The decline of bars and drinking establishments, 2006-2016*

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Abstract

The growth of the food and beverage service industry in the 2010s obscured the decline of one of its sectors: bars and drinking establishments with limited food offerings. This research note presents 2006-2016 data from the U.S. Census Bureau County Business Patterns, a time period that captures industry peaks on either side of the Great Recession of 2008. Data show that while the food and beverage service sector as a whole grew by 17.7%, the bar sector decreased by 10.5%. City-level data from the 30-largest municipalities show much internal variation in both sectors, but the bar sector's share of the food and beverage service industry declined in 28 of 30 municipalities under study. Restaurant industry growth in this decade ranged from 5.0% to 48.4%, while bar sector change ranged from -37.7% to an increase of 56.5%. The implications of this changing industry mix and its municipal variation are discussed for future research into the changing food and drink service industry, its role in urban revitalization, strategies for public health and safety, and the likely acceleration of these trends due to COVID-19.

Keywords: bars, alcohol, restaurants, consumer behavior, urban redevelopment, NAICS

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Abstract

General accounts of the growth of the food and beverage industry in the United States have obscured the decline of one of its sections: bars, taverns and other drinking places serving liquor but with limited food offerings. This research note presents 2006-2016 data from the U.S. Census Bureau County Business Patterns, a time period that captures industry peaks on either side of the Great Recession of 2008. Data show that while the food and beverage service sector as a whole grew by 17.7%, the bar sector decreased by 10.5%. City-level data from the 30-largest municipalities show much internal variation in both sectors, but the bar sector's share of the food and beverage service industry declined in 28 of 30 municipalities under study. Restaurant industry growth in this decade ranged from 5.0% to 48.4%, while bar sector change ranging from -37.7% to an increase of 56.5%. The implications of this changing industry mix and its municipal variation are discussed for future research into the changing food and drink service industry, their role in urban revitalization, and public health and safety.

The Decline of Bars and Rise of Restaurants

As the bar industry scrambles for recovery after the devastation wrought by COVID-19 physical-distancing measures, it is instructive to understand that the industry has been in decline over the past decade and a half. This research note investigates the market mix between full-service restaurants and bars in the United States' food and beverage service industry over a ten-year period, 2006-2016. Much attention has been focused on the growth of the restaurant industry in recent years (Karsen, Kamphuis, & Remeijnse, 2012; DiPietro, 2017) with food and drink businesses taking over storefronts in municipalities across the country (Lucan, Maroko, Patel, & Gionbalai, 2018). These studies have often focused on the "conflict of choice" these

expanded offerings pose to consumers (Jung, Sydnor, Lee, & Almanza, 2015) to understand the reasons why consumers switch among restaurants (e.g. Line & Hanks 2019; Ha & Jang, 2013; Han, Back & Barrett, 2009).

Little attention, however, has been paid to the choice between venue types, such as between full-service restaurants and drinking establishments. Both sectors may offer liquor and food, though they differ in terms of ambience and service orientation, two qualities shown to influence consumer perceptions of value and switching behavior (e.g. Sandiford & Seymour, 2002, Teng & Barrows, 2009, Heung & Gu, 2012). Consumer switch between drinking establishments and full-service restaurants may thus indicate internal sector transformations, change in consumer preferences, or some combination of both. This paper describes the changing market mix at the national level and for the 30-largest municipalities in 2016 to demonstrate both the general national trend in declining numbers of bars and taverns and the considerable municipal variation. Implications are discussed for future studies of the food and beverage service industry, for public health and safety, and for strategies of urban redevelopment.

Methods

This study investigated the Census Bureau County Business Patterns (CBP) between 2006-2016. Data are reported for the United States as a whole and for the 30 largest municipalities as of 2016, a range that captures outliers, major cities in all Census regions, and industry peaks on either side of the Great Recession of 2008-09. I also report the population growth in each municipality over this decade as a point of comparison for the growth in the food and beverage service industry as a whole.

The CBP is based on the Business Register, which is “the Census Bureau’s file of all known single and multi-establishment companies” (U. S. Census Bureau 2018 p. 2). It is compiled from data from other Census Bureau Surveys and the “administrative records of the Internal Revenue Service (IRS), the Social Security Administration), and the Bureau of Labor Statistics (BLS)” (*ibid.*). It thus represents the most complete count of all discrete business establishments in the country.

