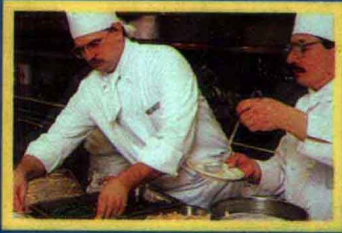


— NONCOMMERCIAL —



— INSTITUTIONAL —



— AND CONTRACT —



— FOODSERVICE —



— MANAGEMENT —

M I C K E Y   W A R N E R

# NONCOMMERCIAL, INSTITUTIONAL, and CONTRACT FOODSERVICE MANAGEMENT

**Mickey Warner**

**School of Hospitality Management  
Florida International University**



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# Foreword

This book by Dr. Mickey Warner, *Noncommercial, Institutional, and Contract Foodservice Management*, is further evidence of an individual who strives for perfection, an individual who knows that in the race for excellence there is no finish line, and that accomplishments such as writing this book are merely points along the way. The book is a solid accomplishment, a book both for industry professionals and for students.

This book is not only a broad, philosophical approach to an ever-expanding area of the foodservice industry, but it is also an action book, an operating manual filled with the nitty-gritty of how to get the job done.

With forms, charts, tables, and figures to illustrate the principles discussed, this is a book that tells one how to **establish** an objective and then takes one **step-by-step** through the actions needed to reach it. Throughout one is shown: here's **how** to plan, here's **how** to organize, here's **how** to staff, here's **how** to lead, and here's **how** to control.

Mickey Warner is one of the leading instructors on our staff and a distinguished colleague to whom I look up. He has faith, vision, and a strong will to succeed. Mickey never finished grade school because he had to go to work; he remedied his lack of formal education by returning for his Doctorate at age 70. He is recognized by both industry professionals and his academic colleagues as a leading authority in the fields of contract, noncommercial, institutional, and recreational foodservice management.

*Noncommercial, Institutional, and Contract Foodservice Management* is a true testimony to Dr. Warner's accomplishments. This is not a book that will find its way into a bookstore to be sold as used. Instead, it will go onto a shelf above one's desk where it will become well worn from the many times it is used as a reference. It is a concrete, down-to-earth, practical working manual that is not only for our time, but for all time.

LENDAL H. KOTSCHER, Ph.D.  
DISTINGUISHED PROFESSOR  
SCHOOL OF HOSPITALITY MANAGEMENT  
FLORIDA INTERNATIONAL UNIVERSITY

# Foreword

In 1978, after many formative years in airline, military, and commercial foodservice operations, I entered the noncommercial world of business & industry foodservice, or what many of us now affectionately call corporate dining. Despite the confidence that comes from a wealth of foodservice experience, an undergraduate degree in hotel and restaurant management, and a graduate MBA degree, I was unprepared for the uniqueness and dynamics of this new foodservice challenge. Unprepared, that is, until I purchased Mickey Warner's book *Industrial Foodservice and Cafeteria Management*. This book, published in 1973, was, for all intents and purposes, my guide and bible as I began to understand that which I was called upon to manage. Indeed, through Mickey's book, I had at my side as a mentor Mickey Warner himself, whose own reputation within the noncommercial sector was, and still is, legendary. The legions of operating forms, from labor scheduling to weekly sales summaries, are as germane and important to management today as they were when first developed by Mickey and introduced to a cadre of managers who worked for him in the 1960s.

Mickey Warner's book has never gathered dust on my shelf and neither has this most talented citizen of our industry and academia. *Noncommercial, Institutional, and Contract Foodservice Management* is more than just an update of his original 1973 publication. It is a paradigm for learning and action. It is a blending of **what's happened** and **what's happening** held together with instructions on **how to make more things happen**. Indeed, it is everything one should know about the noncommercial sector, but only Mickey Warner thought to find out. And find out he did.

