

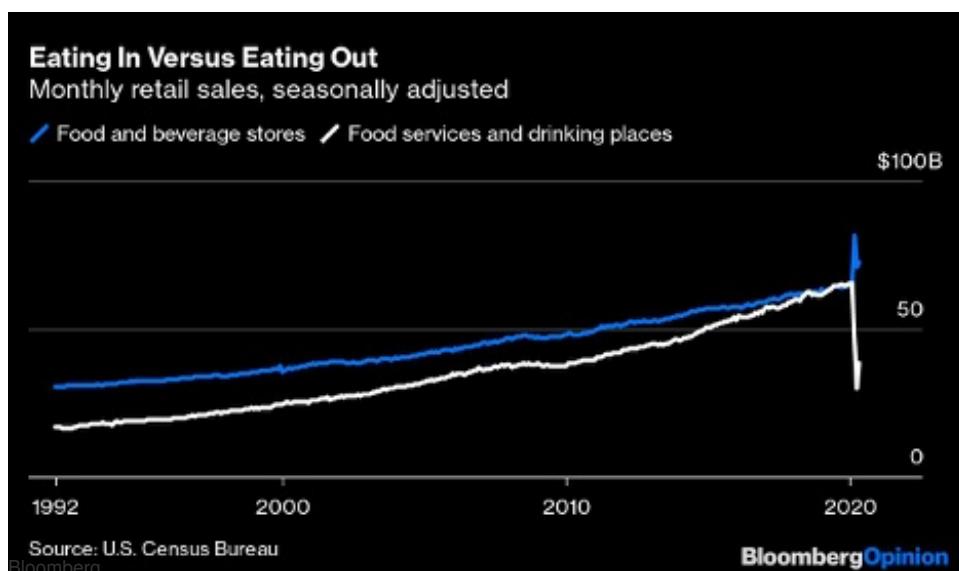
Restaurants Will Be Back, I Promise

June 17, 2020

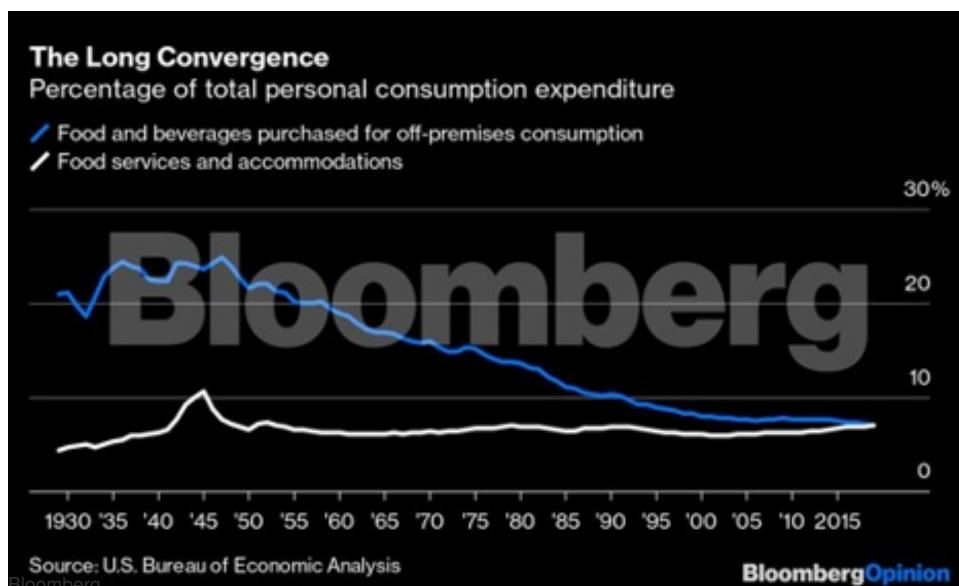
by Justin Fox

In August 2018, according to the seasonally adjusted reckonings of the Census Bureau, sales at the nation's restaurants, bars and other food-and-drink establishments outpaced sales at food and beverage stores for the very first time. This happened eight more times in 2019. In January and February of this year, it looked as if dining and drinking out had surpassed buying food and drink to eat at home once and for all.

Then came the coronavirus, temporary and permanent restaurant closures and a lot of supermarket, superstore and online binge-buying. Since March, Americans have spent twice as much money at food and beverage stores as at food service and drinking places, and that underrepresents the disparity because lots of food and drink purchases made at Costco, Walmart and online are reported under other categories.



