

Restaurants: Take Steps to Adjust to the COVID-19 Changes

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In recent years, the restaurant industry has faced many challenges: minimum wage legislation and other labor regulations, increased food input costs, as well as changing consumer behavior in how and when they frequent restaurants. However, due to its projected duration and severity, the COVID-19 crisis is clearly impacting the restaurant industry in ways we've never seen in our lifetimes.

Many cities in the U.S. are now requiring restaurants to close for dine-in business for an indefinite time, which affects fine and casual dining in a big way. Fast casual restaurants with drive-thru options should be able to continue using some of their labor force, as long as customers are able to get out of their homes. People who are sheltering in place will benefit from restaurants offering delivery options.

While the end date for these emergency measures is unknown, restaurants should consider taking steps to adjust to our "new normal" during the shutdown and in preparation to be ready as the U.S. comes out of this crisis. These tips cover both operations and financial areas of the business.

Coping with the crisis: operations perspective

- **Focus on to-go and delivery opportunities**
 - Tweak existing menus or create simple new menu items that can "travel well."
 - Post a revised to-go/delivery menu on your website.
 - If you already offer online ordering for pickup, consider how you can start delivering orders. If needed, contact delivery companies to see what deals you can get. Ask for fee reductions or elimination of commissions on orders.

- Determine a process for customers to pick up their to-go orders. Follow all cleanliness guidelines from the Centers for [Disease Control and Prevention](#) (CDC) and provide a designated area near the front door or curbside for customer pickup.
- Increase remote ordering capacity and infrastructure support, online and by phone.
- Determine staffing needs for a to-go/delivery business model. Enlist help from corporate staff (if applicable) to help in operations during this busy time. Foster culture of “one family.”
- **Consider “pop-up” or food truck business opportunities** — Consider using “ghost kitchens,” if available, to manage labor costs.
- **Maintain open, proactive communication with your employees** — Discuss the steps you’re taking to adapt the business in response to the coronavirus pandemic. Visit the [National Restaurant Association website](#) for additional resources.
- **Review your sick leave and family leave policies** — Talk about your expectations of employees during the pandemic, and be open about what they can expect from you. Review the provisions related to emergency leave in the Families First Coronavirus Response Act.
- **Maintain a healthy work environment for existing employees** — Keep informed of national updates on the pandemic. Check for coronavirus updates on the [CDC website](#).
- **Cross-train employees to help cover for others who are absent** — There will be absenteeism due to illness and for those who need to care for children at home due to school closures.

Coping with the crisis: financial perspective

Reforecast your sales on a weekly basis

Use this data to determine the amount of additional funding needed, as well as your ability to pay vendors, landlords, lenders, and taxes.

Adjust your ordering to reflect what is essentially needed

Consider reducing menu items so fewer ingredients are needed. Get creative by using some slower-moving inventory items you already have on hand.

Manage your labor cost and scheduling

Determine your essential personnel to support projected to-go and delivery orders, and make sure to have backup personnel in case of: sales demand swings, employee illness, or employees who need to stay home with loved ones.

Determine your need for funding and identify potential sources

The federal government is discussing offering business loans to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact, and these would be administered through the Small Business Administration (SBA). Only businesses without lending alternatives will be eligible. The emergency loans will be extended at a maximum of \$2 million per borrower at an interest rate of 3.75%. Additionally, a defined term payroll tax holiday is being discussed. [Tax relief for certain federal taxes has been announced.](#)

Talk to your lender, key vendors, and landlord

Get in front of potential covenant violations or lack of funds to satisfy payment plans or regular vendor term payments. Conserve cash as much as possible. Negotiate or renegotiate payment plans to best use your current available cash flow.

After the virus subsides

- **Continue to update your cash and sales forecast weekly** — When your sales rebound, you want to be ready to provide an excellent customer experience. Have inventory on hand and sufficient labor to cover all parts of the day.
- **Start small and grow with volume** — Don't ramp up too fast with either food or labor. Make use of social media to promote "re-opening" of the restaurant. Offer special items or discounts to gain back former dine-in customers.
- **Examine growth plans for the rest of 2020** — Be conservative with top-line sales forecasts and relook at timing for the biggest impact in the communities being served.

- **Renegotiate vendor payment plans (if not done so already)** — Do this based on a clearer picture of go-forward sales volume.
- **Apply for low-interest loans** — Apply for loans or have discussions with existing lenders/investors to ensure proper capitalization for the remainder of 2020.
- **Lean in to off-premise events in the remainder of 2020 to help mitigate losses in the first and second quarters** — Reach out to all private parties that were canceled to encourage customers to rebook.
- **Re-think menus, décor, and more** — What was learned about customer preferences during the shut-down? Re-invigorate the dine-in experience. Look for simple and low-cost changes you can make to “refresh” the dine-in experience when you re-open.
- **Plan for the “new normal”** — Continue offering remote access options using social media posts advertising special events and new menu items, online ordering, delivery services and apps, and off-premise capabilities. While customers will be anxious to dine out again, they will also grow familiar with some of the conveniences they experienced during the crisis.