His love for and dedication to this industry is evidenced by the currency and detail of this work. His *mise en place* layout of basic, foundation-building information and industry examples serves to welcome students in an unintimidating fashion to new career opportunities. The in-depth coverage of even the most routine operations for all noncommercial sectors will be a most welcome management tool for seasoned foodservice professionals everywhere. *Noncommercial, Institutional, and Contract Foodservice Management* is the only book anyone will ever need to be guided and mentored through the world of noncommercial and contract foodservice management. Indeed, it is the only book that can now replace my favorite, Mickey Warner's 1973 classic, *Industrial Foodservice and Cafeteria Management*.

NEIL S. REYER, VICE PRESIDENT  
DINING AND TRAVEL SERVICES  
CHEMICAL BANK, NEW YORK

# Preface

The first edition of this book was written in 1972 as a teaching text to be used at the Culinary Institute of America. It was entitled *Industrial Foodservice and Cafeteria Management*. At that time, the term “industrial” was commonly used to describe what is now known as institutional foodservice; the term “noncommercial” was not generally used.

At the time of publication of the first edition, there was very little in print on the subject. In the preface of that book I wrote, “The purpose of this book is to open the door for the student to the vast area of industrial foodservice opportunities.”

That was 1972; this is 1994. What a difference 22 years has made.

In 1972, the industry was primarily self-operated and the contract management companies were small- or medium-sized, and numerous. Today, some segments of the industry are heavily contracted by large and small management companies. The big ones got that way by consuming the small ones. And new small companies have sprung up as entrepreneurial executives from the large contractors left to form their own firms.

European companies have acquired some American contractors and entered the U.S. market. New contractor markets, such as correctional foodservice and recreational foodservice, have become identified. The entire marketplace, and the professional and academic approach to that marketplace, has changed dramatically.

When I wrote the first edition of this book, a friend made the comment to me, “Mickey, you are twenty years ahead of your time. No one’s written a college textbook like this.” Well, perhaps he was right. That edition sold few copies to academia and didn’t really help add foodservice management courses to college curricula. But thousands of copies were sold to the industry before it went out of print in 1983.

In 1994, as in 1973, I am again addressing this book to students of foodservice management and industry professionals.

Many HRI and hospitality schools and colleges now offer several specialized courses in noncommercial and institutional foodservice. Books have been written on recreational foodservice management as well as health care, school, and other noncommercial foodservice areas.

Still, there is no single comprehensive text that may be used to support a general course on the subject of institutional and noncommercial foodservice. This book is intended for that purpose. It may also be used by industry professionals as a basic reference.

This edition maintains the same format as the first. It reviews the basics of each industry segment and the differences between self-operated and the contract-managed facilities.

I present four case reviews that carry through the book. While there are other examples that could have been reviewed—schools, correctional facilities, and others—these four are basic. The principles presented in them apply to other industry segments.

The book offers both an overview and a how-to approach. Each reader, student, or professional should use it to suit his or her individual needs.

Noncommercial foodservice, both contracted and self-operated, has become a recognized field for both academic study and promising careers.

Perhaps there will be no need to wait another 22 years before every school and college with a hospitality management program offers noncommercial foodservice management courses. I sincerely hope so.

MICKEY WARNER, Ed.D  
APRIL 1994

# Acknowledgments

Every book is the product of authors and those who contribute to their efforts. This book is no exception; the contributions of many people made this book possible. Among them are students from my classes, foodservice contractors, self-operators, suppliers, associates, and friends.

Foremost have been my students, particularly graduate assistant Jonathan Probbler, who patiently transformed the student module into a publishers draft, making valuable editorial suggestions along the way.

Maria Theresa Zancudo, *another* graduate assistant, maintained a current student copy of the workbook for classroom use while the text was in preparation. John D'Oliviera reviewed all of the arithmetic to ensure its accuracy. Several classes of graduate and undergraduate students ensured that the material was relevant to classroom work and project preparation.

