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Eating out(side): Restaurant dining in the next normal

Our survey of US consumers suggests that indoor dining in restaurants may not return to precrisis levels for months—or possibly even years. That means full-service restaurant operators need a new economic model.

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Months after COVID-19 first wreaked havoc on lives and livelihoods around the world, much of the US restaurant industry faces a deeply uncertain near-term future. In particular, many full-service restaurant operators have had to adjust and readjust their plans multiple times, and are unsure when—or if—they'll be able to reopen fully, given surges in COVID-19 cases in several regions. Even where indoor dining is permitted, consumers continue to be wary, as our recent survey of US consumers indicates.

In such an unpredictable environment, how should restaurant operators plan ahead? What should their priorities be? We recommend two focus areas: investing in the customer experience and developing a model that acknowledges the restaurant industry's new economics.

A start-and-stop recovery

Following the initial US lockdowns, in mid-March, sit-down dining disappeared almost entirely across the country. Overall US restaurant-industry revenues plunged by more than 50 percent through April. Yet some chains adapted right away: many quick-service restaurants (QSRs) and casual-dining establishments rapidly pivoted to off-premise channels—primarily drive-through, delivery, and takeout—and were buoyed by a relatively swift, if uneven, recovery in May and June. Then, as states across the country reopened, street-side and sidewalk dining blossomed in some cities. Consumers, tired of cooking at home and eager for some return to normalcy, started eating out again. By mid-June, overall restaurant sales had recovered roughly 25 percentage points.

But the boost in business turned out to be short lived. The number of COVID-19 cases climbed in numerous states, and governors reissued shutdown orders. For several segments of the restaurant industry—particularly full-service dining—the recovery has slowed (Exhibit 1).

In several states, the prospects for a full, unconditional reopening look dim. The unpredictability of the virus's spread means that some US restaurants may not have the option of welcoming guests into their dining rooms for some time to come. Local authorities could impose or extend dining restrictions for months. Even in places where restaurants are reopening in limited

Exhibit 1

Trends in sit-down dining show that the on-premises recovery has slowed.

Seated dining by key state, % year-over-year change (7-day rolling average)
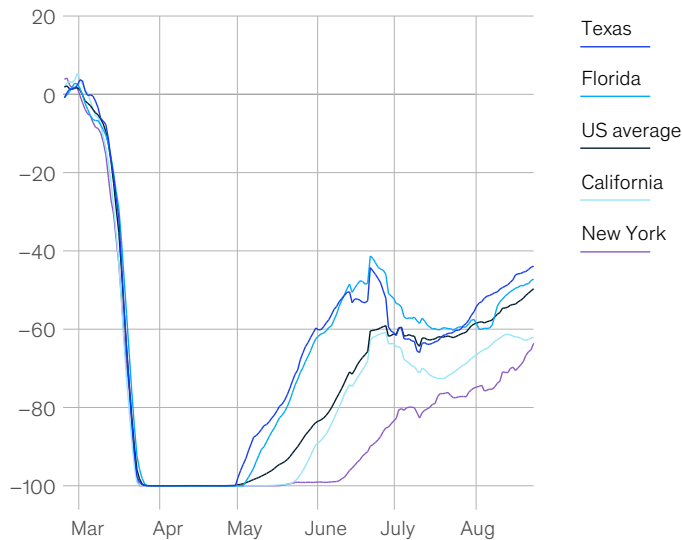
Source: OpenTable

forms—for example, at partial capacity—some operators may decide that reopening at all would be unprofitable. Furthermore, even when restaurants are permitted to reopen fully, consumers may still not feel safe dining in indoor public spaces.

Anxious consumers

A McKinsey Pulse Survey conducted in June among more than 1,000 US adults who had visited QSRs or casual-dining restaurants within the past year indicates that most consumers are anxious about sit-down dining in restaurants. More than 80 percent of survey respondents reported medium to high anxiety levels about the idea of returning to dine-in restaurants—in fact, more than half said they would be highly anxious. This is in sharp contrast with consumer sentiment regarding drive-through dining, about which only 16 percent of respondents reported high anxiety (Exhibit 2).

