

Don't Believe the Hype: Eating In Still Tops Eating Out

Faulty assumptions based on retail data lead to mistaken conclusion on dining trends



By

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Retail-sales figures released by the U.S. Commerce Department garnered considerable attention last month when news reports suggested they showed Americans spent more money dining out than buying groceries for the first time ever.

Some observers jumped from there and attributed the shift to the growing clout of millennials, saying they prefer breaking bread with friends at restaurants, while sad-sack baby boomers who didn't save enough for retirement are stuck cooking at home.

Food Fight

Commerce Department grocery store numbers don't include food sales at supercenters, butchers and other specialty stores.

\$250 billion in Q1 2015 sales



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But as it turns out, reports on the decline of home cooking were half baked. They demonstrate, once again, that it is important to understand how the government compiles statistics to avoid jumping to conclusions the figures don't support.

So what was wrong with using the Commerce figures to project a major dining trend? Lots of things.

Perhaps the biggest is that the figures primarily represent sales at supermarkets and don't include big-box stores such as Wal-Mart, the largest grocery retailer in the nation, where many Americans stock up on provisions for their cupboards and refrigerators.

"Saying that dining out is surpassing groceries, that's just not an accurate description of it," said Bruce Grindy, chief economist for the National Restaurant Association. Though Mr. Grindy knows better, his group [reported](#) that Americans were spending more in restaurants than grocery stores, though the restaurant figure includes other kinds of eating and drinking places, and the grocery-stores figure misses food purchases.

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The figures in question come from a report called Advance Monthly Sales for Retail and Food Services, compiled by the U.S. Census Bureau, a division of the Commerce Department. It includes the earliest government estimates of retail activity and is regarded as a key economic indicator.

The Bureau of Economic Analysis uses the data to help estimate gross domestic product. The Federal Reserve Board, financial analysts and marketing firms use it to analyze economic trends. And businesses use it to gauge performance and predict demand for their products.

The report is generated from a sample of companies within industries defined according to the North American Industry Classification System. The system's codes group similar businesses together, and the figures captured by the monthly report reflect sales by industry—not by product.

About 4,900 companies receive the questionnaire, and the surveyed companies provide the dollar value of their total sales about a week after the close of the reference month. April figures, for example, were [reported this past week](#). The Census Bureau aggregates the figures by kind of business.



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The government groups data on food sales by industry, with grocery stores falling under their own category and supercenters and warehouse clubs (big food purveyors in their own right) into another category. This can make it difficult to get a clean look on sales of a specific product group and can lead to faulty assumptions. Here, a Whole Foods market in San Francisco. Photo: Justin Sullivan/Getty Images

Grocery stores are one kind of business and have their own code. Warehouse clubs and supercenters such as Wal-Mart, Costco and Target are a different kind of business and use a different code. There also are different codes for meat markets, fish and seafood markets, and fruit and vegetable markets—and their sales are tallied separately.

"Food sold in another type of store would not be included in the grocery-stores numbers but in the numbers of those industries," said Scott Scheleur, assistant division chief for the retail and wholesale indicators program at the Census Bureau.

In other words, a lot of grocery sales are omitted from the grocery-stores tally, and the aggregated figures for each industry group include all sales. So grocery-store sales, for example, could include revenue from flowers, toys, seasonal items and pharmaceuticals as well as food.

Meanwhile, the food-services and drinking-places category is much more sweeping. In addition to restaurants, it includes caterers, bars and contractors that serve airlines, universities and hospitals.

“There’s a huge difference between restaurant sales and food service,” said Sarah Lockyer, editor in chief of Nation’s Restaurant News, a trade publication. “The best part of the food-service industry is on-site providers. Health care has skyrocketed. Colleges and universities have skyrocketed.”

It is true that in March and in April, sales at grocery stores lagged behind sales at food services and drinking places. But those categories don’t equate to grocery sales and restaurant meals.

Other surveys do provide product information, but they aren’t produced nearly as quickly as the monthly retail-sales report and don’t get as much attention. The Economic Census of the United States, for example, distinguishes food sales from other purchases, but that survey is conducted every five years, and the most recent data, which was released beginning last year, is from 2012.

The Food Institute, an information service for the food industry that assembles government and trade reports for agriculture companies, supermarkets, restaurants and food processors, produces its own analysis of the retail data to generate more current reports.

It finds that in the first quarter of 2015, all food sales from grocery stores, warehouse clubs, supercenters, specialty stores and the like totaled \$222.3 billion. By contrast, it calculated sales at eating and drinking places—including all food service categories—at \$147.5 billion.

All of this isn’t to say restaurant and other food-service sales haven’t increased. In fact, they have.

“For April, eating and drinking places sales are up 9.5% from a year ago,” said Brian Todd, president of the Food Institute, crediting the increase to an improved economy. “Especially now that the recession has ended for the most part, consumers are looking to splurge a little bit.”

The government’s monthly retail-sales report provides valuable information that reveals legitimate trends, providing users understand what the numbers represent.

In this case, no matter how you slice it, spending on dining out hasn’t surpassed spending on groceries.

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