



RESTAURANTS



REELING

**SLAMMED BY UNPRECEDENTED SHUTDOWNS,
THE RESTAURANT INDUSTRY BRACES FOR A
HARD-TO-PREDICT FUTURE**

BY BEVERAGE MEDIA EDITORS

The two-week stretch from St. Patrick's Day, 2020, to the end of the month, will surely be recorded as the biggest shock in restaurant history. Mandatory dine-in shut-downs in every state left millions of servers, dishwashers, line cooks, and bartenders suddenly jobless.

But if the second half of March represented the new Dark Age of restaurants and bars, April was shaping up as a gray area at best. The pandemic only began in the U.S. in March; the impact is bound to be layered and progressive. The consequences are unpredictable, not only because of the complexity of the economy, but more so because the situation keeps changing.

Witness the flurry of relief funds, the pivot to takeout and delivery, and the fast response of Congress, passing the CARES Act; these efforts could play out

LEFT: Beast PDX was among many that had hoped to open for take-out, but after weighing costs and benefits, chose to temporarily close. // ABOVE: Frasca Hospitality Group in Colorado closed all of its restaurants; 10 percent of the state's workforce—285,000 people—is employed by the restaurant industry.

positively for some operations. On the other hand, a statement by the Independent Restaurant Coalition (saverestaurants.com) called the short-term relief “insufficient to ensure independent restaurants can stay open and continue to employ over 11 million workers.” Jobs were the point, the Coalition had argued when lobbying Congress. As Bobby Stuckey, Master Sommelier and owner of Frasca and four other restaurants in Colorado, put it: “Saving the restaurant industry [would] save more jobs than any other industry asking for money.”

At the same time, with people continuing to hunker down and reinvent daily living, who knows how everyone will behave once the virus has passed? “Just how busy are restaurants going to be when we reopen?” asks Naomi Pomeroy, chef/owner of Beast PDX, a 26-seat fine dining restaurant in Portland, Oregon, where the entire staff was laid off in March and applied for unemployment—including herself. “Will people want to sit in a crowded dining room when we still don't have a vaccine for COVID-19? Plus, the financial beat down we have all taken and the possibility of a major recession do not bode well for restaurants. We have no idea what we are looking at on the backside of this.”

GRIM NUMBERS, MANY UNKNOWNNS

Based on a survey of 4,000 of its members, the National Restaurant Association estimates that dur-

ing the first 22 days of March, the restaurant industry lost \$25 billion in sales and more than 3 million jobs.

- 44% of operators temporarily closed their restaurants; 54% of operators switched to all off-premises service;
- Seven in 10 restaurants laid-off employees and reduced hours (roughly half of them anticipated more layoffs and hourly reductions over the next 30 days)
- 3% of operators had permanently closed their restaurants and 11% anticipated permanently closing within the next 30 days

Moreover, as we learn more about the virus and how society reacts, many unknowns are bound to surface—and bring more change—in coming weeks. Among them:

How fast can financial help arrive, and how far will it go? The CARES Act, passed March 27, promised loan deferrals, grants, and hiring incentives. But many fear that most of the aid is going to be steered toward chains, leaving independents still struggling. Meanwhile, the Restaurant Employee Relief Fund began accepting applications on April 2 from industry workers who were adversely impacted by COVID-19 financially; one-time \$500 grants are certainly welcome, but not sustaining.

Business insurance is shaping up to be a legal wild card. The law firm that sued insurers on behalf of the Thomas Keller Restaurant Group in California and Cajun Conti in Louisiana formed a coalition to take on the insurance industry. The Business Interruption Group (BIG), with celebrity chefs and restaurant industry groups on board, is demanding payment for restaurants that have business interruption insurance and don't have exclusions for viruses. It may take months, but this could be a game changer, positioning more than half of impacted restaurants to file successful claims.

This is an election year. The hospitality industry could become a political

football, just like imported wines got run through the news wringer at the end of 2019 and beginning of 2020. At the same time, localities are not going to sit back idly; expect efforts in local communities to take aim at sustaining or restoring local food providers. And while much of the political near-term is unsettled, it stands to reason that industry associations representing the industry in state capitals are going to be critically important.

Restaurants are already taking steps to liquidate their inventory, promoting specific wines with menu options and some even offering bottles from their entire lists. In New York City, for example, wine-centric Marea began offering 25% discounts on full bottles off the Reserve List. And Mister Paradise, a bar in the East Village, began selling house-bottled cocktails that serve two or three as well as full-blown cocktail kits with a bottle of liquor plus mixers and trimmings.

FUTURE WITHOUT FOCUS

How will restaurants be able to regroup? The pandemic caused ripples of hardship; issues of transportation, schooling and child care are going to continue to hamper a return to “business as usual.” Restaurants may have to rebuild their staffs when they reopen. And with many in the workforce not even going back to their old offices anytime soon, the entire nature of food service may be changing.

The future is still fuzzy in terms of what the restaurant landscape will look like and function like eventually; the sheer length of the shutdown will be a factor. In a recent New York Times interview, restaurateur and author David Chang, said he felt the industry was already moving toward a delivery-driven model, and the pandemic may push us there faster.

Indeed, people have to eat, but who says they need to eat in restaurants and be served by waiters? Catering may un-



HELPING OUT
Signage at Gott's Roadside was representative of efforts to support employees who lost jobs or hours.

dergo a resurgence, or perhaps private chefs. Or maybe food co-ops will swing back into the mainstream. New delivery options may develop as well. The future of food and beverage in America has never been less clear.

“I believe this is going to reshape the industry as we know it,” says Joel Gott, founder of Gott’s Roadside, a Napa-based restaurant chain, who is desperately trying to weather the pandemic. Five of seven Gott’s locations remained open through March and into April for delivery and take-out business, which has been brisk. Yet it’s far from sustainable: “Our daily payroll is larger than our revenue,” he reports. In spite of this, he is donating all sales to his employee relief fund to offer support to the workers that have been most affected by the crisis.

Some predict one-third of restaurants will not be able to reopen, because the cost of reopening is extremely high, even for small establishments. Chall Gray, co-owner of Slings & Arrows Consulting and Little Jumbo bars in Asheville, North Carolina, laid off all nine of his employees, yet he still feels luckier than most, as he was able to secure a three month deferral on his bars’ mortgages and has a small emergency fund. “I’m hearing numerous stories of other bar operators and restaurateurs already saying they simply won’t have the money to reopen,” Gray says. “It’s so much more expensive than simply turning the lights back on.” ■