

The impact of the coronavirus on restaurants



Scott N. Opincar | Monday, March 16, 2020

According to the National Restaurant Association, over 1 million restaurants operate in the United States. They employ over 15.6 million and were projected to generate sales of \$899 billion in 2020. With outbreaks of the new Coronavirus (COVID-19) spreading throughout the country, the restaurant and hospitality industries have been hard hit. Those who work in the restaurant industry — whether they are line cooks, bartenders, servers, or dishwashers — are particularly vulnerable because of economic realities and their very public-facing jobs. They lack job security, tend to be paid lower wages, and don't always have access to health insurance. For restaurant owners, there's an equally dire concern about what sort of hit their typically low-margin businesses can take. Lost sales from canceled events and the closure of restaurants by government order are creating substantial negative cash flow issues for restaurants and bars. Many states have issued orders closing restaurants and entertainment venues amid the outbreak other than for carry-out meals and delivery service.

According to the Centers for Disease Control and Prevention, there is no evidence to support the transmission of COVID-19 associated with food. Notwithstanding that statement, and as the current state of the virus has been rapidly changing, consumers continue to take new precautions. Many more people are staying home. Potential consumers are more likely to choose home delivery and drive-through services to reduce person-to-person contact.

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So what should restaurants do to confront the reality of the impact of COVID-19 on their business? Here are some recommendations:

Take Necessary Precautions to Prevent the Spread of COVID-19 as recommended by the International Franchise Association and the Centers for Disease Control and Prevention

- If one does not already exist, develop an infectious disease preparedness and response plan that can help guide protective actions against COVID-19.
- Stay abreast of guidance from federal, state, local, tribal, and/or territorial health agencies, and consider how to incorporate those recommendations and resources into workplace-specific plans.
- Promote frequent and thorough hand washing, including by providing workers, guests, and other visitors with a place to wash their hands. If soap and running water are not immediately available, provide alcohol-based hand rubs containing at least 60% alcohol. Post handwashing signs in restrooms.
- Clean work surfaces, ordering terminals, and tables and chairs frequently. Keep towels used in cleaning surfaces from ending up in the kitchen. Try color-coding your towels and cloths for specific spaces. Having a different color of towel for each specific area will help to keep cross-contamination at bay.
- Encourage workers to stay home if they are sick.
- Consider advertising a reduced seating plan in which all tables are separated from each other by at least six feet.

Implement Policy Changes to Reduce Costs and Exposure

- Consider options for conducting essential operations with a reduced workforce, including cross-training workers across different jobs in order to continue operations or deliver surge service.
- Explore whether you can establish policies and practices, such as flexible work hours (e.g., staggered shifts), to increase the physical distance among employees and between employees.
- Keep your relationship with your suppliers strong. Restaurant owners must evaluate their supply chain and communicate with their distributors on a regular basis.
- Try and do any restructuring of your business that you can and get yourself in a better situation so when the business comes back you are more efficient and profitable.

Take Advantage of Available Relief

- Restaurant trade groups are pushing the government to provide relief, including rent subsidies, no-interest loans, 90-day extensions on monthly sales tax payments, and eliminating penalties for paying property taxes late. Keep yourself informed.
- Ohio is making temporary changes to the state's unemployment compensation rules and a one-time buyback by the state for qualifying unopened liquor. Many other states are rapidly adopting measures to provide relief in a landscape that is changing daily.
- The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of COVID-19. SBA's economic injury disaster loans offer up to \$2 million in assistance for a small business. These loans will be provided to help pay debts, payroll, accounts payable and other bills that can't be paid because of the virus. The interest rates are 3.75% for small businesses and 2.75% for non-profits.
- To encourage banks to help meet demands for credit from households and businesses, the Fed lowered

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the primary credit rate by 150 basis points to 0.25%. This reduction in the primary credit rate reflects both the 100 basis point reduction in the target range for the federal funds rate and a 50 basis point narrowing in the primary credit rate.

- Grubhub announced it will temporarily forgo \$100 million in commissions on the meals it delivers from independent restaurants as a way of helping those businesses contend with the coronavirus epidemic. UberEats is also helping local restaurants stay in business by waiving delivery fees across the U.S. and Canada.
- Have conversations with other third-party food-delivery providers such as DoorDash, and Postmates to ask them to reduce their fees and implement relief measures.

If you have any legal questions regarding restructuring your restaurant business or implementing workforce policy changes, please contact Scott Opincar at sopincar@mcdonaldhopkins.com.



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