The Impact of the Covid-19 Pandemic on Small Business Restaurants in Center City, Philadelphia, PA

Gabrielle Cabeza
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Abstract
This paper will attempt to provide restaurant owners and legislators alike a look into what restaurants in Philadelphia did to stay alive during the pandemic. As we grow our understanding of which decisions were crucial for ensuring success, we will also begin to understand which decisions were detrimental, neutral, or negative for restaurants’ success. We will assess the outcome of these decisions by asking restaurants which decisions taken were most successful in helping their business stay afloat. Finally, better comprehension of the hurdles imposed on restaurants by the government should inform future policy decisions in a way which maximizes public safety while acknowledging that there is an optimal number of COVID-19 cases that cannot be avoided without ruining the economy.

Keywords
covid-19, small business, pandemic, restaurant

Disciplines
Business
I. Introduction

The COVID-19 pandemic affected every industry, market, and person on the planet, and the restaurant industry was no exception. Fortune magazine estimates that 110,000 restaurants in the US alone closed down due to restrictions and limitations caused by the pandemic. This amounts to over 10 percent of restaurants nationwide (King, 2021).

The unprecedented nature of 2020 put consumers, business owners and legislators between a rock and a hard place. With little to no understanding of how long the pandemic would last, how dining indoors at restaurants played into COVID-19 transmission rates, and how consumers would change their habits in response to the pandemic, restaurant owners faced very difficult choices and had to adapt quickly and strategically in order to stay alive. Restaurant owners needed a finger on the pulse of consumer behavior and had to make decisions early on to ensure their success months into the pandemic. They were forced to predict the future and hope their predictions would come true. Unfortunately, we know that over 10 percent of restaurants’ owners were not able to make these decisions or perhaps decided not even to try.

This paper will attempt to provide restaurant owners and legislators alike a look into what restaurants in Philadelphia did to stay alive during the pandemic. As we grow our understanding of which decisions were crucial for ensuring success, we will also begin to understand which decisions were detrimental, neutral, or negative for restaurants’ success. We will assess the outcome of these decisions by asking restaurants which decisions taken were most successful in helping their business stay afloat. Finally, better comprehension of the hurdles imposed on restaurants by the government should inform future policy decisions in a way which maximizes public safety while acknowledging that there is an optimal number of COVID-19 cases that cannot be avoided without ruining the economy.
A better understanding of the difficulties faced, and decisions made, by restaurants during the pandemic has several implications. National, state, and local governments must utilize this understanding and channel it into better policy making in the case of a similar future occurrence. The policies enacted by legislators affecting the restaurant industry and greater small businesses have a severe impact on the economy and personal financial situation of millions of Americans. According to small business statistics from SBA, small businesses make 99.9 percent of US businesses and employ 47.1 percent of US employees, meaning that policy makers must take the vitality of small businesses very seriously (SBA, 2021). Finding an optimal solution which maximizes public safety while maximizing potential for small businesses to continue serving customers is necessary. Restaurant owners as well as small business owners must utilize this analysis to better inform their decisions. With already tight budgets which were strained heavily throughout the pandemic, the finite number of resources lends itself to funding only a finite number of changes at a time. As such, restaurant owners could not afford the luxury of investing heavily in multiple initiatives and hoping that one pays off; initiatives must be strategic, low cost, and yielding of high returns. Finally, consumers of small businesses must be aware of the plight of small businesses during recessionary periods and global pandemics. Consumer behavior towards restaurants during the pandemic has been explored and has revealed a lack of empathy and support towards small business owners during these difficult times.
II. Literature Review

My thesis will assess the ways in which restaurants have adapted their business practices in response to the challenges posed by the COVID-19 pandemic and evaluate the success of these changes on a financial basis. In order to answer this question, I will first review literature discussing trends in the restaurant space which precede the pandemic. I will then review literature explaining the effect of the pandemic on those trends, whether the trend was accelerated, slowed, or eliminated entirely by the pandemic. Finally, I will review literature describing new trends, conditions, and challenges brought on by the pandemic and the common approaches undertaken to pandemic-proof restaurants.

