RESTAURANT BUSINESS

10 DAYS THAT CHANGED THE RESTAURANT INDUSTRY

For much of March, the threat of COVID-19 grew as the infection spread. On March 11, that problem became very real for thousands of restaurant operators and millions of employees, beginning a 10-day period unlike anything the industry has ever seen.

By Jonathan Maze, Peter Romeo and Heather Lalley on Mar. 27, 2020

DAY 1 March 11

Geo Concepcion was testing new drinks with his leadership team at The Greene Turtle in Columbia, Md., not far from the company's headquarters, and he was feeling optimistic.

Concepcion was named CEO of the 47-unit chain last May. After overhauling the chain's menu, things seemed to be turning a corner. Sales were strong in January and February. And now here came March, with St. Patrick's Day and March Madness, the busiest month of the year for a sports bar with an Irish heritage.

"We were teed up for March," he said.

Concepcion's optimism was broken up with a simple comment from his vice president of marketing, Howard Hardy. Watching the televisions, Hardy noticed the night's big news. "There goes the NBA," he said.

That evening, just after 9:30 p.m. EST, the NBA announced it would suspend its season after one of its players, Utah Jazz star Rudy Gobert, tested positive for the coronavirus.

Until that point, Concepcion said, everything about the COVID-19 pandemic was still in its early stages. Indeed, while declines in business travel had hurt many restaurants, and markets such Seattle were hit hard by early infections, much of the country had been in a state of denial regarding what was about to happen.

But, at that moment, as the U.S. suddenly lost one of its major sports leagues in the same hour that it learned Tom Hanks had the virus and President Trump would end travel from Europe, the coronavirus pandemic became very, very real.

That hour would usher in a 10-day period unlike anything the restaurant industry had ever seen. By the end of it, many restaurants would lose most, if not all, of their sales. Operators would furlough or lay off millions of employees. They would scramble to negotiate rent deferrals and make insurance claims. To survive, they would become makeshift grocery stores or desperately launch delivery, curbside service or meal kits. **Many would turn to GoFundMe** or other charities.

Almost no operator would make it out of this period unscathed, whether it was a small neighborhood restaurant outside of Nashville or the world's largest restaurant chain.

For The Greene Turtle, the issues that came up that evening were more immediate. As Concepcion watched the television, and his phone began going off as employees and operators saw the NBA news, his heart sank. He knew what this meant: no NCAA men's basketball tournament. Probably nothing else.

"My poor staff has been working, training, getting stuff rolled out, and we're going to have no one in our restaurants," he said. "The reality is that we were a sports bar with no sports." Meantime, reservations made through OpenTable plunged to zero by mid-March

DAY 2 March 12

Changes came quickly. New York state capped gatherings at 500 people and ordered restaurants to cut capacities in half to bring traffic below that threshold at any given time. Larger establishments had to limit traffic to no more than 250 customers inside. It would be a taste of things to come.

MLB suspended spring training and opening day. The NCAA canceled the men's basketball tournament. The NHL suspended its season. MLS suspended play. In New York City, Broadway went dark.

That day, a study by software provider Womply found steep **sales declines at Chinese restaurants**, particularly on the coasts. Another survey, by information firm Black Box Intelligence, found restaurant **sales down 20% in the Seattle area**, the first in the U.S. to be hit by the coronavirus.

Things were already bad in Seattle. Restaurants had started closing. Tom Douglas, the city's best-known chef, closed 20 restaurants. His sales were down 90%.

"I'm an eternal optimist," said Joe Fugere, owner of Tutta Bella, a five-unit wood-fired pizza concept in Seattle. "I'm not going to lie: Things are tough. There's a lot of panic and hysteria. We're fragile as it is."

Investors were listening. **The stock market had its worst performance in 33 years**. Restaurant stocks were hit hardest.

DAY 3 March 13

President Trump declared a national emergency. **Grubhub said it would drop commissions** on deliveries from independent restaurants, a deal that would later be revealed to be **deferrals** on those payments.

The Halal Guys had already been having problems. They were about to get worse. "It's tough, I'll tell you that," said Ahmed Abouelenein, CEO of The Halal Guys. "So far, the past two weeks, we have seen very slight but not huge decreases across our system. But delivery has increased."

News from OpenTable was already proving to be bleak: **Reservations at restaurants were down 36% nationwide**.

And then restaurateur Danny Meyer foreshadowed what was coming when he **temporarily closed all 19 of his Union Square Hospitality Group restaurants.**

"By fully facing this storm today," Meyer tweeted, "we hope to return to serving our guests sooner than later."

