



HOW RESTAURANTS HAVE BEEN AFFECTED BY COVID-19

A study on how restaurants in Singapore are affected by the Covid-19 pandemic and specific mitigating strategies

March 2020

KEY FINDINGS



78%

UNPREPARED FOR
LONG-TERM IMPACT
> 6 MONTHS

93%

FACE A DECLINE IN
REVENUE

80%

REDUCE STAFF AS
COST-CUTTING
MEASURE

35%

DROP IN #
RESERVATIONS

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INTRODUCTION



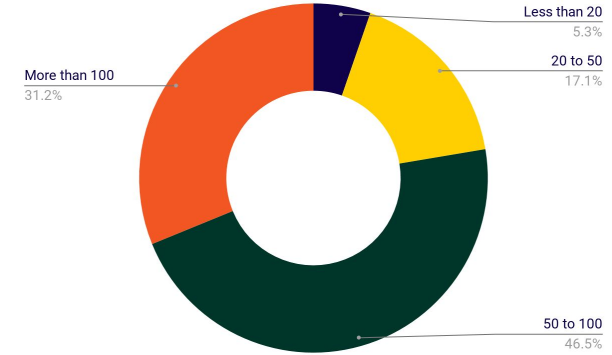
This white paper aims to document the experiences and sentiment of F&B operators in Singapore on the impact of Covid-19 on their business. The paper will cover key risks and some recommendations for businesses on handling situations, as well as provide specific advice on how to look ahead.

As one of the earliest markets hit by the Covid-19 virus (the city first escalated precautionary measures on 7 February 2020 when it entered "Dorscon Orange"), the restaurant industry experience in Singapore can also be used as a case study for the rest of the world. While the paper studies events specific to Covid-19 in Singapore, the findings are also applicable to the foodservice industry in other cities affected globally, as well as to future general economic downturns.

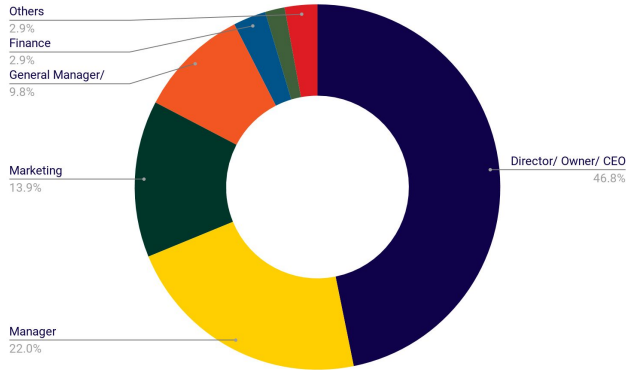
The paper is co-authored by The Chope Group and Professor Sherri Kimes, Emeritus Professor of Operations Management at the Cornell University School of Hotel Administration and a visiting Professor of Analytics and Operations at the Business School at the National University of Singapore. It is supported by extensive data provided by Chope, the largest dining technology platform across Asia, who provided aggregated data across 5,000 restaurant partners and 19 million users. In early March 2020, a survey was conducted on restaurant operators to further delve into related topics. Even as the situation continues to evolve, these recommendations will continue to equip restaurants towards recovery.

Profile of Survey Respondents

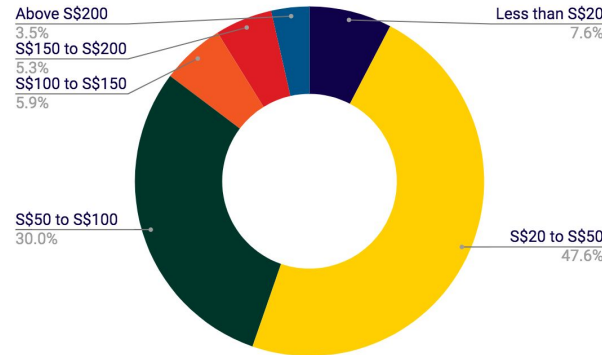
174 respondents representing 249 F&B establishments in Singapore took part. The majority of respondents were in managerial or marketing positions, with nearly half (47%) of them directors, owners, and CEOs. This demonstrates that the impact of Covid-19 is weighing heavily on senior level decision makers' minds. Most respondents came from medium- to large-sized restaurants with almost half reporting an average cheque of S\$20 to S\$100. This suggests that they were from fast casual, casual, and mid-range restaurants. 3.5% of respondents were from fine dining establishments with an average cheque of S\$200 and beyond.