Trends in Restaurant Space Pre-Pandemic

The restaurant space, while relatively stable pre-pandemic, underwent certain changes from trends including increased emphasis in sustainability efforts, increased demand for healthier products, and a push towards digitalization for making reservations and ordering food. Ivkov et. al in 2016 conducted research to determine where restaurant managers were placing a majority of their focus on innovation efforts and found that restaurant managers placed the most emphasis on innovating their food and beverage offerings (e.g. rethinking portion sizes, using new ingredients, addressing dietary restrictions, etc.), improving their human resources (customer orientation, service climate), and innovating their design and atmosphere (interior and exterior appearances, colors, music, etc.). Surprisingly, the integration of technology as well as sustainability efforts were placed on the back burner compared to the aforementioned. In my own research, such a methodology of providing a list of efforts and having managers rank the importance of these efforts would be very enlightening, especially if given the chance to ask how the importance of these factors changed pre- and post-pandemic.
The pervasiveness of online review platforms such as Yelp and the extent to which they guided customer decision making is well documented pre-pandemic. Michael Luca in 2016 quantified the impact of positive Yelp reviews and finds that a one-star increase in a restaurant’s Yelp rating could bring restaurant a 5 to 9 percent increase in revenue for independent restaurants. Research conducted by ReviewTrackers.com reported that 33 percent of customers will not choose a restaurant with an average 3-star review (on a 5-point scale) on a review website such as Yelp, Google, and Facebook. It further indicated that 80 percent of customers tend to use a rating filter when searching for a restaurant (Bassig, 2019). Therefore, if a restaurant is deemed unappealing on the basis of Yelp reviews and user ratings, it has a strong influence on the success of said restaurant and will persuade potential customers to seek food elsewhere. On the basis of such strong evidence, further research ought to be conducted to determine whether restaurant managers’ perceptions of success attributed to each action align with the Yelp data which was impacted by such actions.

The push toward online services and food delivery apps was strong before the pandemic. The online food delivery business reached $107.4 billion in 2019 worldwide and was expected to nearly double by 2024 (Statista, 2020). Analysis by Boston Consulting Group found in 2017 that nearly 60 percent of restaurant users have downloaded one or more restaurant apps, and around 15 percent have downloaded at least three (BCG, 2017). Increasing demand for delivery is evidenced by the numerous delivery aggregators—GrubHub, DoorDash, Postmates and Uber Eats—who have entered the space. In this situation, BCG argues, smaller brands without legacy systems have the ability to innovate more rapidly and embrace digital applications quicker. Restaurants able to capitalize on such opportunities on the offensive have seen returns as a result, as restaurants who embraced digital as an offensive measure saw a 5 percent increase in revenue
growth compared to only 2 percent growth for restaurants who used it as a defensive play (BCG, 2017). The use of restaurant-specific applications has allowed for effective promotional targeting based on a customer’s behavior and prior purchasing habits, thus allowing restaurants’ promotional money to be spent in a more effective manner.

The following chart provides a comprehensive list of the ways in which third party players have infiltrated the value chain in the restaurant space and accelerated the transition to digital.

Source: Boston Consulting Group, 2017

**The Effect of COVID-19 on Existing Trends in the Restaurant Space**

The use of online review platforms was not only exacerbated by the pandemic, but also had a significant impact on revenue. Restaurant goers during the pandemic took to online platforms to either complain or praise restaurants for their adaptation efforts. Some examples of
complaints include restaurants receiving negative reviews for spreading COVID-19, slow service due to decreased staff, and unpleasant outdoor dining conditions (Kragen, 2020). Other complaints delved into regulatory mandates such as required mask mandates or vaccination requirements. Restaurant owners, while frustrated by the pandemic-related negative reviews, are conscious of how impactful such bad reviews can be and have argued with customers in response to said reviews by explaining regulatory changes as well as asking for kindness during this unprecedented crisis to restaurants everywhere.

Strict federal and state mandates restricting restaurant capacity, requiring masks indoors, maintaining social distancing, and avoiding contact with those outside one’s household exacerbated the growing trend of food delivery applications. Data Science Editor Carl Bialik after analyzing Yelp searches wrote in April of 2020 that the ratio of searches on indoor dining to takeout and delivery increased by 300 times.