DAY 4 March 14

Don Fox, CEO of 1,100-unit Firehouse Subs, said his chain didn't notice much change at first.

"We saw little change, maybe 2 or a few points off our usual sales," he recounted. "That was Thursday. On Friday, we saw double-digit declines in our comps. Saturday was when the lug nuts really came off the wheels. From my conversations with my peers, that's a pretty unanimous sentiment."

By that time, encouragements that consumers not touch their face were replaced by stern recommendations that people not gather in groups. "Social distancing" entered the popular vocabulary with a vengeance.

Fox's chain wasn't the only one to see a sudden, steep drop in sales as a result. That previous Wednesday, Jeff Offutt's Subway locations in Missouri were up 11% for the day. By Saturday, they were down 41%.

Most disasters, Offutt said, come with a timeline for recovery. "There was a path, a timeline, we could see shortly after 9/11," he said. "Disasters, tornadoes in Missouri. We could always see a timeline. I don't know when this is going to get better. Four months from now? Four years from now?"

Social distancing wasn't taking hold in the nation's bars. St. Patrick's Day weekend revelers lined up outside of bars in Chicago and Boston. In Nashville, photos on social media showed crowded nightclubs.

The bars were crowded in Hoboken, N.J., too, home to what is believed to be the highest concentration of drinking places per capita in the nation. There, a victim of a bar fight waited 30 minutes for an ambulance, prompting the police chief to call Mayor Ravi Bhalla.

That night, Bhalla closed all taverns and restricted restaurants to takeout and delivery.

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DAY 5 March 15

Hoboken was believed to be the first location in the nation to ban dine-in service. It would not be the last.

In the morning, the federal government's leading authority on infectious diseases, Dr. Anthony Fauci, made the rounds on morning talk shows to float a trial balloon. Fauci said he would like to see Americans stop eating in restaurants for 14 days to slow the spread of COVID-19.

States quickly followed his lead. **Ohio became the first state to ban dine-in service**. It was quickly followed by Illinois. The governors of both cited St. Patrick's Day weekend revelers as a major reason. Ditto for Puerto Rico Gov. Wanda Vazquez, who set a curfew of 6 p.m. for all liquor-selling establishments in her territory. By evening, Los Angeles joined them.

Concepcion watched and started planning. On a day when restaurants should have been busy with tournament-watching customers, the CEO instead prepared for the worst. "It was just a rapid-fire scenario," he said. "There's no game plan for when we have to shut down operations, radically reduce all headcount and go into pure survival mode. We're working on this on the fly."

That night, **Chick-fil-A suspended all dine-in service**.

DAY 6 March 16

More states banned dine-in service, including New York, New Jersey, Connecticut, Michigan and Kentucky. And then Trump joined in, saying that **people should stop eating out at restaurants**. "I wouldn't say the restaurant business is booming," he said.

Denny's that day became the first company to acknowledge this would be a financial problem. It **drew down on its revolving credit line** to hoard cash for a potentially long period with little sales, a move that dozens of other restaurant chains would mimic.

That afternoon, McDonald's closed its dining rooms. In a message to franchisees, CEO Chris Kempczinski said **the company would do everything it could to help them** make it through the coming months. The chain started offering rent deferrals to franchisees.

"We're going to do whatever is necessary to help any other owner and partner," he said. "We will not let you fail."

That day, Fox of Firehouse Subs decided it was time to shift to off-premise only, a big move for a chain that, like many, was built for dine-in customers. "I concluded it was the right thing to do," he said. "Now, in some parts of my system, that wasn't a tremendously popular decision. But I had to say, 'Trust me.'

"Lo and behold, in a day and half, it was already sweeping across the country."

DAY 7 March 17

David Doyle, owner of Tres Gatos, Casa Verde and Little Dipper, found out Boston would be shutting down its dine-in restaurants.

"That's when we knew we either had to close entirely or had to continue with some kind of takeout," he said.

He'd already closed Tres Gatos on Saturday and tried to keep Casa Verde and Little Dipper going on takeout only. Doyle decided to close all three, furloughing 75 employees.

"There wasn't a lot of discussion there," he said. "We decided to close a few days before because there were a number of people on the staff who just didn't feel comfortable working. It was becoming clear to a lot of us that it was just the correct thing to do."

By now, restaurants were routinely closing their doors temporarily. Chains were eliminating dine-in service. And more states joined in banning dine-in, a restriction that would ultimately encompass just about every state.