The survey asked consumers to rate their level of anxiety regarding three types of dine-in interactions:

— *close or active interactions with other customers*, either directly or indirectly—for example, standing or sitting near other customers, touching surfaces or items that other customers have touched, and using restroom facilities

— *close or active interactions with employees*—for example, when servers take orders and when they bring food to the table

— *distant or passive interactions with other people*—for example, when entering and leaving restaurants and when waiting to be seated
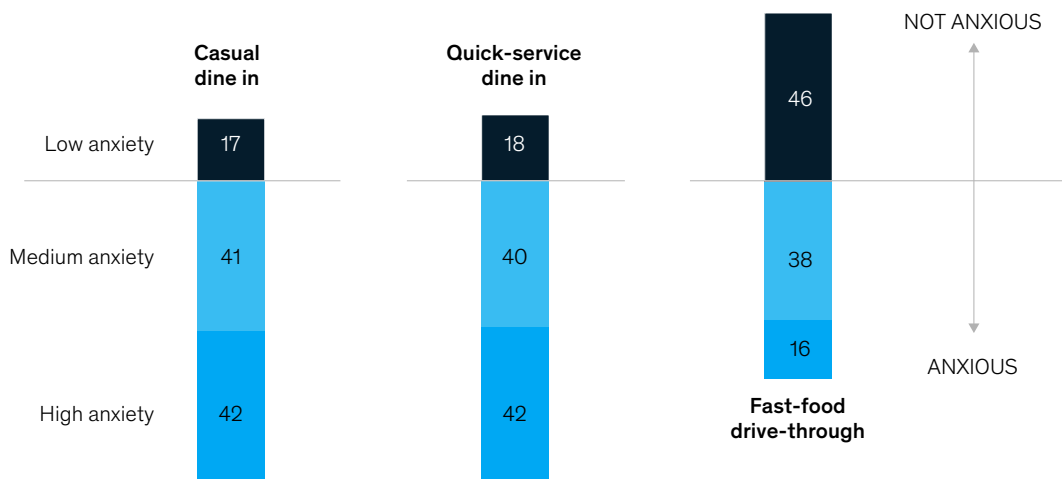
The first type—close or active interactions with other customers—is the biggest contributor to consumer anxiety (Exhibit 3).

These survey results align with those of a similar McKinsey survey focused on consumer anxiety in grocery shopping, which showed that people were much more anxious about interacting with other shoppers than with store employees. Respondents

Exhibit 2

More than 80 percent of consumers are anxious about indoor restaurant dining.