Much help was received from contract management organizations and personnel. Some were old friends willing to share new material. Others were new friends willing to share current concepts. Among the old friends are Gary Horvath of Service America Corporation, Dick Kresky of Marriott Management Services, Rich Grund of Total Food Service Direction, and Joel Katz of ARA Services. Among the new friends are Judd French of the Canteen Corporation, Bob Wood of the Wood Company, Tony Wilson and his staff at ARA, and others. Each provided current organizational charts, sales and cost information, marketing methods and materials, and other relevant information that ensures the timeliness of this book.

Among the self-operators, a number of individuals were helpful by offering current materials from their fields of interest. Particular among them are Neil Reyer of Chemical Bank in New York, Richard Ysmael of the Motorola Company, Peg Lacey of Cornell University, and Ruby Puckett of Shands Hospital.

Several suppliers provided valuable current data, particularly Dan Gallery of CARTS of Colorado, Craig Held of Taco Bell, and Mike Jalbert from PepsiCo.

Other old friends also proved invaluable; a call to any of them provided a quick response with current information and encouragement to "go for it." Particular among them are Sheldon Silver of the National Automatic Merchandising Association and Les Lenzner, the nation's leading vending management expert.

A particular effort by Assistant Dean Lee Dickson, FIU, deserves special acknowledgment. It was Professor Dickson who encouraged my return to teach a course on the subject and write this book. Without his encouragement, this book may not have been written.

There were others too numerous to mention, but all share in the credit for this book, as do all of the professionals I've worked with along the way.



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# 1

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## Noncommercial Foodservice: An Overview

Noncommercial foodservice management is a major career opportunity for the hospitality management student. Nevertheless, few schools and colleges offer courses specifically designed to prepare students for such a career. As foodservice management students prepare to enter the industry, they should consider which segment meets their personal and professional goals. Questions to ask include:

- What are the various foodservice industry segments?
- What are the career opportunities in each segment?
- Which are of interest to me?
- What are the requirements for success in the various segments?

Other academic disciplines provide students with certain options to make career decisions. Engineering students elect a specific field of study such as electrical, chemical, civil, and so on. In a business school, students choose to major in accounting, finance, information systems, or other areas. Medicine, education, and arts and sciences each have their own areas of major study. In each case, a student makes a decision to enter a general field of study and then selects an academic major in a specific segment of that field.

Hospitality schools and college hospitality programs usually provide curricula in hotel, foodservice, and travel (HFT), or hotel, restaurant, and institutional management (HRI). Students usually work through a base curriculum and take more specialized courses in the different fields. Further narrowing is possible, allowing students to select a curriculum that tightly matches their career objectives. Noncommercial foodservice management is one possible track.

Foodservice management is a recognized profession. It has a number of identified segments, each with its own specific requirements for success. Institutional foodservice management encompasses several of the noncommercial industry segments.

The word *noncommercial* is controversial, defined differently by different researchers and authors. The terms *institutional* and *noncommercial* could well be used interchangeably and in fact often are.

Contract foodservice is the domain of the major contract foodservice management companies. A sizable portion of this activity is in the institutional foodservice field.

This chapter introduces various fields of institutional foodservice management and their contract management components. Upon completion of this chapter, readers should know and understand the following:

## 2 ■ NONCOMMERCIAL FOODSERVICE: AN OVERVIEW

- the scope of the foodservice industry
- the nature of the institutional segments of the industry
- the history of the various segments
- the structure of the various segments
- career opportunities in institutional and contract foodservice

### THE FOODSERVICE INDUSTRY

The foodservice industry is the nation's third-largest employer. The National Restaurant Association's (NRA) 1993 annual survey divides the industry into three different areas:

1. Commercial
2. Institutional or noncommercial
3. Military

Foodservice contractors are listed as commercial, although a major portion of their activity is institutional. The NRA projects total 1993 sales at \$267.2 billion. Figure 1.1 details the NRA Report.

*Restaurants and Institutions (RI)*, a trade magazine, also prepares an annual survey. It uses a somewhat different approach. Figure 1.2 details the 1992 report.

*RI* summarizes the institutional and commercial segments and reports further on the several different areas it categorizes as institutional. The "military" area is shown as an institutional segment by *RI* but as a separate category by the NRA. This is just one example of the lack of common reporting formats among different publications in the industry.

