

Restaurant Reopening Realities from a Restaurant Consultant

Covid-19 creates a harsh financial world for operators and lots of changes for guests

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Denver, CO - Restaurants are finally reopening across the United States, with rules and guidelines seemingly very different from state to state. Many restaurateurs and their patrons have been begging for reopening, but we should be careful about what we wish for because things will never be the same. With new guidelines and capacity restrictions, restaurants that have made it this far will continue to financially struggle - if they decide to open at all. Returning guests will almost certainly see a new dining format that will be different from what they previously enjoyed. Bottom line is that it's a new restaurant world now and for the foreseeable future, so here's some restaurant realities for operators and guests alike.

Things will look and feel different. From spaced out tables to servers in masks, we will be reminded that we are in a new world of restaurant experiences. Menus will be disposable, viewable from posted menus inside, or guests will be directed to an online menu to read on their own phone. Buffets, breakfast in the lobby, conventional room service and communal dining will be a thing of the past. No more mixing and mingling in bars while waiting for tables. Groups of guests will be separated from each other, and the energy and vibe created by large crowds will be missing. Service may be slower as staff get used to more frequent hand washing, longer distances between kitchens and outdoor seating areas, new operating procedures, and more time to explain to each guest how things will work.



Emotions will run high...all of them. As excited as everyone will be in every restaurant that reopens, their anxiety will be higher. Guests will have concerns with the safety of the restaurant, and the health of those dining around them. Restaurant employees will have concerns about being in close contact with so many strangers for hours on end. Owners and operators will be worried about their decreased profitability, their increased liability, and their responsibilities to their staff and guests. Everyone will view today's dining experience through a new lens and frankly, the operating requirements on restaurant owners and managers have never been higher or under more scrutiny, resulting in a new kind of stress for everyone.

There are new rules and they apply to everyone. Some of these rules will feel intrusive, but they will be the tradeoff for the ability to dine out safely. Mask wearing and physical distance between tables will be standard, and group sizes will be limited. Depending on the state, guests may be expected or required to make reservations that will likely include the names and numbers of everyone in the party to facilitate contact tracing in the event of an outbreak traced to the restaurant. Temperature checks will be the norm for staff, delivery people, and in many cases for

guests. Staff will be asked health questions daily, and restaurant operators will have to record and carefully guard this medical information per HIPAA privacy regulations. Employees who don't want to follow these new health and safety guidelines will not be allowed to work and guests that don't wish to comply will be refused service. These new rules in business environments are to help protect both employees and guests. They are also to reduce the occurrence and severity of community outbreaks that could necessitate reclosure of businesses.

People will get used to these changes over time, but the big reality check that few are discussing is that profitability in an already challenging industry will be a bigger struggle than ever before. Successful restaurants operate with an average 10% profit in the best of times. With wholesale food prices increasing, the added expense of PPE, and increased cleaning and sanitation requirements, costs will go up. At the same time, guest counts will be dramatically lower than they were before because of physical distancing requirements. Rent costs will not be reduced. Insurance premiums and utility costs won't drop. Repairs and maintenance, marketing, HR, accounting, license fees, and other operating costs will all continue. So how will restaurant operators make ends meet to pay their staff, much less turn a profit to feed their families? How will staff make ends meet with reduced guest counts equating to less tips per week? These harsh financial realities are not going away anytime soon.

Restaurant profitability is a simple equation that is very complex to balance. Revenue minus prime costs (food, beverage and labor costs combined), minus operating costs, equals profit. If beverage and labor costs remain the same, while operating costs and food costs increase and guest counts are down, what options are restauranteurs left with to balance the equation? They can either dramatically adapt their concept as some have already done, or dramatically increase prices to compensate for the reduced guest numbers. Both of these have a large impact on guests who are looking forward to how things were a couple of months ago. To put this into perspective, for a conventional restaurant to be viable with 50% of their pre-closure number of guests and equal expenses, they would have to double their prices to make what they made before. If they open at 25% capacity, their prices would need to be four times what they were before to make the same revenue. Are guests ready to pay \$40 for the burger that used to be \$10?

Every business operation has a unique financial model, but one reality is clear. Prices will need to increase for restaurants to survive a limited or capacity-restricted opening. How much of an increase will depend on each restaurant's operating and prime costs. This reality will lead to a lot of difficult decisions for restauranteurs. They will need to take a detailed look at all aspects of their business including what level of occupancy and revenue their model becomes viable, how much their guests will pay for what they offer, and if reopening even makes sense for their business. Operators will need to implement changes to reduce expense with minimal impact to protect their brand identity. Our clients are working through these scenarios with us each day. Some will be adapting their business models, and some will remain closed until the occupancy number is right. Some will sell or close their operations for good. In all cases, there are no easy answers. It is important for restaurant operators to consider these questions, and for guests to understand these dilemmas to continue to support their favorite places.

Things will never be the same as they once were - those days are gone. It's like saying when will things go back to the way they were before 9/11, or before the internet. Even with a vaccine or therapeutic cure, our national psyche has been altered. We will appreciate gathering in groups of friends more than ever, and we will miss those who have been taken. We will be more concerned with cleanliness and sanitation than ever before. We will be suspicious of every cough, sneeze, surface we touch, and hand extended to shake. Most importantly though, we will never look at certain professions the same again. We will have a new appreciation for how economically precarious the situation is for restauranteurs, service industry workers, and for millions of Americans in all industries. We will need reevaluate what all products and services are worth to us, and hopefully we will appreciate who has been truly essential all along.

The word, *Restaurant* is derived from the French word *restaurer* which means to restore. Restoration of our damaged industry is now up to all of us and hopefully we will all have a new and lasting appreciation for every person and experience that touches us every day.



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