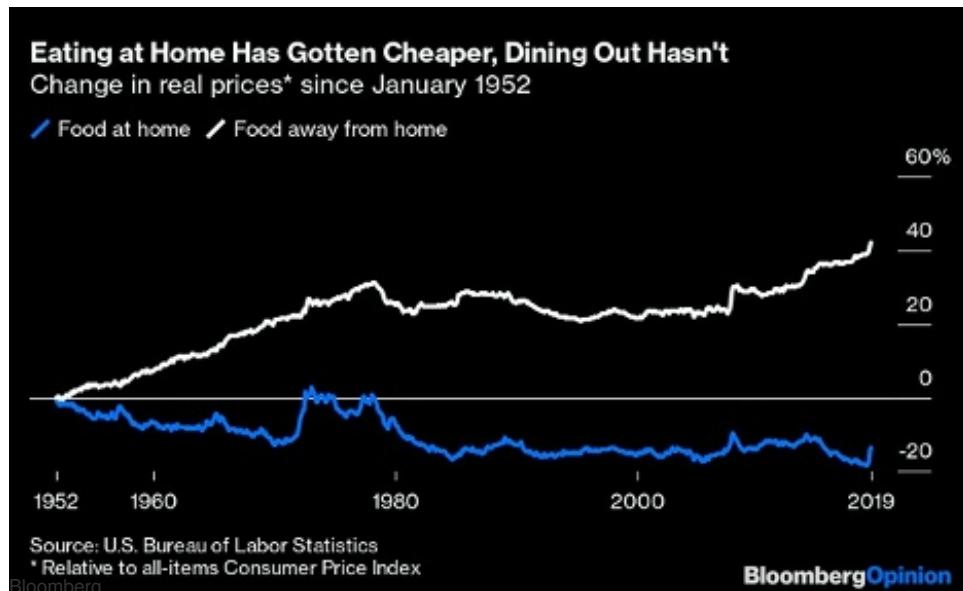
The gap did begin to close in May, as is apparent in the above chart, but I imagine it will be a while before spending on dining out again surpasses spending on dining in. I also imagine though, that the former will eventually surpass the latter again, and that the gap will then grow and grow in the decades to come. One of the main sources of my belief is this chart:



Clearly, dining out supplanting eating at home is a trend that has been in place for a really long time. This time the food

and drink purchased for off-premises consumption does include all those online and Costco purchases. The dining-out spending includes accommodations, which was about 16% of the total as of 2018 — I use the combined number in the chart because the food-and-drink-only data isn't available yet for 2019. A U.S. Department of Agriculture series that includes spending by governments and businesses as well as households shows spending on food and alcohol away from home to have surpassed spending on food and alcohol consumed at home in 2013, and been about 2% higher in 2019.

Something big seems to have shifted about how we get our food and where we eat it. Part of the change is, to be sure, about prices: Food consumed at home has gotten cheaper, relatively speaking, than food consumed away from home.



Still, Americans have in fact been buying more food from restaurants, not just paying more for it. The food-away-from-home share of total average daily energy intake rose from 17% in 1977-78 to 34% in 2011-12, according to USDA surveys. Fast-food restaurants were responsible for most of this rise, indicating that convenience is a big driver in the shift toward food away from home. But in recent years there's also been a boom in high-end dining as affluent consumers look to buy experiences rather than things.

Fast-food sales are already bouncing back from the coronavirus, with McDonald's announcing this week that U.S. same-store sales were down just 5.1% in May compared with May 2019, after a 19% decline in April. Full-service restaurants, on the other hand, will continue to struggle until either we defeat the virus or it defeats us (in the sense that efforts to control it are abandoned, not that it kills us all). At the high end, this was a risky, low-margin business even in the best of times. Many restaurants have already closed permanently in the wake of virus-induced shutdowns, and restocking their ranks could take years. Much about the business may need to be reimaged and reinvented in the process.

Demand for what restaurants offer, though, is surely not going away. Yes, if working from home becomes more prevalent, as seems likely post-pandemic, the lunch business could take a permanent hit. And if working from home encourages lots more people to work from places less expensive than New York and San Francisco, that could cut demand for restaurant dining in such cities. But those who work remotely have a tendency to settle not in the middle of nowhere but in smaller cities with attractive physical surroundings and lots of restaurants and bars and brewpubs. Bloomberg Businessweek deputy editor Howard Chua-Eoan has a lovely reminiscence in this week's edition about what he misses about restaurants and how he has coped in their absence. It's clear that he will be back at these "sanctuaries of joy," as he calls them, as soon as he is allowed. Millions of other people will be too.

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