**FIGURE 1.1**

**National Restaurant Association Research:  
Projected 1993 Sales by Industry Sector**

	<i>Projected 1993 Sales (Billion \$)</i>
<b>GROUP I COMMERCIAL FOODSERVICE</b>	
Eating Places	173.6
Drinking Places	9.3
Foodservice Contractors	16.4
Hotel/Motel Restaurants	15.9
Retail, Vending, Recreation	21.3
<b>TOTAL GROUP I</b>	<b>236.5</b>
<b>GROUP II INSTITUTIONAL FOODSERVICE (Self-Operated)</b>	
Business, Schools, Colleges and Universities, All Health Care, Clubs, Community Centers	29.5
<b>TOTAL GROUP II</b>	<b>29.5</b>
<b>GROUP III MILITARY FOODSERVICE</b>	
Officers and NCO Clubs, (Open Mess) Military foodservice	1.2
<b>TOTAL GROUP III</b>	<b>1.2</b>
<b>GRAND TOTAL</b>	<b>267.2</b>

FIGURE 1.2

**A Comparison of Institutional and Commercial Segments:  
Estimated Sales and Number of Units**

	<i>Estimated 1993 Sales (Billion \$)</i>	<i>Estimated 1993 Real Growth</i>	<i>Estimated 1993 Market Share</i>	<i>1992 Units</i>
<b>INSTITUTIONAL</b>				
Employee Feeding	17.913	0.6	6.6	16,000
Schools	15.242	1.7	5.6	89,000
Hospitals	11.872	0.2	4.4	6,985
Colleges and Universities	8.025	0.3	0.2	3,350
Military	6.236	-0.9	2.3	3,320
Nursing Homes	4.406	1.7	1.6	18,000
Transportation	3.508	1.1	1.3	300
Child Care	2.807	1.5	1.0	29,000
Elder Care	1.112	2.5	0.4	10,000
<b>TOTAL INSTITUTIONAL</b>	<b>71.121</b>		<b>23.4</b>	<b>175,955</b>
<b>TOTAL COMMERCIAL</b>	<b>199.080</b>		<b>73.8</b>	
<b>TOTAL INDUSTRY</b>	<b>270.201</b>		<b>100.0</b>	

Other researchers and publications also differ in reporting segmentation of annual sales. For purposes of this text, the term *institutional* means all areas of the industry that are not classified as commercial (having profit as an aim).

In 1987, the International Foodservice Manufacturers Association (IFMA) published *FOODSERVICE: A Segmented Industry* as a service to its members—suppliers of food, equipment, and supplies to the foodservice industry. IFMA detailed 12 different foodservice industry segments and how they affect the sales efforts of suppliers. Figure 1.3 is a summary of the different segments reported by IFMA.

Of the 12 segments reported by IFMA, six are institutional:

1. Business and industry foodservice
2. College and university foodservice
3. Health care foodservice

FIGURE 1.3

**IFMA Industry Segments Report**

1. Full-service Restaurants
2. Quick-service Restaurants
3. Health Care Foodservice
4. Elementary and Secondary School Foodservice
5. College and University Foodservice
6. Hotel/Motel Foodservice
7. Military and Correctional Foodservice
8. Transportation Foodservice
9. Business and Industry Foodservice
10. Retail and Convenience Grocery Foodservice
11. Recreational Foodservice
12. Contract Foodservice/Vending

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4. Elementary and secondary school foodservice
5. Military and correctional foodservice
6. Contract foodservice vending

These six segments comprise the institutional or noncommercial foodservice industry.

### HISTORY OF THE INDIVIDUAL INDUSTRY SEGMENTS

Each part of the industry has a unique history that affects the present-day structure and operation of each segment. How a segment began, its objectives, and how it is managed are all relevant to modern-day institutional foodservice management. Take a look at the different segments in that light.