On the other hand, sustainability trends which were moderate before the pandemic lost much of their traction due to increased desire for sanitation and hygiene. Restaurants had to make this trade-off directly when it came to packaging takeout food, protecting indoor diners with partitions, separating tables, and limiting direct contact between waitstaff and dishes/items given to restaurant goers. In fact, the UN Department of Economic and Social Affairs in early April 2020 warned that the pandemic was likely to undermine efforts for OECD countries to achieve their 2030 sustainable development goals given the direct trade-offs between hygiene and sustainability necessary to ensure low transmission rates of COVID-19 (Gössling et al., 2021).
New Trends, Conditions and Challenges brought on by COVID-19

In economic uncertainty, the best business opportunities will belong to those who can come up with new and better business ideas—ways to create, deliver and then capture value (Ivkov et al., 2016). One such innovation and trend exacerbated by the pandemic is the use of artificial intelligence (AI) technology. Fadi Alkasasbeh in October of 2020 argues that “more restaurants are likely to use ”unmanned” devices and robots to provide a completely contactless service. Robot receptionists, face checks, guest voice control, robot deliveries, robotic concierge assistants, and other contactless services are expected to begin replacing human communication services in the near future.” This trend in particular should be one of interest for restauranteurs. For example, Kuo et al. (2017) indicated that service innovation using robots can improve restaurants’ sustainability and competitiveness.

Alkasasbeh simultaneously discusses the acceleration to digital media and social media advertising. BCG found that best-in-class restaurant brands in 2017 were spending 30 percent, 50 percent, and even as much as 90 percent of their marketing budgets on digital channels.

The population of much of existing literature in the US is independent, full-service restaurants, which account for approximately 76 percent of the 658,000 total restaurants and bars in the United States (U.S. Bureau of Labor Statistics, 2019). This population will be of primary interest in my own research, as full-service restaurant sales have dropped more precipitously than limited-service restaurants, during the early stages of the pandemic (Grindy, 2020).
III. Summary of data and methods

To figure out which factors were the most influential in helping ensure the success of small business restaurants in Center City, Philadelphia, PA, I sent out a survey to managers and other staff members at restaurants in Center City to figure out what changes, if any, they implemented during the pandemic and how impactful these changes were. I will be asking these key decision makers about the financial implications of these changes to get a sense of whether the changes made by the managers had a substantial return on investment (ROI). Aggregating the answers of all the survey responses I receive will give me a thorough understanding of all of the possible changes restaurants could have chosen to make, the success of these choices, and the financial implications of such a decision, including the attributable costs and attributable revenue/traffic to the restaurant. I also plan on asking if these restaurants chose to close for any period of the pandemic and if they got rid of certain menus, offerings. Finally, I want the restaurant managers to describe the timeline of the changes they went through to determine if the timing of when the decision was made was a determining factor in whether or not the change was financially viable and successful. I plan on applying this method to all the restaurants in the study and asking them the same set of questions.

I will be sampling from the larger population of small business restaurants in Center City. I have identified restaurants to contact by using the directory of the Pennsylvania Restaurant and Lodging Association. As far as sampling procedures, this will be a little tricky. Given my limited time and resources, I cannot expect for every restaurant in Center City to fill out my survey. Given the nature of my project, I rely on the consent of restaurant managers and other key decision makers to allow me to survey them. As such, a random sampling would be harmful for my consent rate and would hinder my ability to gather data, as I assume that not every restaurant
would be willing to fill out such a survey to provide data that will be used in my thesis. Of the restaurants in Center City who are willing to participate in the survey, I could conduct a random sampling. However, I also must figure out how many restaurants I am able to survey as well as how many would be necessary to survey for the validity of my findings.

I will analyze this data in a qualitative manner. I will rely on the aggregated survey results and compile the data in an organized manner to group restaurant changes together and ascertain their success rate using a success index. I will ask the restaurant managers and other staff to comment on the success of the actions they took. Success shall be defined as positively impacting the restaurant’s ability to stay in business and earn profit.

