You have given me a tremendous subject and one that I am going to speak to you about in my own way rather than give you a public relations jazz story on a fantastic industry, which I think is a fantastic industry. It is a 41 billion dollar industry, heading toward 75 billion, but that isn't going to be the end of the romance story that I am going to give you about this industry. I think that really after a couple of thousand miles on the road speaking in mens rooms and ladies rooms and seminars, speaking to many people in this people-to-people industry and seeing great success stories about many. I could speak to you for hours on how certain people make successes. I think you can go down restaurant row in this country and see signs going up or boards going up on many buildings. I am not going to go into why they are closing as time doesn't permit that, nor am I really sure. I thought today I would like to sketch a few thoughts, maybe talk about inflation and its consequences overall in the business world. I would like to maybe take a little grab-bag look at the violent few and I would like to look at the so called dandy leisure world that is predicted for the 70's, and maybe hopefully leave you with what I feel is the way that success is going to be made in what I refer to as a very dynamic food service industry. I would like to come to you today with a few honest thoughts that have been on my mind, I think you could call them honest conclusions and let's call it the truth as I see it or understand it. I think you may expect me to be more universal and just talk about food service, so if I am allowed that privilege I think that is what I would like to do.

But we are in the middle of a great massive fight in this country to stop inflation. It was great fun in 1965, 1966, 1967 and 1968 to ride that tremendous crest of upsurging income that was in the hands of consumers while actually the prices virtually stood still. As always, inflation in its early stages is very very heavy wine. And as you know, it is easy to have slightly blurred vision without being intoxicated. So everyone expected that 1970-71 and beyond would look much like the pattern of 1965 to 1968. I know I did and I am sure you did too. The awful truth is that slowing down inflation once it is in full swing requires a very painful decompression and everyone gets hurt in the process. Already gone from our business are the johnny-come-latelys who thought that the food service business was merely the manipulation of money and a real good pizzazz advertising program. And once again I recognize that businessmen all over the country will learn that the food service business, the restaurant business or whatever you like to call it, is a business and a very difficult one indeed. And believe me there is no amount of plush decor and image changing in super-dooper press releases
that can ever take a mediocre product today, served with vast amounts of indifference, into the home stage that we all can call business success. It just doesn't happen that way. I am sure that at one time or another you have been told of the magic of the cash flow in computers, in merchandising and profit margin, management by objectives. We have supplied these for our people and I am sure we read of these in the business world. Now certainly each of these things in themselves does assume some great importance but I do deny that they will save the food service operator today from a very traumatic experience if costs push upwards and sales level cut.