#### Business and Industry Foodservice

Also known as *B & I foodservice* or *business dining service*, business and industry foodservice is provided by employers in the nation's manufacturing plants, office buildings, and other business locations. In this segment, approximately 20 percent of the facilities are operated by the employers themselves (*self-operators*), and the remaining 80 percent are operated by contract management companies.

B & I foodservice has its roots in the historical effort of employers to provide food and housing to employees. The early cave dwellers had helpers whom they protected from harm and provided with food and shelter. Later, families gathered in groups, forming villages and towns, and developed trades as a means of livelihood. Tradespeople and craftspeople formed guilds and began to teach their trade or craft to apprentices. These apprentices, or employees, were housed and fed on the job—an early example of employee foodservice.

History's giant construction projects provide their own examples of employee foodservice. While the workers in most cases were slaves and no wages were provided, they were given food and shelter. The building of the Pyramids, the irrigation of the Nile valley, the construction of the Roman roads, and other major construction projects required a planned foodservice to provide for the workers. As the great civilizations formed armies and marched against each other, special groups within the armies were used to provide foodservice to the soldiers. These construction and military foodservices are early examples of mass feeding and quantity cooking.

In America, farmers had hired hands to whom they provided food as part of their pay. The Western cowboys were constantly on the move, and the chuck wagon was the employee foodservice. Railroad building required a mobile foodservice that traveled with the work force. Early lumber camps required both foodservice and housing for the timber workers. All of these are examples of organized employee foodservice—each had as its objective the provision of meals to a work force.

With the advent of industrial revolution, groups of workers were organized in a single location to produce various products. The mills of England are an example: the individual craftsmen gave way to groups of workers at a single mill. Working conditions in the 1700s and early 1800s were deplorable. The work hours were long, and workers provided for their own meals in any manner they could.

Around 1800, Robert Owen, a mill operator in Scotland, theorized that better working conditions would produce a better employee, greater productivity, and a better product. With his new ideas for treating employees fairly, he was the

forerunner of what became known as "personnel management." Among these ideas was the provision of an eating room in a separate building that housed various employee services. Owen was so successful that his methods were copied by other employers, ultimately resulting in legislation in Great Britain that changed the way management treated its employees.

In the United States, employee foodservices were originally known as "industrial" foodservices. Many businesses provided a midday meal at a modest and/or subsidized price. The cafeteria, which was to become the generally accepted method of employee foodservice, was originated in 1891 by the Young Women's Christian Association (YWCA) in Kansas City, Missouri. The YWCA was interested in providing its members with a good, low-cost foodservice. It had visited the Ogontz Club for Women in Chicago, which was providing its members a quality, self-service arrangement. Using the Ogontz Club as a model, the YWCA developed the cafeteria style of service and implemented it at their location.

The earliest known business-based employee foodservice was at the Bowery Savings Bank in New York. In 1834, the bank opened a dining room for its employees and provided a wait staff-served lunch to them at no charge. Other banks followed the lead. In 1893, the First National Bank of Chicago served meals without charge to its clerical employees and at a small charge to its officers. The Philadelphia National Bank, the Chase Bank (now the Chase Manhattan Bank), and others followed suit.

Today, almost all major banking houses have a foodservice for their employees—usually an employee cafeteria—and a dining-room service for their executive staff. Meals are still served at a lower-than-commercial price, with part of the cost of the operation borne by the employer.

Insurance companies were also among the first employers to provide a midday meal to their employees. The Metropolitan Life Insurance Company of New York initiated a free service to its employees in 1893. In the late 1970s, they were still offering that free service daily to over 15,000 employees at their New York headquarters. Their professionally managed foodservice staff numbered more than 700. Today, they still have the service but levy a modest charge for the meals. The Prudential Insurance Company in Newark, New Jersey, started a similar service in 1895. Figures 1.4*a* and 1.4*b* are pictures of that early service offered at Prudential. That service is still operating, but is now run by a foodservice contract management company.

Most other major insurance companies now operate both employee cafeterias and executive dining rooms as part of their employee benefit programs. Meals are generally priced well below those available at commercial operations, with the company subsidizing the difference in cost.