IV. Survey Results and Conclusions

The survey concluded with N equal to 49 restaurants in various locations across Philadelphia. All of the restaurants surveyed are sit down restaurants with takeout options varying from the primary revenue stream to one secondary to indoor dining. The survey consisted of 5 different sections. In the first section, restaurants were asked to provide information about their restaurant’s characteristics. I also gauged the survey respondents’ eligibility to participate in the study by ensuring that they were involved in decision making at their restaurant and were working at their restaurant over the course of the pandemic. The second section asked restaurants to estimate the distribution of sales between takeout, delivery, and in-house dining for the periods of time before the pandemic, during the pandemic, and post-pandemic (around February of 2022.) The results of which, as expected, are that restaurants largely relied on delivery and takeout during the pandemic in order to maintain sales. Interestingly enough, takeout and delivery as a percentage of sales is still elevated despite the end of pandemic restrictions on indoor dining. The persistence of such a trend perhaps indicates
that the pandemic has changed consumer preferences to skew more towards takeout and delivery than in the past.

In the third section, I provided restaurants with a set of actions that restaurants took to COVID-proof their business. The restaurants were tasked with indicating which actions their restaurant did and did not take and then justifying that decision in either direction. In the fourth section, I asked restaurants to rank the actions they chose to take by how successful they were in helping the business. Finally, I asked restaurants in the fifth section to comment on customer behavior during the pandemic by asking if certain menu items became more or less popular as well as asking what feedback they had specifically received from customers during this time.

To interpret the results of the rankings, I created a success index in which I evaluated the restaurants’ ranking of each specific action against the other actions they took to determine where each action stood in terms of success compared to the other actions taken by the same restaurant. An action’s index value is defined as the reciprocal of the average of each businesses’
weighted success assigned to that action. The weighted success is defined as the ranking they gave to each action divided by the total number of actions they ranked. For instance, for a restaurant who took 10 actions in total, a ranking of 5 out of 10 for a specific action the weighted success would be .5, the same as the weighted success for a ranking of 1 out of 2 actions. The purpose of such weighting is to control for the wide range of numbers of actions taken by restaurants and ensure that it does not obscure the assessment of the success of that action.

In the following sections, I will take a closer look at each of the actions restaurants have taken, their justifications for having taken those actions, and their perceived success from the perspective of the business owner.

**Close Down**

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Forty-five of the forty-nine restaurants surveyed decided to close down for various reasons. While some restaurants attribute their decision to close down to “high overhead and a lack of business” and “reducing costs,” the majority of the forty-five restaurants closed down because they were forced to by the City of Philadelphia. The City of Philadelphia forced restaurants to shut down on March 16th of 2020, decreeing that, “[f]ood establishments may only accommodate online and phone orders for delivery and pick-up, and cannot allow dine-in service, for the duration of these restrictions.” (City of Philadelphia, 2020) One restaurant closed down and gave the reason that they “had not operated a takeout model before and needed time to figure out how [they] would do that.” Restaurants also stated that they thought the shutdowns would last only two weeks and as such were not as hesitant to close down as they perhaps should have been.
Restaurants who decided not to close down were those who were able to pivot the quickest, an important advantage to have had during the pandemic. One restaurant’s explanation of their choice to stay open was as follows: “we were able to pivot to a robust takeout program with speed and agility.”

**Success of Restaurant Closure**

When looking at commentary provided by the restaurants, the success of restaurant closure is unclear. While some restaurant owners regretted staying closed as long as they did, others regretted opening too soon. Other restaurants tried to take advantage of being closed down to make some changes. One restaurant in particular remarked that while it may sound counterintuitive, closing was the best option for them given that they “made historic renovations to the building which could never have been done while opened.” Many restaurants felt that they did not have a choice in the matter of whether or not to close down and thus took it as a given. However, analysis of the rankings indicates that of the restaurants who did decide to close down, it was not widely perceived as a successful action. With a success index of 1.67, closing down was the 8th most successful action out of the twelve actions evaluated. Even though some restaurants saw their closures as a way to reduce costs and cut their losses, the majority of restaurants viewed their closures as missed opportunities to generate revenue. The success of a restaurant prior to the pandemic likely influenced the restaurant’s interpretation of this action.