Now one thing you should know about our business and I think it is the most important fact about our business which is lost sight of more often than not, and that is that the food service business today, ladies and gentlemen, is a business of convenience and discretion. I think we should take a look at this inflation. Let's take a good look at a mid-western family which earned $12,000 last year -- some $2,000 more than they earned in 1968. In June of last year they moved into a luxury apartment. By the first of the year they moved to a cheaper apartment. As they tried to explain, we tried to economize -- we bought used furniture, my wife did her own sewing, but we found that we just couldn't handle the rest, the rent and a higher cost of living, etc. The couple reported that it became necessary to switch to powdered milk for their 19 month old son and they delayed the exchange of Christmas gifts until they could take advantage of the after-Christmas sales. Another story, a taxi driver in a large mid-western city earned $6,000 last year. Yet when they questioned him about his expenditures he could hardly feed his family of 7. He said milk alone runs $15.00 a week and said we spend an additional $5.00 for eggs. Recently a young couple with $1,000 attempted to purchase a home. They had a perfect credit rating, but no bank would finance a home. An aerospace research assistant reports today that he works 16 hours daily to keep up with expenses, still he says that there is nothing left over for leisure time expenditures. Even the credit card is losing its magic. A San Francisco house painter says that he buys nothing that he can't pay for. He says that paying for a dead horse is a painful experience. Now this certainly has no part in this program here. But I am sure you will agree that the two or three martinis or the steak or the chicken or seafood platter that you pay for 30 days later, is a painful experience. A lot of people report they no longer have that steak dinner once a week. Now it's chicken, fish or hamburger. Not a bad profit I might add. So inflation has transmitted its mark into fewer days of vacation, much less leisure and most important a disappearance of discretionary income. Now I was guilty of making a lot of talk during my first six months as president of the NRA, talking about the unlimited growth. It is true that we have growth and that we have to rely on growth; this University of Florida has to rely on growth, but I am sorry that I listened to so many talks that painted pictures of growth based on the assumption that we had struck a source of unending consumer spending. The American government is the largest single spender of money in the world and I think that we all know that. And this year more than ever they will put much of this money into the hands of lower income families and I think this is a great idea. But I may add they are not really important contributors to the growth of the food service business. If we are going to look at this as a business, I think it is time that our economists, the analysts, take stock of the truth. I think we should know the facts and not just get opinions from those that have little or no business training and are less understanding of the difficulties of making profits a reality. I am sure this is not Agnew presentation but maybe you can read this into it. Economic growth is an absolute
essential of our political system. And we have a special problem, I believe, in the 70's which we have overlooked. We need about 1-1/2 million new jobs every year in the 70's in order to keep up with the work force. For 20 years, 1950 - 1970, we actually had unbelievable growth without really very serious inflation compared to what we have now. The economy grew by 35%, consumer buying by 90%, while the number of families grew by 29%. This growth was affected by only relatively mild upsets along the way. The forced growth in the 60's in order to help the marginal worker be employed is really turning into a nightmare in the 70's and will continue to do so. Salary and wage increases have been, as the ones we saw in the construction industry recently that are going to run 15% for three years, are absolutely suicidal, those will be followed right straight down the line by huge increases in other industries which will surely be followed again by rising prices.

The dismal story of cost push is only a part of the amazing lack of understanding which affects America today. I made a list of a few of the increases in prices of services because this is a service world ladies and gentlemen. If you take a look at these figures, they really scare you and I am only going to hit a few. Increase in airline fares in the past year climbed by 12%, rent costs 12%, these are all up. Parking fees 22%, piano lessons 25%. I don't want to mention this but restaurant prices 50%, baby sitter fees 36%, replacing a fence 40%, repainting a room 50% and that beautiful hospital room 86% in 5 years. So you can say that if you look at growth through this light it certainly would be clouded by the polish of inflation. You know the journalists are fascinated by the opinions and antics usually of the minority. And they certainly are by the radical dissent minority that effects everyone in the country. I say the radical dissent minority and their non-negotiable demands including a host of things. But the first among them is this war in S.E. Asia. They will not take no for an answer. And almost all of the non-negotiable demonstrators come from the upper middle class. They are the most privileged in our society and they have been lied to believe that all of us over 30 are actually not concerned and not interested. Now I want to be plain about this, I think those who make statements about lack of concern, about an older generation, overlook the fact that this older generation has been much more concerned in their lifetime with more difficult and more ominous problems than S.E. Asia. Another thing -- this old generation includes vast number of Americans who work for a living and pay the taxes and the cost of keeping our Universities open and free. Believe me it is only a minority because the so called radicals in the university system today are less than 200,000 students and in the total university system, in the community college, junior college we have 7-1/2 million young people in schools who would like to take advantage of their education abilities. I bring them into this discussion because I am going to bring them into this arena as to what each one of them is contributing to industry. And so slowly but surely there is rising anger over the action of the violent few who are determined to disrupt the operation of the many. And again you always see the news spotlight on the few. The opinions of the many are not even sought. You know even our marketing men today are dazzled by youth. I am going to bet you have never heard these facts about the makeup of our future markets. I think you have been dazzled by the redundant statement that assume over half of the population will be under 25 and that they will be a mighty force at the market place. I think this is a great distortion of statistics. Did you know that if you take out all of the babies and all of the children up to Junior High School age, the median of the remainder is 39.2 years? Now maybe having discovered that we have been misled, I have to admit, many of us are
ready to take a further look at some of the facts. Since 1960 the under-25 age group has remained almost the same percentage of the total population. And did you know that only 6% of the heads of U.S. households are under 25? And the greatest volume with incomes of importance is the 35-49 year-old group. In total it is 5 times greater in size than the under-25 years group. And did you know that the under-25 years group accounts for only 4.4% of family income? That they earn virtually none of the discretionary income -- only about 1-1/2%. So of all the consumer products and services sold in this country, those under 25 buy only 5-1/2% of the total. The so-called hip generation has been way, way over-emphasized in my book as a force in the market.