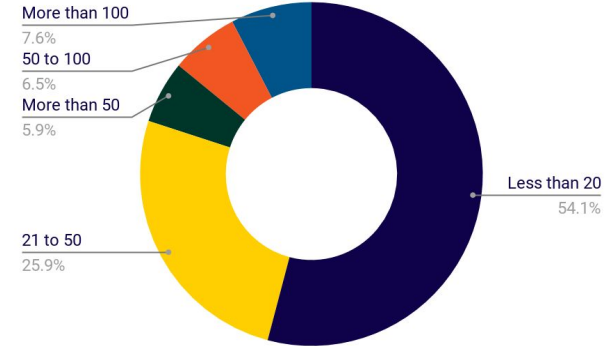
Average seating capacity



Role of respondents within businesses



Average cheque at restaurants



Number of employees

Singapore's F&B Industry — Relationship with Adversity

Singapore announced its first case of Covid-19 on 23 January 2020, a few days before Chinese New Year festivities, a time that is usually marked with shared meals with family and friends, and widespread restaurant closures for holidays.

A few days later, restaurants reopened, and quickly thereafter on 7 February 2020, the Ministry of Health [raised its disease outbreak response level \("DORSCON"\) from Yellow to Orange](#). The combination of personal health concerns and government advisories immediately resulted in a significant shift in lifestyles and attitudes, such as minimizing social contact, avoiding large-scale events and gatherings, and splitting work teams to avoid company-wide quarantines.

As a result, several industry sectors have taken a direct hit. Not surprisingly, industries such as F&B, tourism, aviation, and retail were told to brace for significant drops in revenue.

On 13 February 2020, the President of the Restaurant Association of Singapore (RAS) reported that the livelihoods of some [200,000 people in the F&B industry were at risk](#).

To put this into context within the larger economy, on 9 March 2020, the Singapore stock market suffered its [largest single-day drop](#) since October 2008¹.

However, this is not the first time that Singapore's F&B industry has had to deal with adversity. In the last two decades, similar health-related threats to the economy appeared in the form of SARS in 2003 and swine flu in 2009. While 82% of Chope's survey respondents had not experienced SARS in their professional lives, out of those who did, 50% felt that Covid-19 has had a much bigger impact on the restaurant that they are currently working at.

"The information surrounding SARS trickled out slowly. Meanwhile, the circulation of positive and negative information surrounding Covid-19 spread much faster and had a wider reaching financial impact much quicker."

- survey respondent who is a CEO of a Cafe

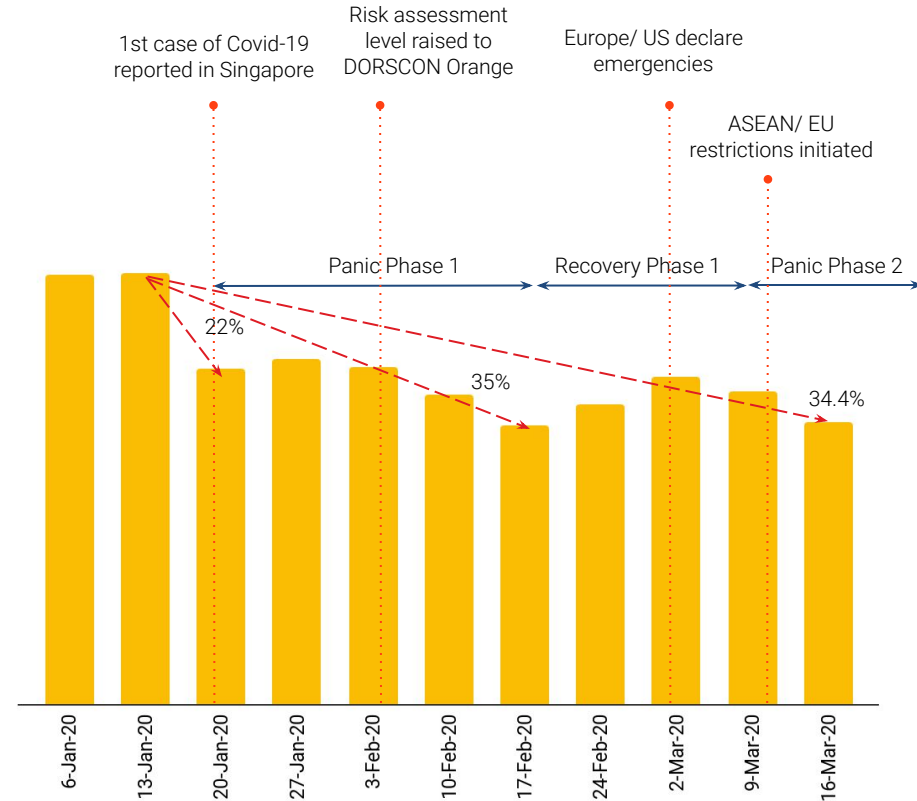
¹ Besides Covid-19, dropping oil prices were an additional factor.