U.S. Treasury Secretary **Steve Mnuchin started working with Congressional leaders** to hammer out a massive relief package for American businesses, workers, healthcare facilities and states. The restaurant industry was singled out as a trade in desperate need of that assistance.

“We’ve told people, ‘Don’t go into restaurants,’” Mnuchin said. “We want to make sure those businesses have money to pay their employees.”

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DAY 8 March 18

Subway, the Milford, Conn.-based sandwich giant, told operators it would defer half of their royalty payments as well as deferring ad fund contributions.

MTY Group, the Canadian-based owner of Papa Murphy’s, Cold Stone Creamery and many other chains, had already said it planned to defer royalties. More than a dozen other franchisors would take a similar step, including small franchisors that needed the royalties for their own operations.

That included Little Greek Fresh Grill, a 44-unit fast-casual chain. “There’s no playbook here,” President Nick Vojnovic said. “This kind of situation is unprecedented.”

Duck Donuts, the 92-unit chain of doughnut shops, shifted to pickup and delivery, and it, too, stopped collecting royalties.

“As a company, we’re holding together pretty well,” CEO Russ DiGilio said. “Our staff is still focused together on the work at hand. We’re doing everything we possibly can. Some of our franchisees have not been able to continue and have paused the business.”

DAY 9 March 19

Eureka Restaurant Group, a 26-unit casual dining chain, had been shrinking its services for weeks and closing restaurants that couldn’t generate cash flow. By this week, the company was down to six open locations.

It was selling batch cocktails to go. It sold off wines and beer from the shelves of its closed locations at half-price, keeping rare stuff such as Pappy Van Winkle bourbon for the reopening.

Eureka then furloughed 1,000 workers, running the remaining stores with managers it hopes to use to get the business up and running again in a couple of months. “We’re trying to keep as many operators as we can,” CEO Justin Nedelman said. “They’re the ones that are going to relight the fire.”

At The Greene Turtle, Concepcion laid off more than 600 workers just two days after what was supposed to be the chain’s busiest time of the year. “That was just a hugely painful moment,” he said. “That requires a ton of planning to be done really quickly. And it’s just super difficult to manage the morale through all that.”

The next day, he said, the laid-off employees came in with lunch for those who were left.

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DAY 10 March 20

Starbucks, which earlier had closed its dining rooms, closed its restaurants altogether, except for drive-thru and delivery service. Nobody was allowed inside.

Olive Garden owner Darden Restaurants, which had seen its same-store sales fall 60%, ultimately decided to shut its restaurants to all but takeout service as well, making it one of the last big operators to take that step.

Elsewhere, the longer-term impact of these 10 days was already being felt. CraftWorks, the owner of Logan’s Roadhouse and Old Chicago, revealed that it lost financing to get through bankruptcy, which it had filed for before the coronavirus hit.

The company closed all 262 of its restaurants, laying off its workers. It hoped to get the funds to reopen them but acknowledged that might not happen.

Nonbankrupt chains had problems, too. That day, lenders told Punch Bowl Social it was in default on its loan agreement and they would foreclose on the chain and its 19 restaurants.

Punch Bowl turned to Cracker Barrel, which just 10 months earlier had acquired a majority stake in the food and games chain.

Cracker Barrel opted not to help. It wrote down the value of its investment, saying that it needed whatever cash it had to keep afloat its flagship chain and fast-casual Maple Street Biscuit Co.

In a 10-day period filled with surprises, the Punch Bowl news would be one of the biggest. If what had been considered one of the hippest, hottest growth chains in the country could face this, then almost anyone was in danger.

“If anyone said they had this in their glass box—‘In Case of Emergency, Break Glass’—they’re lying,” said Fox. “I’m going to make a prediction that about 10% of the industry won’t come back, with the damage heavier among independents and full service.”

OpenTable reservations were down 98% year over year. By the next day, they would be down 100%. In the following days, 3% of operators would tell the National Restaurant Association that their restaurants were closed for good. By the end of April, that could be 14%—about 140,000 locations.

About 3.3 million people made initial unemployment claims this week. Many, if not most of them, worked for restaurants.

“It absolutely tugs on my heart—we consider ourselves a family at Smokey Bones. It tugs at the heart constantly,” said James O’Reilly, CEO of the barbecue chain.

“Situations and deep crises like this teach us lessons about ourselves, our businesses and our guest,” he continued. “I really do believe it will make us stronger.”

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