Charlie Adams, President of McManus, Charles and Adams, offers this very sage advice: He said it is so easy to overlook the fact that older Americans, far less interesting, far more sedate, far less exciting, are still in charge. Not only of the levels of power but also the overwhelming majority of America's purchasing power. Sylvia Porter, of the Chicago Daily News puts it differently. She says, "If you are under 50, you get all of the headlines, but the hard core demand is in the purses of the middle aged". Charles Hepuy, publisher of Readers Digest, notes that advertising for outboard motors usually shows a handsome young man on water skis with a beautiful bikini girl perched on his shoulders, but the guy who actually bought the outboard motor had a medium age of 45 years. So I would like to say to you before I get thrown out, if you are 34-55 years of age you belong to the command generation. And I think those who insist upon courting the very young will find that they have been listening to a very grim fairy tale. I want to add this -- I have 4 very young and I have great respect for young people in this world -- they are going to be the future in my industry and in yours. I am talking from a business point of view -- things that make cash registers ring -- so from a business point of view the really beautiful people in America are all over 25. Translate that as you like. Finally let me say that something less than the truth has been told to us about the leisure world. I mean the four day week, the three day week and the five and six hour day. I really don't know what form of hallucinations these marketing wizards, I like to call them, are sampling when they list the conclusions that the 70's and beyond would mark the end of work when the truth actually lies in the opposite direction and thank goodness for that. We have already passed over the point of diminishing return with respect to work and hours of work in America. 75-80% of our people find jobs in the services and in government. And believe me as we continue to stretch out our hands portal to portal, work becomes longer and longer in hours and days. In fact, the major question of the 70's is whether or not we will have enough work hours to fill the needs of the services.

Fortune Magazine in March had a great deal to say about productivity and the number of hours needed to produce goods and services for a country of 220 million people. They used the example of the handsome psycho-analyst who treated wealthy matrons whose only ailment is too much time on their hands vs the psychologist who works in a clinic for the under privileged. Obviously our handsome psychoanalyst wins hands down, doesn't he? He makes himself a wealthy man at 10-50 times the rate of his equally well trained colleague. And this is but one of the traps that we have let ourselves in for when we jump to the conclusion that nothing but leisure, big prices, big profits and big wages are assured in what I want to refer to as the serious 70's. And maybe I heard the word just prior to going on here, to the elusive, I get the word elusive that was used for Jerry Wanderstock, the elusive 70's. This is
a good word because I don't know what it means. There is a terrific need for hours of service work which is unfulfilled today, even with an unemployment percentage that is reaching near 5%. We are headed for an even greater increase in the number of hours of services needed in the future. Supply and demand are not being met today. That is everything from autos to restaurant help. Many will have to be simplified in tomorrow's world if the need is to be met. Now I believe all of us have built -- and I like this word because I believe it is the most worthwhile word that we can give to anything that we see on a memo or on a car sticker -- I think we have built various systems which in the last three years have been under very severe stress. And I think we have listened to fools and crystal ball gazers.

