



COVID-19 Restaurant Impact Survey V

Key Findings – December 2, 2020

Key Findings

To assess the ongoing economic impact of the coronavirus pandemic, the National Restaurant Association Research Group conducted a survey of 6,000 restaurant operators and 250 supply chain businesses November 17-30, 2020. The key findings are presented in this report.

Restaurant Business Conditions

- Consumer spending in restaurants remained well below normal levels in October. Overall, 79% of restaurant operators say their total dollar sales volume in October was lower than it was in October 2019. Only 12% reported higher sales in October. Sales were down 29 percent on average.
 - Restaurant operators reported sales declines in both the fullservice and limited-service segments in October. In both segments, independent and franchisee operators reported lower sales in October.

Restaurant operators' reporting of sales in October 2020 versus October 2019

Restaurant segment	Percent of operators reporting higher sales in October	Percent of operators reporting lower sales in October	Average percent change in sales: October 2019 to October 2020
All Restaurants	12%	79%	-29%
Fullservice restaurants	6%	87%	-36%
Independent fullservice restaurants	6%	87%	-36%
Franchisee fullservice restaurants	7%	86%	-32%
Limited-service restaurants	19%	71%	-22%
Independent limited-service restaurants	13%	78%	-29%
Franchisee limited-service restaurants	24%	65%	-14%

Source: National Restaurant Association, national survey of 6,000 restaurant operators conducted November 17-30, 2020

Note: Limited-service includes quickservice, fast casual and coffee/snack concepts.

- The vast majority of restaurant operators do not expect business conditions to improve in the coming months. Seventy-five percent of operators expect their sales to decrease from current levels during the next 3 months. Only 6% of operators expect their sales will increase from current levels during the next 3 months.
 - 83% of fullservice operators expect their sales to decrease from current levels during the next 3 months.
 - 67% of limited-service operators think their sales will decline during the next 3 months.

- One reason for the deteriorating business conditions is the end of the outdoor dining season in many parts of the country. Only 49% of operators say their restaurant currently offers on-premises outdoor dining in a space such as a patio, deck or sidewalk. That’s down from 67% in September.
 - 52% of fullservice operators say their restaurant currently offers outdoor dining – down from 74% in September.
 - 46% of limited-service operators say they currently offer outdoor dining – down from 60% in September.
- Even though sales were significantly lower for most restaurants, it doesn’t mean their costs also fell proportionally. Fifty-nine percent of operators say their restaurant’s total labor costs (as a percent of sales) are higher than they were prior to the COVID-19 outbreak. Only 21% of operators say their labor costs are lower, as a percent of sales.
- With costs rising and sales falling, the result is added damage to the bottom line. Eighty-six percent of operators say their restaurant’s profit margin is lower than it was prior to the COVID-19 outbreak. Only 6% of operators say their profit margin is higher.
- With business conditions deteriorating, more federal government assistance is critical for the survival of many restaurants. Thirty-seven percent of operators say it is unlikely their restaurant will still be in business six months from now, if there are no additional relief packages from the federal government.
- Absent additional government assistance, one option is to close the restaurant until business conditions improve. Thirty-six percent of operators say they are considering temporarily closing their restaurant until the COVID-19 pandemic passes. Fullservice operators (43%) are more likely than limited-service operators (28%) to be considering this option.

Restaurant Jobs

- Although many restaurants added back employees after the initial lockdowns, overall staffing levels remain well below normal. Eighty-one percent of operators say their current staffing level is lower than what it would normally be in the absence of COVID-19. Forty-five percent of operators are currently more than 20% below normal staffing levels.
 - 89% of fullservice operators say their current staffing levels are below normal.
 - 74% of limited-service operators say their current staffing levels are below normal.
- With business conditions deteriorating, many restaurant operators are anticipating additional layoffs in the coming months. Forty-nine percent of operators expect their staffing levels to decline during the next 3 months. Only 5% of operators expect their staffing levels will rise during the next 3 months.
 - 58% of fullservice operators expect their staffing levels to decline during the next 3 months.
 - 40% of limited-service operators expect to have staffing cuts during the next 3 months.

Restaurant Closures

- The National Restaurant Association estimates that as of December 1, at least 17 percent of all eating and drinking places – or more than 110,000 establishments – are completely closed and not open for business in any capacity.
 - This means these businesses are closed on either a temporary or permanent basis. It will be some time before it becomes clear how many of the temporary closures become permanent. Many restaurant operators are waiting to see if or when it makes sense to reopen.

Snapshot of permanently closed restaurants

- The vast majority of permanently closed restaurants were well-established businesses, and fixtures in the communities in which they operated.
 - On average, permanently closed restaurants had been in business for 16 years. Sixteen percent of these shuttered restaurants had been open for at least 30 years.
 - Before they closed for good, these restaurants employed an average of 32 people. Seventeen percent of these restaurants employed at least 50 people before they closed.
- In addition to the shuttered restaurants, it appears that the industry will also lose many of the long-time entrepreneurs that owned these restaurants.
 - 72% of owners of permanently-closed restaurants say it is unlikely that they will open another restaurant concept in the months or years ahead.
 - Moreover, only 48% of these former owners say it is likely that they will remain in the restaurant industry in any form in the months or years ahead.

Supply Chain Business Conditions

- The negative economic impact of the coronavirus pandemic is being felt throughout the restaurant industry supply chain. These businesses include manufacturers, suppliers, distributors, brokers and other service-providers to restaurants. Like restaurants, conditions for supply chain businesses are far from normal.
 - 85% of supply chain businesses report lower revenues in 2020 compared to 2019. Only 8% are reporting higher revenues in 2020. On average, revenues of supply chain businesses are down 30% in 2020.
 - 70% of supply chain businesses report laying off or furloughing employees during the coronavirus pandemic. 33% of supply chain businesses report current staffing levels that are more than 20% below normal levels.
 - 71% of supply chain businesses report lower profit margins in 2020 compared to 2019. Only 6% are reporting higher profit margins in 2020.
 - 15% of supply chain businesses report that it is unlikely they will still be in business six months from now, if there aren't additional relief packages from the federal government.