The CPB categorizes industries according to the North American Industry Classification System (NAICS), the standard used by Federal agencies in the United States. Relevant NAICS codes reported for this investigation include for Food and Services and Drinking Places (code 722), comprising the entire industry. The industry is divided into several sectors, the largest of which is the full-service restaurant industry, coded 7221 in 2006 and 722511 in 2016 (this change in code did not affect the comparability of the data—see U.S. Census Bureau, 2012b). Code 7224 in both 2006 and 2016 comprise “establishments primarily engaged in preparing and serving alcoholic beverages for immediate consumption” but which “may also provide limited food services” (U.S. Census 2012a, p. 469).

The distinction between drinking establishments and full-service restaurants can be a fine one. Code 7224 does not include places that are “*primarily* engaged in... providing food services to patrons in addition to alcoholic beverages; such establishments are classified as restaurants” (*ibid.*—emphasis added). In other words, the subjectivity of the definition falls on the word “primarily” to characterize the food offerings of an establishment. Whether an establishment is coded as a bar or a full-service restaurant is often determined by business owner self-reporting on their application to the Internal Revenue Service (IRS) for an employer identification number

(EIN); when employers do not supply a category, the IRS applies one (U.S. Census Bureau, 2018).

The NAICS classification schemata, while updated every five years, do not provide further levels of specificity requested by researchers. (e.g. Barrows & Viera, 2013; Canziani, Almanza, Frash, McKeig & Sullivan-Reid, 2016; Longart, Wickens, & Bakir, 2017). As Clayton Barrows and Edward Viera (2013) write of the difficulties in using NAICS definitions of full-service restaurants, “one could take issue with the inclusion of certain segments, such as bagel shops or even pizza parlors... as the majority would probably not meet the foodservice definition of ‘full service’ as generally understood by industry experts (p. 354). These challenges are not unique to the restaurant industry but are part of the difficulties in agreeing on the characteristics of any employer coding system (e.g. Waxell, 2009). The code for full-service restaurants is likely to be an overcount compared to industry understandings of “full service,” but it does distinguish the restaurants offering some kind of table service from the fast-food restaurants classified as “limited service” by NAICS.

Though codes for establishment type are thus somewhat subjective, the same standards were applied in both years under consideration and across all municipalities. It is this consistency that allows for the comparisons across time and place undertaken below. Another way in which the NAICS data are limited is that they provide only absolute counts of establishments, not longitudinal data. It is thus not possible to know whether changes in the relative shares of each sector are due to changes in categorization, such as a bar being recategorized as a restaurant because it added a kitchen, or because its food receipts dramatically increased. The implications of this limitation are discussed below.

Data

Table 1. displays the changes in the number of establishments in the food and beverage industry, in full-service restaurants, and in bars for the years 2006 and 2016:

Table 1
Percent change in population and food & beverage industry mix by municipality, 2006-2016

	Population	Food & Beverage Overall	Full-service Rest.	Bars
USA	9.92	17.71	17.91	-10.50
New York	7.09	32.46	36.89	-4.88
Los Angeles	2.78	21.02	16.91	-7.42
Chicago	0.06	14.58	14.73	-11.95
Dallas	20.42	39.15	36.78	5.00
Houston	22.20	39.81	38.73	8.46
Washington DC	15.98	24.63	25.22	48.74
Philadelphia	4.18	12.32	15.24	-16.40
Miami	11.03	21.90	24.38	-22.81
Atlanta	12.76	16.93	8.73	-14.74
Boston	7.61	17.72	22.72	-37.66
San Francisco	11.94	26.10	19.92	15.72
Phoenix	15.41	21.12	14.97	-11.38
Riverside	12.46	23.79	18.02	-6.90
Detroit	-3.83	4.97	11.34	-28.29
Seattle	16.41	16.09	21.51	-5.97
Minneapolis	11.84	17.33	21.97	-4.26
San Diego	12.79	20.82	17.17	-1.51
Tampa	12.40	17.01	18.31	3.55
Denver	18.45	23.66	27.49	-7.11
St. Louis	0.50	6.13	13.28	-22.74
Baltimore	5.28	13.06	18.21	-22.78
Charlotte	56.34	50.16	48.42	16.67
Orlando	22.99	30.80	33.06	2.15
San Antonio	24.70	27.59	27.16	9.90
Portland	13.46	25.79	27.59	56.52

Pittsburgh	-1.20	6.09	12.75	-25.64
Sacramento	11.09	11.27	10.26	-5.11
Cincinnati	2.68	8.21	12.22	-23.14
Las Vegas	21.27	36.01	37.48	14.40
Kansas City	6.98	9.53	16.64	-24.32

The percent change in the US population during this decade was 9.92, while the change in the food and beverage sector was an increase of 17.71%. The number of full-service restaurants during this period increased by 17.91%, while the number of bars decreased by 10.5%.

