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NYC Restaurants Ready To Reopen Seats, Prepare For Winter

Louis Biscotti Contributor

Food & Drink

National Leader, Food & Beverage Services Group, Marcum

New York City's restaurants are slated to welcome diners back inside as of September 30, in what could amount to the biggest opening night the city has seen – even if Broadway remains dark. Regulations initially limit capacity to 25 percent. And you need to have your temperature taken before taking a table. But diners can return to restaurants: Will they?

The big question mark hanging over the restaurant industry in New York City and nationwide is, “What will happen in the winter?” The industry adapted over the spring and summer, setting up sidewalk cafes and tables in parking lots, discovering the not-always-so-great outdoors. Some landlords made temporary deals regarding rent. The Paycheck Protection Program fed a need for cash. Those fixes are history just as the cold approaches.

About 1,200 restaurants already closed permanently in New York City and thousands more nationwide. There has been talk of a possible second wave of coronavirus cases and flu in fall and winter. An economic second wave could hit restaurants hard amid colder weather, unless the industry can innovate,

reassure diners and welcome them “home.” Even with the right to seat diners, restaurants need survival strategies beyond spacing seats six feet apart. This can’t just be back to business as usual, because these are not “usual” times.

There are concerns within the industry that dining in won’t be enough to get restaurants out of trouble. Nearly 90 percent of New York State’s restaurant owners say without a relief package, it’s unlikely they will be profitable in the next six months, according to the New York State Restaurant Association.

“This will force more restaurants to close their doors for good and put many New Yorkers out of work,” according to the group.

How many restaurants will close amid the pandemic? Estimates are it could be as many as a third. Regulations in many regions limit capacity, making it harder to survive. A good restaurant has a 10 percent net profit margin at full occupancy. At 25 percent or even 50 percent occupancy, many can’t be profitable. Meanwhile, home cooking is experiencing a heyday as more people work from home. Ninety-four percent of those surveyed said they are cooking the same or more since the pandemic, according to a study by the FMI Foundation. If people cook more, they aren’t using restaurants as their kitchen as much as they might have.

The good news for restaurants is people are returning, if slowly. The NPD Group found as of August 16, customer transactions at major restaurant chains were down 9 percent year-over-year, the first single-digit drop after 21 weeks of double-digit declines. “Although transactions are still down, the move into the single-digits is a positive sign for the U.S. restaurant industry,” says David Portalatin, NPD food industry advisor and author of “Eating Patterns in America.”

Restaurants are trying to reassure diners and comply with regulations, providing socially distanced seating, plexiglass barriers and redesign. Servers wear masks. Apps replace some paper menus. Some are investing to improve ventilation. Restaurants in warmer climates can count on outdoor dining, while others set up heaters. Takeout and delivery can supplement sales, but both routinely exclude alcoholic beverages that account for the majority of profits, due to lower food margins. Some states are rushing to the rescue here by loosening regulations, so restaurants can deliver mixed cocktails. Are you going to order a Manhattan, mojito or glass of wine delivered with dinner? As practices change, will habits follow? I'm not so sure.

Some businesses are always well positioned for change. As restaurants seek to welcome diners back, takeout, curbside and delivery could be big winners this winter. Papa John's and Domino's are having record years and sales. Ghost kitchens, set up for delivery only, could see strong demand. Nathan's Famous is partnering with REEF, a network of more than 70 locations, to provide delivery-only menus. Drive-through sales have been accelerating, with drive-through restaurant visits up 26 percent in the second quarter, accounting for 42 percent of all restaurant visits, according to The NPD Group. All of these are opportunities, although not for every restaurant.

While the news is about reopening, the restaurant industry is being revolutionized in ways that can boost efficiency and add revenue streams. Seats alone do not have to equal sales. Curbside delivery and mobile apps are on many restaurants' menus. Innovation and some regulation can help. New York City is capping third-party delivery fees at 20 percent until restaurants can return to full indoor capacity. Numerous other cities also have caps. A strong restaurant industry has a ripple effect. If restaurants rebound, that could be good for other industries. Ninety percent of some distributors'

business goes to restaurants, while others focus on retailers such as grocery stores. If restaurants struggle, their suppliers feel the pain. When restaurants roar, the echo is even louder.

The restaurant industry faces other challenges, including increased labor costs. Still, technology could help, integrating point of sale and accounting to control costs, providing contactless and touchless technology. Dine-in restaurants need to work hard to bring customers back inside and fill seats. But they also may be able to cook up other ways to serve customers. Adapting can help restaurants ride out a second wave of COVID. Technology plus taste can be a winning formula. Many restaurants are ready for the reopening, but have they revolutionized their own approach? What has the industry learned from the pandemic? Soon, we'll find out whether diners are ready to return. In the end, it is they who will help decide how long and profitable each restaurant's run may be. But whether and how individual restaurants adapt may matter as much or even more.

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Louis Biscotti

I am the national leader of Marcum's Food and Beverage Services group. I've been an entrepreneurial leader in accounting for over 40 years, and am a frequent lecturer and

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