I think I have a masters degree in magazine reading on airlines. I get off and I am getting ready to make a talk somewhere because what I am saying is absolutely opposite to what I am reading. And yet I get back on the airline and somebody proves that what I said was right so you never know if you are right or wrong today. But maybe that is the problem with these crystal ball gazers -- they have to come up with answers maybe too quickly and maybe too often. But we have permitted ourselves to be deluded into believing that this world was our oyster and that all that we had to do was to count our profits and build our new homes and invest our money in that great stock market which never fails to rise. And slowly but surely I think the truth is being separated from the news and the fact is being separated from fancy and values are being separated from absolute worthlessness. You know, as I look at our industry at this time I have never known a greater opportunity for what I like to refer to as the middle-aged professor in our business who really has the desire to learn the restaurant business. If there is ever a time when he can cash in on his experience I believe now is the time. And I also said, and I believe this because I have young people in my business, I have never known a greater opportunity for young people, ambitious young people who are clever enough to sense the excitement and profits to be made in the great food service industry. I add this because I feel I am giving you a gloomy talk. But I really wanted to give you something boiled down today at the end of my year. I believe that the opportunities are there tremendously and I do want to leave you with that thought in case I failed to come across with it. I am sorry that I didn't hear the program that preceded me on consumerism. Maybe it was good that I didn't -- I might have been confused or I might have deleted a few remarks here. But I want to say that militant consumerism is not a paper tiger, nor is it going to pass into old age with Ralph Nader. I like to refer to the frustrated American -- you or I or anybody that goes out into restaurants. I have to refer to the food service industry here because unfortunately that is my ball of wax. But I am sure the frustrated American can be anybody working in any service or product. I really think that the frustrated American today knows the difference between quality in product and quality in service. I think that the frustrated American may even affect the thinking of management which has grown arrogant in any service or establishment which uses him and abuses him at the same time. You know even in a single year arrogant taxi drivers and your slip-shod service attendants and waiters and waitresses have felt the wrath of the frustrated American. And I think here is where the great opportunity lies for people in our field, in the food service field, and I think in any field. That is for the person who tries harder and maybe works longer -- not always longer but works smarter, maybe loves the competitive world and is willing to get in there and compete and certainly this is a great time for it. The name of the game
is competition. I am a third generation. I am looking at maybe a fourth
generation son here who didn't want to come and hear his father's speech
because he has heard me practice at home. I really feel that this is a very
competitive world. It was during my dad's age and his dad's age and it is
the name of the game. I served 11 years with the NRA and traveled with some
NRA people who did 100,000 dollars a year and we traveled with people who
are heading corporations doing 600 million. Basically all have the same
problems and I think they all agree because one thing you have to do as
president is take soundings to see if you are on the right track. I think
that all agreed that mediocre products and mediocre services are going to be
in real trouble in the 70's and I think in the 80's.

I want to tell you one thing for sure -- the food service industry
is a very mighty industry; it is going to hit the 75 billion dollar mark,
whether it hits it in 1975, 1980 I really don't care. I want to see it do
it gracefully. I want to see it done with understanding and I want to see
it done with the same type of good stock people that I ran across all this
year in the food service industry and in our allied associations. I really
feel that the National Restaurant Association is the voice of this industry.
It is composed of men and women who really care about the future of our end
of the hospitality industry and who frequently give freely of their time and
their talents. I would like to leave you with just one thought. A past
president of the National Restaurant Association, a very very great man,
regarded as a chef in Coral Gables, Paul Shanks with Paul Shanks Gracious
Dining in Scottsdale, Arizona. I don't know whether he coined this phrase
or not but he used to give this in his talks and I always thought it was
great. He says, "You know, as I look at the future I always try to think
what I say to life is that the harder I work the luckier I get." Thank You
Very Much.

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H. F. BERNHOLDT: Thank you very much Mr. Heilman. When I was given
the topic "Where do Meat Specialists Fit in the Food Service Industry?" I
thought that the best way to approach this would be to talk about the way that
we at Swifts look at it.

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