The New York and Chicago telephone companies were pioneers in employee foodservice. Both initiated a lunchroom service for operators around 1890. As the telephone industry grew, the various companies operated a complete chain of foodservice facilities. The kitchens used standardized menus, recipes, documented operating procedures, and other professional methods. Individuals working in the foodservice department had complete career opportunities within the company. The Bell System of 1960 had over 400 cafeterias operating in the United States and Canada, all using the latest in management techniques. Although the federal government disbanded the Bell System as part of its antitrust case settlement in 1984, the surviving Baby Bells are still operating the same facilities.

On the manufacturing scene, (the "industry" of the business and industry segment) factories began operating a foodservice for their employees as early as 1890. The Warner Corset Company of Bridgeport, Connecticut, established the Seaside Institute, an employees' club that contained a lunchroom along with other amenities. The National Cash Register Company of Dayton, Ohio, opened a dining room for department heads in 1890. This was a forerunner of today's

**6 ■ NONCOMMERCIAL FOODSERVICE: AN OVERVIEW**



**FIGURE 1.4a** Prudential Insurance Co. Cafeteria Service, Newark, NJ, 1895



**FIGURE 1.4b** Prudential Insurance Co. Employee Dining Room Area, Newark, NJ, 1895



executive dining rooms. One year later, they added an employee foodservice facility seating 1,800 people, reported to be the largest dining room in the world at that time.

Other companies followed these early examples, further popularizing the idea of an employee foodservice and executive dining rooms. A survey prepared by a British researcher in 1905 lists over 50 American companies that provided an employee and/or executive foodservice.

The concept of a subsidized service was prevalent from the beginning. An 1899 study by an American student reports that in Europe, many employers provided a lunchroom where employees could eat meals they had brought from home, with a supplemental beverage service available at cost; in effect, a 100 percent food cost. The study also reports that American employers provided a full service with meals sold below cost or provided free.

At the time of World War I (1914), foodservice had become a part of personnel services in many industries. It was estimated that over 50 percent of the larger companies provided some sort of service. The advent of the war and the need for a shorter lunch hour further accelerated this trend. The cafeteria became the dominant method for providing a foodservice to the large numbers of people employed in the various plants and office buildings. Supervisory and executive personnel were still provided a sit-down service with a wait staff.

By the time of World War II (1941) and the expansion of mass production, industrial (institutional) foodservice expanded rapidly. It was estimated that by 1945, when the war ended, there were over 12,500 industrial plants, employing over 16 million people. Almost half the plants provided a foodservice at the job site. Industrial foodservice, as it was then called, was well established, and there were food management careers in that industry segment.

## College and University Foodservice

Oxford University of England was founded in the late twelfth century, followed by Cambridge University in the thirteenth century. Students lived in their own quarters and had their meals prepared by servants. Universities were established in the rest of Europe during the twelfth century, but they were really only societies of teachers and students; there were no groups of buildings with classrooms and administrative facilities. Oxford and Cambridge are reputed to be the first universities with an organized administration and classrooms. Both Oxford and Cambridge ultimately provided a common dining room where the evening meal was served to all students in a ceremonious fashion. The custom still exists.

This country's oldest college is Harvard University, established around 1638. By the time of the American Revolution, ten universities existed in the various colonies. Figure 1.5 provides a list of these ten universities and their founding dates. These educational institutions all had some form of foodservice for both students and faculty.

In 1862, Congress passed the Morrill Act granting public lands for the establishment of educational institutions, which later became known as land grant colleges. Every college thus created contained an organized foodservice facility for both students and faculty.

Numerous institutions were also formed and endowed by religious and private organizations. These were sometimes specialized colleges for the study of medicine, law, business, or engineering. In later years, some of these colleges grew to encompass other schools and became major universities.

In 1987, author Lendal Kotschevar reported over 2,500 schools and colleges above the secondary school level with a professionally managed foodservice. Some were self-operated; others were managed by contract companies.