Consumer restaurant-dining anxiety,[1] % of respondents

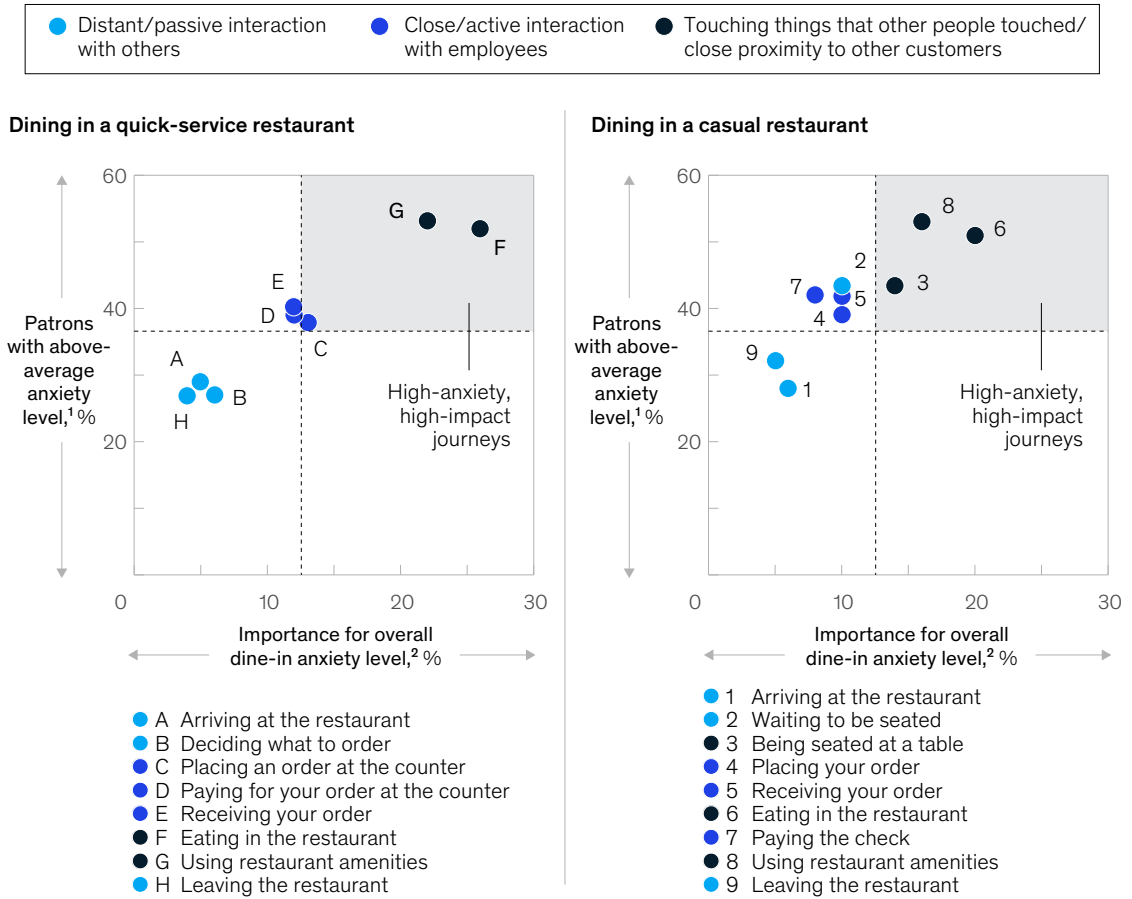|	Casual dine in	Quick-service dine in	Fast-food drive-through
Low anxiety	17	18	46
Medium anxiety	41	40	38
High anxiety	42	42	16

[1]N > 735; Question: "Given what you know today about COVID-19, what is your level of anxiety about dining in the following ways once states reopen?"
Source: 2020 Contactless Journey Pulse Survey: Restaurants

Exhibit 3

The interactions that cause the most anxiety involve touching shared surfaces or proximity to other customers.

Customer anxiety about returning to dine-in restaurants

● Distant/passive interaction with others   ● Close/active interaction with employees   ● Touching things that other people touched/ close proximity to other customers

Dining in a quick-service restaurant

Patrons with above-average anxiety level,[1] %

Importance for overall dine-in anxiety level,[2] %

High-anxiety, high-impact journeys

● A Arriving at the restaurant
● B Deciding what to order
● C Placing an order at the counter
● D Paying for your order at the counter
● E Receiving your order
● F Eating in the restaurant
● G Using restaurant amenities
● H Leaving the restaurant

Dining in a casual restaurant

Patrons with above-average anxiety level,[1] %

Importance for overall dine-in anxiety level,[2] %

High-anxiety, high-impact journeys

● 1 Arriving at the restaurant
● 2 Waiting to be seated
● 3 Being seated at a table
● 4 Placing your order
● 5 Receiving your order
● 6 Eating in the restaurant
● 7 Paying the check
● 8 Using restaurant amenities
● 9 Leaving the restaurant

[1]Any level of anxiety above "somewhat anxious."
[2]Derived importance using Johnson's Relative Weights analysis.
Source: 2020 Contactless Journey Pulse Survey: Restaurants

said that shopping for fresh produce—touching fruits and vegetables that many other people may have touched—was one of the main drivers of anxiety during grocery-store trips.

By implementing new hygiene and safety measures, restaurants can likely attract customers who feel only low or medium levels of anxiety about indoor restaurant dining. Putting high-anxiety customers at ease, however, will prove more difficult. Some high-

anxiety survey respondents indicated that they don't plan to return to dine-in restaurants "until a vaccine is available and the virus is contained" or "until at least 2021."

Implications for restaurant operators

The takeaway: restaurants can't count on indoor dining to return to precrisis sales levels anytime soon. In a scenario where the virus resurges in

several US states, even if government interventions are partially effective, casual- and fine-dining restaurant revenues might not fully recover until 2023 or later (Exhibit 4). This scenario—localized virus recurrences and moderately effective policy responses—is one of nine economic-impact scenarios[1] that our colleagues developed in March; it appears to be the one currently playing out across the country.