Effects on Dining Behaviour

The bleak sentiment was echoed in the restaurant visitation that Chope tracks. In the immediate aftermath of the first Covid-19 case in Singapore being announced, restaurant bookings dropped 22% week-on-week (WoW) as initial panic erupted. This only got worse when DORSCON Orange was announced, with a further 17% decline WoW (Panic Phase I).

Business picked back up as infected case numbers appeared to stabilise (Recovery Phase I), but tanked again with another spate of bad news regarding the spread globally and resulting travel restrictions (Panic Phase II).

The picture forming is less about a single catastrophic event, but rather a series. Our advice is not to be lured into psychological safety when weekly/short-term numbers improve, but rather to expect the unexpected. There will be numerous short periods of stability or growth, in which agile operators can capitalise by responsibly pushing the revenue initiatives discussed below.



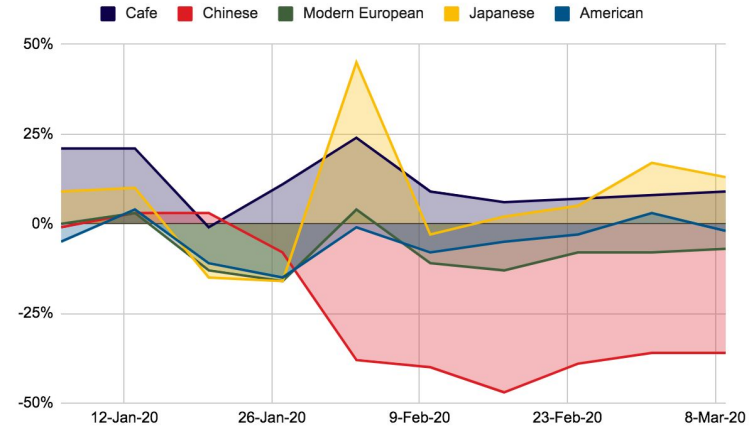
Impact of Covid-19 on Restaurant Reservations in Singapore

While Covid-19 has undeniably affected restaurants across the board, the exact implications vary.

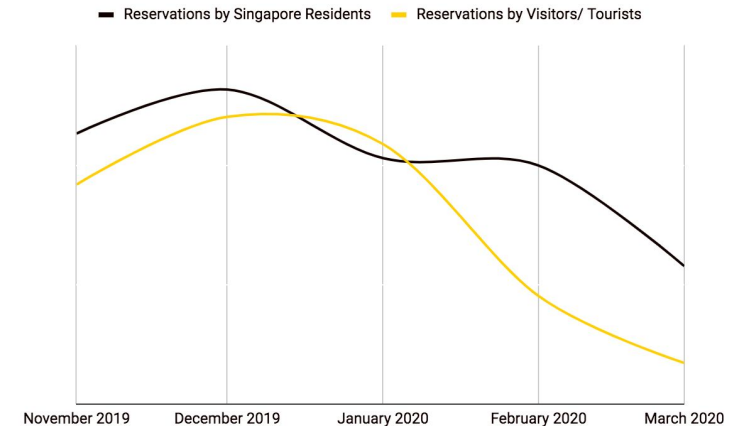
Chinese restaurants have experienced the largest dip in reservations thus far and **have since not yet been able to recover as well as other impacted cuisines** such as Japanese or American. This could be due to the communal nature of these restaurants, the [impact on hot pot restaurants](#) in particular and that Chinese establishments with larger capacities tend to rely on tourist traffic.

