

JamesBeard Foundation

TO: Interested Parties
FR: James Beard Foundation
DT: April 16, 2020
RE: State of America's Restaurant Industry

Since the start of the COVID-19 pandemic, the James Beard Foundation has been polling chefs and restaurant owners about its impacts on the food and beverage industry. We conducted two rounds of surveys, the first closed on March 16, one day after the first state-wide mandates for restaurant closures were enacted. The second began on April 9, about a week after the Paycheck Protection Program had been active, and closed this week on Monday, April 13.

Just over 1,400 owners, from predominantly small and independent restaurants, responded to the April survey on SurveyMonkey.

The State of the Industry is Dire

- + As of April 13, on average, restaurants have laid off 91% of their hourly workforce and nearly 70% of their salaried employees. Last month, respondents reported that they had let go of 78% of their hourly workers and 58% of their salaried employees.
- + More than 38% of restaurants reported this month that they have closed temporarily or potentially permanently and over 77% of respondents reported at least a 50% reduction in sales.
- + However, about two-thirds of restaurants are uncertain that takeout or delivery can sustain their businesses until they reopen.
- + 28% of restaurants surveyed in cities with mandatory closures don't believe they can survive more than a month of closure (up from 17% in March); 28% believe they can only survive up to two months of closures (up from 10% in March).

Confidence is Low, Need is Great

- + Only 1 in 5 restaurant owners in cities that are shutdown are very certain or somewhat certain that they will be able to sustain their businesses until normal operations resume.
- + Nearly 6 in 10 restaurants thought they could survive between one more week or one more month given the current decline in sales and before a government order to halt business.
- + 44% of restaurant owners estimated their own businesses could make it through another month with an infusion of between \$10,000 and \$25,000 cash. Nearly 68% reported needing \$50,000 or less.
- + More than 5 in 10 restaurant owners estimated needing \$100,000 or less over the next quarter to remain viable to reopening.
- + Less than 1 in 5 restaurant owners reported needing more than \$250,000 to keep operating.



JamesBeard Foundation

Challenges to Reopening

- + Restaurant owners said the biggest immediate cash challenges are:
 - Rent (39%)
 - Payroll (34%)
 - Taxes (9%)
- + When looking at the prospect of reopening their doors, the biggest challenge restaurant owners believe they are facing are:
 - Slow return of customers (41%)
 - Cash to pay vendors (35%)
 - Rehiring staff (16%)
 - Retraining staff (3%)
 - Health Inspections (2%)

New Debt Obligations

- + More than 51% of restaurants responding have taken at least \$50,000 in new debt obligations as a result of COVID-19.
- + The majority of respondents had applied to one or more loan programs, including small business loans through the Paycheck Protection Program.
 - 80% applied for a new SBA loan
 - 58% applied for an EIDL loan or grant
 - 34% applied for a community-based loan or grant programs in their city or state

- + The majority of loan and grant requests were for up to \$50,000 (44%) with 25% applying for between \$150,000 to \$1 million.
 - 27% of women owners have new debt obligations of more than \$150,000.
 - 18% of owners of color have new debt obligations of more than \$150,000.

Snapshot of Restaurant Owners Responding

- + About 76% of restaurants surveyed have been in business for an average of 10 years.
- + Nearly 60% of restaurants surveyed made \$1.5 million or less in revenue in the last fiscal year—about a quarter had \$500,000 or less in revenue.
 - 65% of women owners operated a business with a revenue of \$1.5 million or less.
 - 67% of owners of color operated a business with a revenue of \$1.5 million or less.
- + Over 71% of restaurants had a profit margin of under 10% in the last year.
- + About 76% of restaurants normally employ 50 employees or fewer and about 83% of respondents had no more than two units in their operations.
- + Nearly 20% of restaurants are now preparing meals for hospital workers, 12% are preparing meals for restaurant workers and 8% are providing meals for school feeding programs.
- + Survey respondents were 51% male, 48% female with -1% not responding to demographic questions.