Against this backdrop, what concrete steps can restaurant operators take to protect people's health and safety while also strengthening the business? In our view, two areas are of prime importance:

1. making the guest experience as safe and positive as possible—and broadly communicating new health and safety measures—so that customers feel comfortable returning to restaurants

2. developing a new long-term economic model, including partial on-premises dining and an expansion of off-premises solutions

Invest in the guest experience

Of course, restaurants that decide to offer indoor dining should adhere to the latest guidelines from the Centers for Disease Control and Prevention (CDC), as well as all standards and directives from state and local authorities. But it will also be crucial to introduce measures that reduce the anxiety of patrons. We surveyed consumers about what interventions would most reduce their anxiety about in-restaurant dining. As Exhibit 5 shows, the top anxiety-reducing interventions are increased sanitization, particularly disinfecting dining surfaces between customers; limited occupancy to maintain physical distancing; and requiring employees to

Exhibit 4

The recovery for casual and fine dining is projected to take years.

Restaurant sales projection, index (0 = 2019)
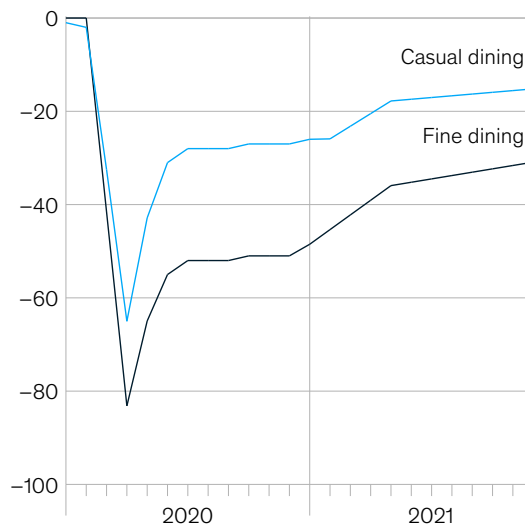
Source: Black Box Intelligence; company financials; Datassential; expert interviews; Foursquare; industry reports; NPD; US Census Bureau; McKinsey analysis, in partnership with Oxford Economics; McKinsey COVID-19 US Consumer Pulse Survey
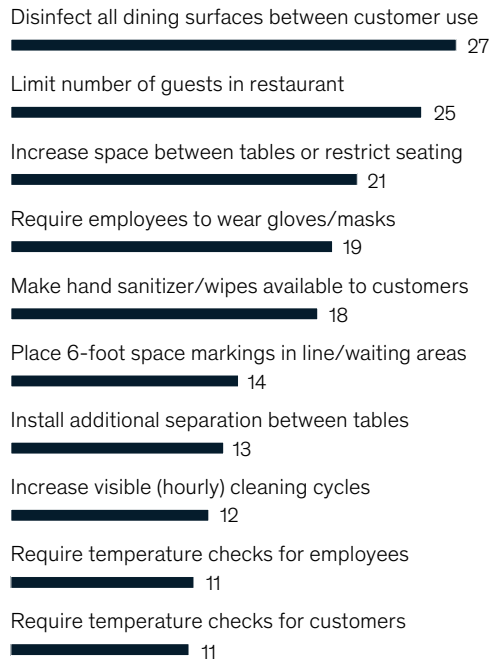
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[1] Kevin Buehler, Arvind Govindarajan, Ezra Greenberg, Martin Hirt, Susan Lund, and Sven Smit, "Safeguarding our lives and livelihoods: The imperative of our time," March 2020, McKinsey.com.
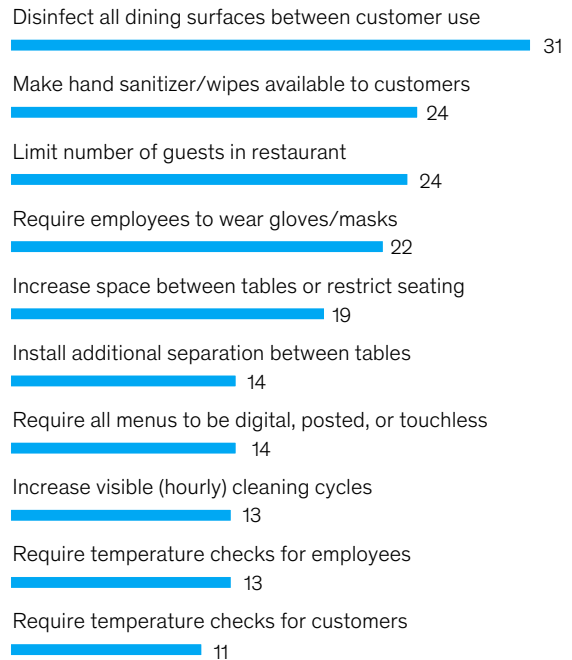
Exhibit 5

