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How Coronavirus is Impacting Restaurants

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Disruption from Coronavirus has been especially significant for the restaurant industry. The economic slowdown, public markets in distress, supply chains interrupted, tourism coming to a halt, consumers staying at home (which — for many — translates to a lower disposable income), and huge uncertainty can have long-lived effects for many restaurant businesses.

This reveals the importance of having contingency and crisis plans in place (and, frankly, how common it is for chains to under-invest in the planning process). Ignoring macro risks is riskier than ever. Great corporate planning is about more than financial forecasts — and the more thorough it is, the less a CEO has to keep him or her awake at night.

Restaurant Industry Coronavirus Timeline

It's amazing how fast this crisis is moving and how transformative and long-lasting the consequences will be globally. Here we present a timeline for the Coronavirus crisis from the viewpoint of the restaurant industry to understand what policies are in place and what the top players are doing. We'll be updating as developments continue to unfold.

December 31, 2019

GOVERNMENT OF WUHAN, CHINA CONFIRMS NOVEL CORONAVIRUS
OUTBREAK



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☐ STARBUCKS CLOSES MORE THAN 2,000 STORES IN CHINA

Following the spread of the outbreak throughout China, Coronavirus ("COVID-19") Starbucks announces it will be closing more than half of its 4,300 locations in the country.

February 6, 2020

☐ YUM! BRANDS DOWN - 50% IN CHINA

Same-store sales for Yum China brands (KFC, Pizza Hut, and Taco Bell) are down between 40-50% since the Lunar New Year

February 12, 2020

☐ NYC CHINATOWN RESTAURANTS REPORTEDLY DOWN 40% IN FEBRUARY

Chinese-American businesses are hit hard based on perceptions of the novel coronavirus which is believed to have originated in Wuhan, China. In New York's Chinatown, restaurant sales are down 40% in February, with some restaurants seeing negative sales growth of up to 80% since the Lunar New Year (at the end of January).

March 1, 2020

☐ RESTAURANT SALES IN SEATTLE DOWN 10%

The first epicenter of the virus in the U.S., Seattle restaurants take a hit in the last week of February with some restaurants down as much as 40%, and the overall industry seeing a 10% drop. Online grocery and meal kit sales were the only foodservice category showing growth in the market over the same time period.

March 9, 2020

☐ POSTMATES ANNOUNCES CONTACTLESS DELIVERY

In efforts to reduce person-to-person contact, delivery company Postmates launches "contactless delivery" using dropoff points and other preferences for customers to receive their goods.

March 9, 2020

☐ DARDEN LAUNCHES PAID-SICK LEAVE FOR HOURLY WORKERS

The parent company of casual dining brands Olive Garden, LongHorn Steakhouse, Cheddar's Scratch Kitchen and others announces that employees can accrue one hour of sick pay for every 30 hours worked. Darden was the first company to



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STARBUCKS OFFERS CATASTROPHE PAY

In an effort to allow employees to quarantine for 14 days if impacted by the coronavirus, Starbucks offers "catastrophe pay" — a strategy the company has used previously if stores had to close for an extended period.

March 12, 2020

TOM DOUGLAS CLOSES 12 RESTAURANTS, LAYS OFF STAFF

Leading Seattle restaurateur Tom Douglas announces that 12 of his 13 Seattle-based restaurants will close and the company will be laying off a majority of staff. A company representative said sales were down 90% since the outbreak of Coronavirus in the city.

March 13, 2020

NEW YORK CUTS CAPACITY BY 50%

New York Governor Andrew Cuomo announces that all restaurants and bars across the state must limit capacity by 50%.

March 13, 2020

UNION SQUARE HOSPITALITY GROUP CLOSES RESTAURANTS

The first major restaurant group to announce blanket closings, New York-based Union Square Hospitality Group announces all 19 of its locations will close indefinitely. Employees are told they will be paid through March 18, can use accrued PTO for additional payment, and will be put on "unpaid leave" to be eligible for unemployment benefits.

March 13, 2020

GRUBHUB WAIVES SELECT FEES FOR INDEPENDENTS

Grubhub temporarily suspends collection of up to \$100 million in marketing fees from independent restaurants across the U.S. (though these fees will have to be paid to Grubhub after the deferral period).

March 13, 2020

OPENTABLE REPORTS RESERVATIONS DOWN 36% YOY IN THE U.S.

While February performance remained steady (largely due to Valentine's Day), new data from OpenTable shows restaurant reservations sliding in the U.S. to the tune of down 36% year-over-year.



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restaurants.

March 16, 2020



ILLINOIS, OHIO, AND CALIFORNIA ORDER RESTAURANTS TO CLOSE OR RESTRICT CAPACITY

Following CDC recommendations of prohibiting gatherings of 50+ people for 8 weeks, governors in Illinois, Ohio, and California move to restrict restaurant capacities and encourage closing dining rooms and reducing capacity. Eating out, in general, is further discouraged by governments.

March 16, 2020



NEW RULES IN BOSTON & D.C.

Washington, D.C. Mayor Muriel Bowser announces a new rule mandating restaurants and bars maintain capacity of less than 250 people. Similarly, Boston Mayor Marty Walsh orders restaurants, bars, and nightclubs reduce capacity by 50%.

March 16, 2020



UBER EATS OFFERS RELIEF TO RESTAURANTS

Saying that they want restaurants to be able to "focus on food, not finances," Uber Eats announces an option for daily payouts to help restaurants with cash flow, and will waive fees for independent restaurants.