### Reduce Menu Size

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Forty-one of the forty-nine restaurants surveyed reduced their menu’s size. Given the multifaceted nature of this issue, that there can be multiple reasons why a restaurant would have
wanted to reduce their menu size, I probed restaurants further about this issue by asking them about certain factors which potentially led to this decision. The most common reason for reducing menu size was to accommodate for the reduced staff. Other common reasons included supply chain issues, increasing food prices, smaller customer bases, and limiting food waste.

Some restaurants turned the unfortunate conditions of the pandemic into opportunities to pivot towards growth. Some restaurants took this opportunity to remove lower margin options from the menu, especially given increasing food prices. A couple of restaurants also limited menu options to that which could best be transported, in order to improve the quality of their takeout options. Other restaurants quickly figured out which of their menu options were doing better in the pandemic versus others and focused on procuring the goods to make those menu items. The menu options which fared well for the surveyed restaurants were cheaper, less nutritious offerings such as bread, frozen cocktails, pizza, pasta, chicken wings/tenders, and sandwiches. Menu options which performed poorly during the pandemic were health food items like salads as well as beer as customers opted for liquor instead.

*Success of Reductions in Menu Size*

The decision to reduce menu size was largely one borne of obligation rather than voluntary choice. With supply chain disruptions, price increases and reduced staff, restaurants saw this action as one they needed to make in order to stay afloat and retain their customer base. With an index of 1.69, reducing menu size was the 6th most successful action out of the twelve actions evaluated. The restaurants who took advantage of such circumstances to pivot towards more profitable menu options perceived this action as more successful than those who did not. From this, we can conclude that restaurants whose menu option eliminations were meaningful
and rooted in profitability improvements had an advantage over those who were less intentional in their reduction decisions.

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Thirty-six of the forty-nine restaurants surveyed built outdoor seating. Since there are numerous different ways to construct outdoor seating, I asked restaurants what their outdoor seating consisted of and where it was located. An overwhelming majority of the restaurants who implemented outdoor seating, thirty-four of thirty-six, put their outdoor seating on the road closed in front of their restaurants. This was granted with permission from the City of Philadelphia. The other two restaurants used the sidewalk outside the restaurant as well as their backyard patios. The restaurants who chose not to take this action did so because they were not allowed to, or they already had outdoor seating. The restaurant who did have outdoor seating did however take the opportunity to spend “a lot of money to make [their outdoor seating] comfortable year-round.” For those who did build it, their reasoning was fairly simple. Every restaurant cited their reason as being “an opportunity to expand revenue,” or “to survive.”

*Success of Building Outdoor Seating*

With a success index of 2.41, building outdoor seating ranks as the fourth most successful initiative taken by restaurants. Most restaurants saw this choice as an obligation to stay afloat and placed much emphasis on the creation of a “safe space for guests to come out and enjoy.” Given that restaurants were allowed only to host customers with outdoor dining from June 12th, 2020, to September 8th, 2020, (City of Philadelphia, 2020) the restaurants who already had or were able to build outdoor seating had a significant advantage over other restaurants during the
pandemic. Support from the City of Philadelphia was a crucial factor in determining whether or not the restaurant was capable of building this outdoor seating, as permission was needed in order for the road to be closed and for the restaurant to use the road space outside of their restaurant before they could build the outdoor seating structures. Restaurants tried hard to emulate as closely as possible the experience of dining in person through outdoor dining by building structures of nooks to serve and separate guests and on occasion offering heating to ensure they could use this outdoor seating over the course of the winter. An example of what this outdoor seating looks like is below. Restaurants took great care, including adding decorations like plants to make the spaces more inviting.
Receive Government Support

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Forty-one out of the forty-nine restaurants surveyed filed for and received government support. Most restaurants noted that they sought out government support to pay accounts payable, to help keep their employees employed, to help offset costs such as rent and other bills, and to help keep their restaurants alive. The appeal of taking this action is uncomplicated. With the investment of one’s time to fill out an application, a restaurant could receive government support to help them make ends meet and maintain payroll. The only restaurants who did not file for nor receive government assistance noted that because they were a publicly traded company, they were ineligible for the government support.