Rigorous sanitization, limited occupancy, and personal protective equipment for employees are the most effective anxiety-reducing interventions.

Top 10 prompted interventions, % of respondents

Dining in a quick-service restaurant

Intervention	
Disinfect all dining surfaces between customer use	27
Limit number of guests in restaurant	25
Increase space between tables or restrict seating	21
Require employees to wear gloves/masks	19
Make hand sanitizer/wipes available to customers	18
Place 6-foot space markings in line/waiting areas	14
Install additional separation between tables	13
Increase visible (hourly) cleaning cycles	12
Require temperature checks for employees	11
Require temperature checks for customers	11

Dining in a casual restaurant

Intervention	
Disinfect all dining surfaces between customer use	31
Make hand sanitizer/wipes available to customers	24
Limit number of guests in restaurant	24
Require employees to wear gloves/masks	22
Increase space between tables or restrict seating	19
Install additional separation between tables	14
Require all menus to be digital, posted, or touchless	14
Increase visible (hourly) cleaning cycles	13
Require temperature checks for employees	13
Require temperature checks for customers	11

Source: 2020 Contactless Journey Pulse Survey: Restaurants

wear personal protective equipment. It's crucial for restaurants not only to implement these measures but also to communicate them broadly and make them highly visible to customers.

Develop a new economic model

The COVID-19 crisis has changed the restaurant industry's economics, perhaps irreversibly. Restaurants must therefore come up with a new economic model to sustain the business over a longer period of time than they might have initially planned for. For most restaurants, the key elements of such a model will include several of the following:

— optimizing carryout, curbside, and drive-through operations, using the lens of customer experience—for instance, by reevaluating staffing, traffic flow, food temperature, and food packaging

— making the delivery business profitable—for instance, by negotiating longer-term agreements with third-party delivery companies, leveraging "ghost" kitchens, and developing in-house delivery capabilities in denser markets

— re-architecting the menu and pricing to focus on the optimal daypart mix and occasions, as well as finding the right balance of key value items, specials or limited-time offers, and high-margin items (such as appetizers, sides, desserts, and beverages)

— introducing new ways of providing value to customers—for example, by offering grocery products, take-home items, or shipped product bundles through online food marketplaces (such as Goldbelly or Zingerman's)

Restaurants must come up with a new economic model to sustain the business over a longer period of time than they might have initially planned for.

— redefining and deepening customer relationships through direct digital communication, loyalty programs, and personalization

— rethinking restaurant layout, flow, staffing, and standard operating procedures to align with the new off-premises models, daypart mix, and customer experience

— reviewing real-estate strategy in light of major shifts in foot traffic and occupancy costs

— making longer-term arrangements with suppliers of foodstuffs, packaging and paper goods, restaurant equipment, and other supplies

No doubt, every restaurant operator has grappled with these issues during the past few months, but in many cases they've formulated short-term solutions in the expectation of a relatively rapid recovery. The sooner they acknowledge and plan for the industry's new longer-term economics, the better their chances of surviving the crisis and thriving in the next normal.

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In light of virus resurgence, anxious consumers, and continuing uncertainty, US restaurant operators have little choice but to become more agile and resilient than they've ever had to be. The brief recovery in May and June offers strong evidence that consumers crave the restaurant experience and will return to eating in restaurant dining rooms as soon as they feel it's safe to do so. In the meantime, operators will need to summon all their resourcefulness and creativity to serve customers profitably.

For brief commentary from the authors, see the videos accompanying this article on McKinsey.com.

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