Data for the 30 largest municipalities in the country show considerable internal variation. Population growth ranged from a decrease of 3.83%, for Detroit, to growth of 56.34% in Charlotte. The food and beverage sector increased in all 30 cities under study, ranging from 4.97% in Detroit to 50.16% in Charlotte. Full service restaurants also increased in all municipalities, ranging from 8.73% in Atlanta to 48.42 in Charlotte. Bars declined in 21 of 30 municipalities, ranging from -28.29% in Detroit to 48.74% in Washington, D.C.

In eight of the nine municipalities in which bars increased in number, they increased at rates lower than the increase in municipal population, the increase in the food and beverage service sector overall, and the increase in the number of full-service restaurants. The exception is Washington DC, in which bars increased at a rate almost twice (48.74%) the increase in the food and beverage sector as a whole (24.63%). In other words, in 29 of 30 municipalities studied, bars either decreased, or increased at a rate slower than the increase in the food and beverage sector as a whole.

Table 2 shows the percentage share of the total food and beverage industry for the full-service restaurant sector and the bar sector

Table 2. Change in the Share of the Total Food and Beverage Industry by Municipality, 2006-2016

	Full-service Restaurant Market Share				Bars Market Share			
	2006	2016	absolute change	% change	2006	2016	absolute change	% change
USA	38.33	38.40	0.07	0.17	8.15	6.20	-1.95	-23.97
New York	38.99	40.30	1.31	3.35	7.55	5.42	-2.13	-28.19
Los Angeles	39.33	38.00	-1.34	-3.40	4.43	3.39	-1.04	-23.50
Chicago	34.63	34.68	0.05	0.13	9.84	7.56	-2.28	-23.15
Dallas	36.36	35.74	-0.62	-1.70	4.99	3.76	-1.22	-24.54
Houston	36.28	36.00	-0.28	-0.77	7.12	5.52	-1.60	-22.42
Washington DC	36.30	36.47	0.17	0.47	2.01	2.39	0.39	19.34
Philadelphia	32.42	33.26	0.84	2.59	9.92	7.38	-2.54	-25.57
Miami	42.52	43.38	0.86	2.03	5.46	3.46	-2.00	-36.68
Atlanta	43.13	40.10	-3.02	-7.01	2.71	1.98	-0.74	-27.08
Boston	36.51	38.06	1.55	4.25	6.21	3.29	-2.92	-47.05
San Francisco	45.33	43.11	-2.22	-4.90	6.24	5.73	-0.51	-8.23
Phoenix	36.97	35.10	-1.88	-5.07	6.15	4.50	-1.65	-26.83
Riverside	36.81	35.09	-1.72	-4.66	3.81	2.87	-0.95	-24.79
Detroit	36.59	38.81	2.22	6.07	8.62	5.89	-2.73	-31.68
Seattle	38.03	39.81	1.78	4.67	6.31	5.11	-1.20	-19.00
Minneapolis	34.15	35.49	1.35	3.95	7.52	6.14	-1.38	-18.40
San Diego	38.45	37.29	-1.16	-3.02	5.77	4.70	-1.07	-18.48
Tampa	42.40	42.87	0.47	1.12	7.81	6.91	-0.90	-11.50
Denver	37.59	38.75	1.16	3.09	8.38	6.30	-2.09	-24.88
St. Louis	35.11	37.47	2.37	6.74	12.07	8.79	-3.28	-27.20
Baltimore	28.41	29.71	1.29	4.56	8.56	5.85	-2.71	-31.70
Charlotte	40.31	39.84	-0.47	-1.16	4.13	3.21	-0.92	-22.31
Orlando	42.14	42.86	0.73	1.73	5.31	4.15	-1.16	-21.90
San Antonio	38.73	38.60	-0.13	-0.33	9.27	7.99	-1.29	-13.86
Portland	40.06	40.63	0.57	1.43	7.84	9.75	1.91	24.43
Pittsburgh	33.22	35.30	2.09	6.28	17.22	12.07	-5.15	-29.91
Sacramento	38.99	38.63	-0.35	-0.91	4.57	3.90	-0.67	-14.73
Cincinnati	36.05	37.39	1.34	3.71	12.35	8.77	-3.58	-28.97
Las Vegas	31.56	31.90	0.34	1.08	12.11	10.18	-1.92	-15.89
Kansas City	37.94	40.41	2.46	6.49	7.57	5.23	-2.34	-30.91