Success of Receiving Government Support

With a success index of 3.48, it is no surprise that receiving government support ranks as the most successful initiative taken by restaurants. As restaurant owners worried about their ability to pay bills and employees while being shut down, government assistance was crucial to ensuring their viability. Restaurants who were eligible to receive this government support and received it had a significant advantage over those who were ineligible or did not receive it, as many restaurants cite government assistance as the reason why they were able to continue operations, saying “we could not have survived without assistance.” As governments think about future lockdowns brought about by COVID-19 or future pandemics, providing government support is necessary for maintaining the small business restaurant industry and for keeping working class citizens employed.
Utilize delivery apps

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Forty-four out of the forty-nine restaurants surveyed indicated that they began to utilize delivery apps or leaned into them even more in order to expand revenue potential during pandemic operations. Many restaurants referred to this as their “pivot strategy.” Restaurants had the dual goals of reaching their existing customer base and expanding their customer base when using these apps. Despite unfavorable conditions for restaurants when partnering with delivery apps, restaurant owners felt as though it was the “only practical way to do delivery,” and felt that the benefit of expanding sales and increasing visibility outweighed the unfavorable impact of using these apps on a restaurant’s profitability. However, it is worth noting that once in house dining operations could resume, restaurants were quick to abandon delivery apps, making it necessary during the takeout and delivery period but too detrimental to profitability during normal business operations. The few restaurants who chose not to utilize delivery apps did so either because they didn’t get enough delivery business for the venture to be worth their while or because the apps “take too much money and don’t provide the level of service [they] wanted to deliver.”

Success of Utilizing Delivery Apps

With a success index of 1.69, utilizing delivery apps ranks as the seventh out of twelve most successful actions taken by restaurants. The unsuccessful nature of this change can be attributed to the drawbacks of utilizing delivery apps, that restaurants often take a loss on every order placed through a delivery app, that the fees charged by delivery apps are exorbitant and that the delivery apps were not good partners in terms of quality and ability to resolve customers’
issues (Ovide, 2021). Although restaurants hoped that consumers would discover their restaurant on the app and become lifetime customers, a negative experience with the restaurant when getting the food delivered by a third party could destroy the relationship between the customer and the restaurant before it can even begin. Restaurants did their best to compensate for this possibility by not eliminating from their menus certain dishes that wouldn't deliver well, but it is impossible for the restaurants to fix the issues of missing items, cold food, and long delivery times. As evidence of the bad partner aspect of delivery apps, one restaurant remarked that when a customer ordered food through UberEats and an item was missing, that an UberEats representative encouraged the customer to leave the restaurant bad reviews on the app rather than accept responsibility for the error that the Uber driver had made in not checking that the order was correct. Instances such as these indicate that delivery apps are not well-intentioned and are not looking out for the restaurants who use their platform, despite collecting immense fees from these restaurants.

**Bolster In-House Delivery Capabilities**

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Only two out of forty-nine restaurants chose to bolster their in-house delivery capabilities. Those who did explained that as apprehension to dine in surpassed the City of Philadelphia’s ban on indoor dining, that they “had to explore every income opportunity” by hiring in-house delivery staff. The restaurants who did not bolster in-house delivery capabilities largely cited a lack of staff as their reason. As they found it nearly impossible to pay their existing employees, they could not hire more workers to man in-house delivery. They found delivery apps to be a suitable, less risky, more logistically feasible alternative to growing the
capability in-house. Restaurants were also concerned about their ability to provide a quality product over delivery and feared that a negative impression of their restaurant would cause them to lose customers.

**Success of Bolstering In-House Delivery Capabilities**

With a success index of 3.00, bolstering in-house delivery capabilities ranks as the second most successful action taken by restaurants. With a small sample size of only two restaurants taking this initiative, it is difficult to generalize the success of this action to the general population of restaurants. However, it is worth noting that the restaurants who took this action and deemed it successful differ from the other restaurants in terms of their offerings. For example, one of the restaurants who took this action and found it successful was a pizza restaurant. For restaurants whose products are easy to deliver and travel well, in-house delivery capabilities are likely a more successful action than for restaurants whose products are not easily reheatable or whose quality reduces over the course of a delivery journey. More research is needed to make a conclusion about this action, with perhaps more stratification about the type of cuisine offered by the restaurant and what mechanisms are in place (if any) that make the delivery of these products more successful than others.