March 16, 2020



WHITE HOUSE CORONAVIRUS TASKFORCE ADVISES AGAINST GATHERINGS OF 10+

The White House directly advises citizens to "avoid eating and drinking in bars, restaurants, and public food courts" during Coronavirus Task Force updates.

March 16, 2020



DOMINO'S LAUNCHES CONTACTLESS DELIVERY

Domino's announces that customers can now select pre-payment and pre-tipping options to minimize hand-to-hand contact during deliveries, with pizzas being left on a "safe and clean surface" until being picked up by the customer.



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the U.S. in the wake of the coronavirus outbreak.

March 17, 2020



THINKFOODGROUP MOVES TO TAKEOUT, "COMMUNITY KITCHENS"

Jose Andres-led ThinkFoodGroup announced it would be closing dining rooms in all D.C. and NYC restaurants, moving to a takeout focus. Restaurants would be repurposed as community kitchens, offering affordable meals to-go.

March 17, 2020



DOORDASH WAIVES COMMISSIONS

In response to the Coronavirus epidemic, DoorDash announces it will waive its commission for new independent restaurants in the U.S. that signup for the platform for 30 days, and that existing DoorDash restaurants will not pay commission fees on pickup orders.

March 17, 2020



MCDONALD'S CORPORATE CLOSES DINE-IN

Quick service giant McDonald's announces its corporate locations will close dining areas. Restaurants will still be offering delivery and takeout.

March 18, 2020



NYC RESTAURANTS MOVE TO DELIVERY & TAKEOUT ONLY

New York City Mayor Bill de Blasio announces that restaurants in the city must close dine-in facilities and move to a delivery- and takeout-only model.

March 17, 2020



RESY MOVES TO TAKEOUT FOCUS

Online restaurant reservation system Resy launches updates allowing restaurants to sell "takeout meals" that enable guests to book a meal to-go.



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March 18, 2020



NRA RECOVERY & RELIEF PROPOSAL

The National Restaurant Association presents a restaurants recovery and relief proposal to the White House with projections of more than \$225b in sales losses and 5–7 million jobs lost.

March 18, 2020



USHG LAYS OFF 2,000 EMPLOYEES

New York-based Union Square Hospitality Group led by Danny Meyer announces they will be laying off about 80% of its staff, equivalent to 2,000 employees. The company said it will continue to cover medical insurance premiums for employees through mid-April.

March 18, 2020



L.A. SMALL BUSINESS LOANS

Los Angeles Mayor Eric Garcetti announces \$11m in no-interest microloans for small businesses, including restaurants, trying to help them stay afloat.

March 18, 2020



SUBWAY REDUCES FRANCHISEE ROYALTIES BY HALF

Expecting at least two months of steep sales declines, Subway — the largest fast food chain measured by number of units — reduces royalties and ad funding by 50% for its franchisees, in addition to offering to support operators with rent abatement, reduction, and deferral.

March 19, 2020



CAMERON MITCHELL ANNOUNCES TEMPORARY CLOSURES

Cameron Mitchell Restaurants announces it will be closing restaurants temporarily and laying-off 4,500 employees.



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March 20, 2020



STARBUCKS CLOSES CAFES, OPEN AS DRIVE-THRU ONLY

Starbucks announced that many cafes across the U.S. and Canada will close, and those open will only offer drive-thru and carry out services. Starbucks President Rossann Williams said in a statement, "Let's be real. Lattes aren't 'essential.'"

GLOBAL IMPACT:

- Between 3.1b–5.4b people in the world are projected to get the coronavirus (between 40%–70% of the population) within a year, according to a Harvard University epidemiologist
- With a mortality rate of 3.4% (according to the World Health Organization), between 105m–184m people could die from the virus
- This death rate is unprecedented since World War II, where some 75m people died — this means that coronavirus could be anywhere from 40%–145% more lethal
- By comparison, foodborne illness affects 770m globally every year (and half of foodborne illnesses are estimated to be associated with restaurants), though it kills approximately 500k people
- The average American knows 600 people, which means that — on average — 20 people you know may die

ECONOMIC IMPACT:

- 49% of Americans live paycheck-to-paycheck (FNBO) and one-third of the population is a \$400 expense away from financial hardship (and having to either borrow or not be able to cover an unexpected cost)
- The average foodservice worker, making \$10/hour, could lose up to \$400 of income — assuming they miss 5 days of work with sickness
- At the start of the 2008 financial crisis (September–November '08), the S&P500 restaurant stock index lost \$26b in market cap; between February 19–28, 2020 (when the worst of the coronavirus fears impacted the market) the loss was \$42b
- Global stock markets lost \$6t in less than a week after the effects of coronavirus began to ripple throughout industries

U.S. RESTAURANT IMPACT OF CORONAVIRUS:

- There are more than 15.3m restaurant industry employees in the U.S. alone, servicing roughly one million foodservice establishments (source: National Restaurant Association)
- Labor costs represent an average of 30% of standard unit-level revenue for most restaurants; any reduction in revenues has a dramatic impact on the P&L at a
- More than 170m Americans visit some type of eatery every day (source: TTRA)
- Social distancing recommendations which have been issued by both federal and local governments around the world reduce demand drivers for restaurants (including movie theaters, concert venues, etc.) further impact the industry
- Naturally, many Americans will be planning to stay home and restrict dining out, so we can expect to see plenty of empty restaurants, but delivery drivers are not the salvation — rather, they're the pollen bees of the virus, as they fly from delivery to delivery, potentially spreading sickness among families contained in their homes