The full-service restaurant sector accounted for slightly more than 38% of the United States' food and beverage service industry 2006-2016, changing only .07 in absolute terms for a marginal increase of .17%. There was again considerable municipal variation in full service's share of the industry overall, ranging in 2006 from 29.41% in Baltimore to 45.33% in San Francisco, and in 2016 from 29.71 in Baltimore to 43.38 in Miami. The change in the full-service restaurant sector's share of the total food and beverage industry during the decade under study ranged from -3.02 in Atlanta to 2.37 in St. Louis. These accounted for a range from decrease of 7.01% in Atlanta to an increase of 6.74% in St. Louis. These data suggest that the rate of change in the full-service restaurant industry is similar to the rate of increase in the food and beverage service industry overall.

Nationally, the absolute decrease in the bar sector's share of food and beverage industry was 1.95%, a decrease of 23.97% over the ten-year period studied. The bar sector's share thus declined in 28 of 30 municipalities under study, increasing only in Washington DC by 19.34% and in Portland, OR by 24.43%. The bar sector's share of the food and beverage industry in the 28 municipalities in which it decreased ranged from a modest loss of 8.23% of its market share in San Francisco to a dramatic loss of 36.68 of its market share in Miami.

Implications

There are implications for future research both of the changing industry mix of the bar and restaurant sectors and of the large municipal variation in these changes. Future research should consider consumer switching behaviors between sectors, rather than just among restaurants, to understand the degree to which changing consumer preferences are driving the decline in the bar sector with its limited food options.

Given the considerable municipal variation, researchers should be cautious about generalizing their data nationally. It is unclear from the data presented to what degree the growth rates in full-service restaurants is related to population growth in municipalities, or whether either is related to the declining market share of bar market share. Future research might investigate this relationship at either the national-statistical level or through municipal case studies.

The subjectivity in the NAICS coding procedures between bars and restaurants also bears further investigation. Audit studies of EIN applications would be helpful to understand whether there is longitudinal change in EIN classifications (such as when bars build a new kitchen or restaurants acquire a liquor license), or whether the change is accounted by the closure of one type and applications for EINs in the other sector.

There are also implications in this changing market mix for urban development strategies. Municipalities have attempted to spur development by issuing liquor licenses and encouraging entertainment zones (e.g. Roberts & Eldridge, 2012; Author). Data presented here suggest that restaurants with alcohol are likely to be more successful than drinks-only establishments, and therefore developers and zoning officials should be cautious about investing in bars. Research has also shown that growth in the restaurant and bar sector is associated with gentrification (Glaeser, Kim & Luca, 2018); future studies might differentiate between the bar and restaurants subsectors to understand urban redevelopment processes more precisely.

Consumer patronage of bars versus restaurants also has important public health and safety implications. Bar density is associated with increased drunk-driving (Levine 2017, Morrison, Ponicki, Gruenewald, Wiebe & Smith, 2018), with studies suggesting that restaurants are either not associated with drunk driving itself, or the accidents and crashes it causes (Treno,

Johnson, Remer, & Gruenewald, 2007; Ponicki, Gruenewald, & Remer, 2013; Lipton, Ponicki, Gruenewald, & Gaidus, 2018). A consumer shift away from drinking-only establishments and towards restaurants with alcohol may therefore help explain the recent decline in drunk-driving crashes (NHTSA, 2018) during this time period. This may be due to difference in consumer types and their risk preferences. It may also be because the sale of the beer and wine most often consumed in restaurants, as opposed to the hard liquor more commonly consumed in bars, is associated with decreased rates of traffic accidents (Baughman, Conlin, Dickert-Conlin, & Pepper, 2001). Future research might attempt to disaggregate these effects to understand whether consumer preferences for restaurants are driving changes in behaviors affecting public health and safety.

Conclusion

Findings suggest that the bar sector, defined by liquor sales with limited food offerings, is declining in the United States, albeit with considerable internal variation at the municipal level. This may suggest a changing consumer preference for restaurants over bars, internal industry transformation to offering both full-service food with drink, or both. Changing consumer preferences may be toward the perceived service and ambience advantages held by restaurants, away from drinking in the absence of full-service food, or some combination of the two.

Research currently focuses on restaurant switching behaviors within industry categories. Future research might consider the switching behaviors among categories, as between full-service restaurants and bars. Datasets using NAICS codes permit such research to be undertaken. The rise of restaurants and decline in bars has implications for researchers in public health and safety and urban redevelopment as well.

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