**Bolster Takeout Services and Offerings**

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Forty five out of the forty-nine restaurants surveyed bolstered their takeout services and offerings. At the beginning of the pandemic, takeout was the only permissible method of eating food from a restaurant, making takeout operations crucial to a restaurant’s survival. Some restaurants had an easier time with takeout than others. Bars, pubs, and the like found it difficult
to garner a customer base for takeout cocktails or other drinks, as these are predominantly enjoyed in house with other bar snacks and are not commonly thought of as takeout food options. However, restaurants were smart in their attempts to adapt to circumstances. Many restaurants cite adding new menu options for takeout in order to entice customers. For example, one restaurant explains that they “did some special packages to appeal to regulars,” while others explain that they attempted to combat the issue of quality control while encouraging takeout by offering kits of ingredients from their dishes for customers to buy and prepare at home. For example, one restaurant which predominantly serves pasta remarks creating pasta kits in which their house made pastas, sauces and garnishes were offered in a takeout kit for the customers to combine on their own and serve to their families. Another change restaurants explain making is enticing takeout orders by making their offerings family size rather than the traditional one entree per person takeout. This made it more economical for customers and easier for restaurants to get rid of their inventory, though it did involve taking a small cut to their profitability. Some restaurants who did not take this action explained that “it was cheaper to close up entirely than try to make to-go drinks and food financially viable,” and cited staff shortages as another obstacle.

**Success of Bolstering Takeout Services and Offerings**

With a success index of 1.82, bolstering takeout services and offerings ranks as the fifth most successful action out of twelve taken by restaurants. On average, takeout as a percentage of sales went from 4.33% before the pandemic to 31.82% during the pandemic with some restaurants attributing as much as 100% of their sales to takeout. As such, a strong takeout service was crucial for restaurants. As it stands today, as we near the end of the pandemic, takeout still accounts for 8.74% of restaurant sales on average, over two times as much as before
pandemic times. Takeout perhaps shall remain an important revenue stream for restaurants in a post-COVID world as consumers still cling to apprehension to eating indoors or have become accustomed to takeout over the course of the pandemic.

### Decreased Workforce

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All but one restaurant decreased their workforce either by number of employees or number of hours worked by each employee. Restaurant owners cited the labor shortage as the most significant contributor to the reduction in workforce. They also commented that the level of business they were receiving could not warrant a large workforce and for that reason restaurants had to keep employees’ hours to a minimum. Many restaurants remarked that the limited hours they were able to operate caused this decrease in workforce. Others cited that the pivot to takeout was successful. The one restaurant who was fortunate enough not to have to decrease their workforce said that their receipt of government support was what made this possible.

### Success of Decreasing Workforce

With a success index of 1.64, this action ranks as the ninth most successful out of twelve. Restaurants largely did not view this action as successful. While decreasing their workforce cut costs for restaurants, it was an emotional struggle to let employees go. Moreover, this action did nothing to improve the revenue of restaurants, which was a larger struggle at the time. Many restaurants attribute their success during the pandemic to their ability to retain key, quality, committed employees but many were not able to do so. One restaurant, on the other hand, said that “reducing our workforce saved us the most over the length of the pandemic,” despite how unfortunate the furlough and termination of employees was.
Offer promotions and discounts to customers

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Less than half of restaurants, nineteen out of forty-nine, chose to offer promotions and discounts to customers. With issues surrounding supply chain management and surging food prices, this action was fairly controversial. The restaurants who chose to offer discounts to customers did so entice customers to order from their restaurants and to be more competitive against other restaurants. However, the majority of restaurants actually chose to raise their prices, avoiding discounts because they “signal to consumers that there is room to discount,” and that they were “losing too much money to offer discounts.” When asked whether or not they offered discounts, one restaurant owner simply replied with “hell no.”

Success of Offering Promotions and Discounts to Customers

With a success index of 1.49, offering promotions and discounts to customers ranks as the tenth most successful action out of the twelve. In this instance, the restaurants who avoided offering discounts were correct in doing so, as the justification provided by restaurants who took this action was largely proven not to work.

