provision is a species of a different genus . . . (p. 5)

Their remarks suggest the wisdom of analyses sharply delimiting the scope of observation so as to better understand how products are handled, valued, and developed.

Fine and Leopold's approach is part of a broad-based Marxist attack on traditional social science research, preferring grounded historical analyses in favor of broader-based generalizations unanchored in history. Whatever the merit of this argument, their Marxist perspective raises an interesting question about consumer research which represents a fitting conclusion to this article and raises some issues to be considered in future research. Today, specialist magazines, TV programs and channels, as well as sections of daily metropolitan newspapers, are increasingly dedicated to searching out new tastes and new restaurants at the cutting edge of culinary innovations. Fad and fashion prevail and restaurants are increasingly evaluated as cultural products in the same ways as concerts, theatrical performances, or films (Dorneburg and Page, 1998). In upscale restaurants, chefs see themselves as artists (Fine, 1996) and 'greasy spoons' are heralded as bastions of authentic cuisine.

Fine and Leopold's (1993) Marxist argument asserts that fashion and mass production (or mass distribution) are functional alternatives: fashion intensifies in industries without the opportunity to generate mass production or distribution essential to lower prices. It may be an error to reduce all fashion to economics and profits (Davis, 1992). Nonetheless, their argument raises an interesting problem regarding the connections of structure and culture and a point of departure for further research on systems of mass distribution: how much the current culture of restaurant fashion is rooted in an industrial structure which for reasons I previously discussed offers few opportunities for large chains to develop as a consequence of constraints on profitability.

Notes

1. Approximately 86 percent of the labor cost differences between full-service and fast-food restaurants are a function of wages. In 1992, for example, if wages in the

fast-food sector are standardized according to the wages in the full-service sector, then the labor costs between the two are nearly equal: 29.0 percent in fast-food establishments vs 29.8 percent in full-service establishments.

2. The primary data sources were taken from the series on firms and establishments from three census publications (US Bureau of the Census, 1981a, 1995a, 1996). The approximately 30-year period from 1963 to 1992 was dictated by the availability of data. In earlier censuses, the data do not distinguish retailers without employees from those with employees – hence including a large number of retailers in highly marginal circumstances, such as persons operating businesses as a side activity from their homes. The most recent five-year census (for 1997) was published in 2000 and considerably revised the format of the data, specifically involving key indicators related to the range of multi-unit establishments. As a consequence, I refer to the 2000 data only when appropriate.
3. The census provided no data on franchises in 1963.

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Joel I. Nelson is a Professor of Sociology at the University of Minnesota. His research interests focus on the service society, retail trade, and most generally on processes of post-industrialization. Some recent writings on post-industrial society include *Post-industrial Capitalism* (Sage, 1995), 'Inequality in America: The Case for Post-industrial Capitalism' (*Review of Social Stratification and Mobility*) and 'Out of Utopia: The Paradox of Post-industrialization' (*Sociological Quarterly*). *Address:* Department of Sociology, University of Minnesota, 909 Social Science Building, 267 19th Avenue South, Minneapolis, MN 55455, USA [email: nelsonj@atlas.socsci.umn.edu]