Use Yelp to communicate with Customers

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<tr>
<td>Success Index</td>
<td>1.11</td>
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</table>

Approximately one fifth of the restaurants surveyed actively used Yelp to communicate with their customer base. Yelp allows restaurant owners to claim the pages dedicated to their
restaurants and allows owners to answer customers questions regarding takeout and delivery options, COVID restrictions in place at the restaurant, etc. The restaurants who chose to communicate with their customers through Yelp stated that they used “all digital platforms to keep guests informed of hours, changes, and COVID-19 protocols.” The restaurants who chose not to communicate with customers through Yelp had intense, negative opinions about Yelp. Some restaurants stated that they preferred to communicate with their customers directly through other and better means. However, the majority of restaurants criticized Yelp, calling it “legalized extortion,” saying that “Yelp sucks,” and finally that “Yelp is not a partner with restaurants—just the opposite.” Such strong, negative feelings towards the platform are likely attributed to the significant impact that Yelp reviews can have on a business’ customer base and profitability as a result.

Success of Using Yelp to Communicate with Customers

With a success index of 1.11, this action ranks as the least successful action taken by restaurants. It would be nearly impossible to quantify the revenue impact of using Yelp to communicate with customers, and the alternatives to such a method of communication such as email listservs or websites have essentially the same costs associated with them.

<table>
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<tr>
<th>Relocate the Restaurant</th>
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<tr>
<td><strong>N</strong></td>
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<tr>
<td><strong>Success Index</strong></td>
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Only one restaurant out of forty-nine decided to relocate their restaurant, stating that they did so because their lease was up for renewal and their landlord was unwilling to make concessions. They used the opportunity to change their business model to all-takeaway model to
become semi-permanent. The restaurants who chose not to take this action did so because they either owned their space or it was impossible for them to move based on the associated costs. Others were in the middle of their leases and felt attached to their existing location. Further research should be done to investigate the restaurants who instead of relocating, instead chose to close altogether, as the bias in surveying existing restaurants is the absence of data from restaurants who closed down for good during the pandemic and still have not opened up.

**Success of Relocating the Restaurant**

With a success index of 1.26, this action ranks eleventh out of the twelve surveyed. The incredibly small number of restaurants who chose to take this action taints this analysis and therefore we are unable to draw many conclusions. The restaurant who took this action was unable to negotiate their rent price and as such this was a viable alternative. The restaurants who were in the middle of their leases during the pandemic had the benefit of having their rent price locked in and predictable during the pandemic but unfortunately could not easily negotiate that price and could not afford to break their lease and incur the costs associated with doing so.

**Negotiating rent prices with landlords**

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<tr>
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<th>23</th>
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<tbody>
<tr>
<td>Success Index</td>
<td>2.77</td>
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</table>

Around half of the restaurants surveyed negotiated their rent prices with their landlords. Every restaurant cited doing so because it was necessary for their survival, claiming that they were not going to make it had their rent not been reduced. For restaurants who did not take this action, it was largely due to the fact that it was not possible, that their landlords could not afford the decreased rental revenue or that they felt no need to do so.
**Success of Negotiating Rent Prices with Landlords**

With a success index of 2.77, negotiating rent prices with landlords ranks as the third most successful action out of the twelve investigated. This action was largely successful given the little to no cost of having such a conversation with one’s landlord. While restaurants discussed having to prepare for their negotiations, they reported that landlords were eager to negotiate in order to ensure any amount of rental income. As such, these negotiations created value for both parties. Further research about the terms negotiated and revenue stream structures is warranted.

**Other**

A few restaurants reported taking actions which were not asked about in the survey. While it is impossible to assign a success index to such other actions overall, the actions restaurants reported taking were very interesting. Two restaurants reported joining Goldbelly, a DTC business which ships food from restaurants to customers all across the country. One restaurant reported starting a subscription service in which customers would receive a set number of dishes from the restaurant each period. While these actions all attempted to tackle the revenue issue facing restaurants, they were not reported as being particularly successful for the restaurants who took such actions.

**V. Bibliography**


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