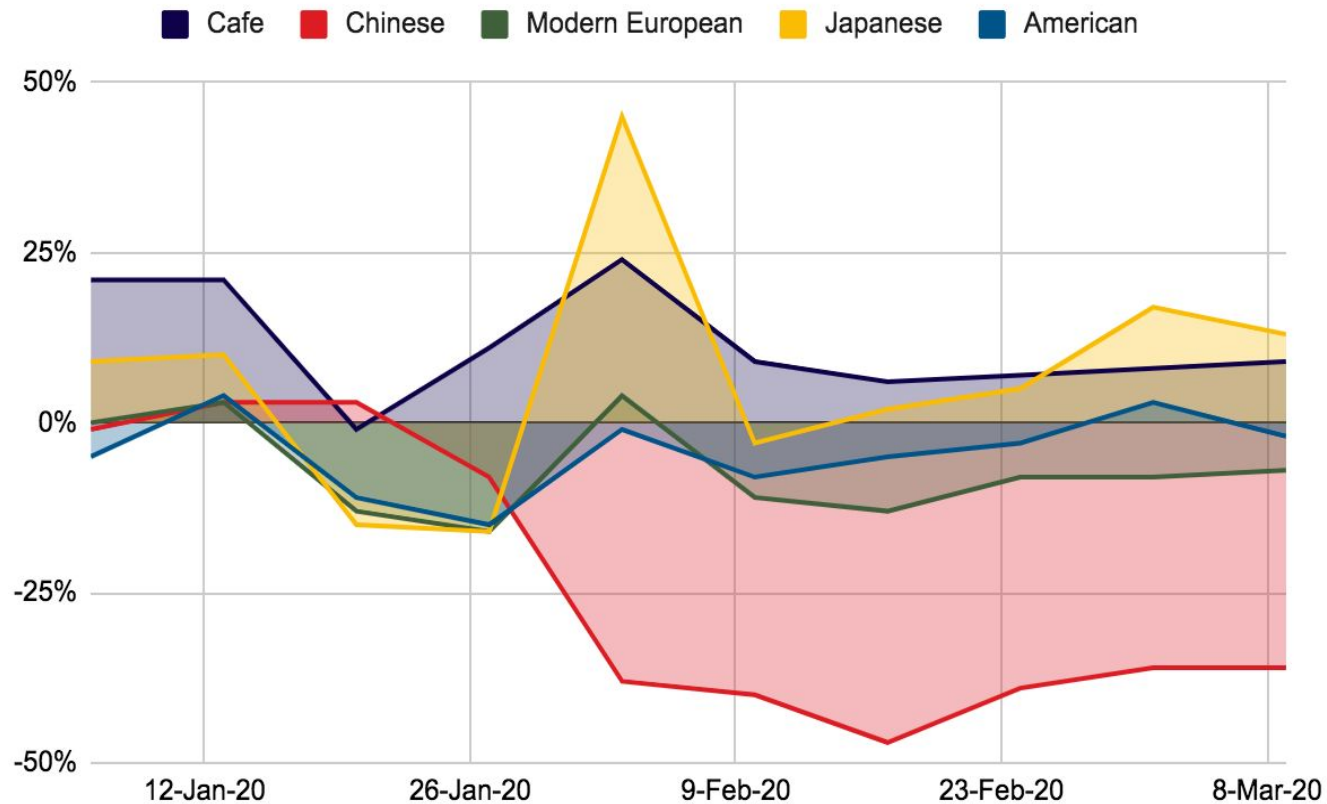
On the flipside, **cafes and alfresco spots saw an increase in reservations**, with diners utilising these spaces as temporary work stations after issued employer mandates to work remotely.

Chope also observed a fall in the number of reservations by visitors and tourists via non-local phone numbers. The disproportionate nature of the decrease in such reservations aligns to the Singapore Tourism Board's [estimates](#) in the dip in tourism numbers.



Change in reservations for specific cuisines compared to the same-period in 2019





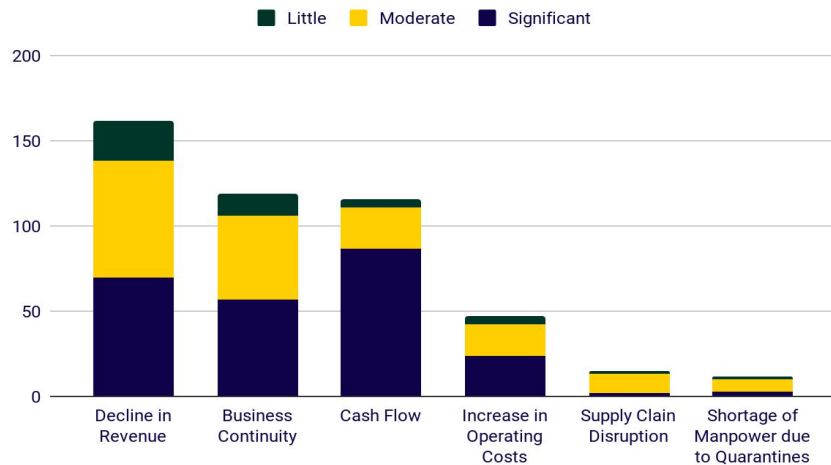
Change in reservations for specific cuisines compared to the same-period in 2019

KEY FINDINGS ON THE IMPACT OF COVID-19 ON SINGAPORE'S F&B INDUSTRY

Despite some bright spots, Covid-19 undeniably resulted in a decline in revenue and cash flow for most restaurant operators. Several weeks post DORSCON Orange, **declining revenue** was unsurprisingly reported by a majority of respondents. About 57% indicated that the decline was low (<30%) to moderate (<50%) in extent, indicating that diners continue to eat out, echoing Chope's data.

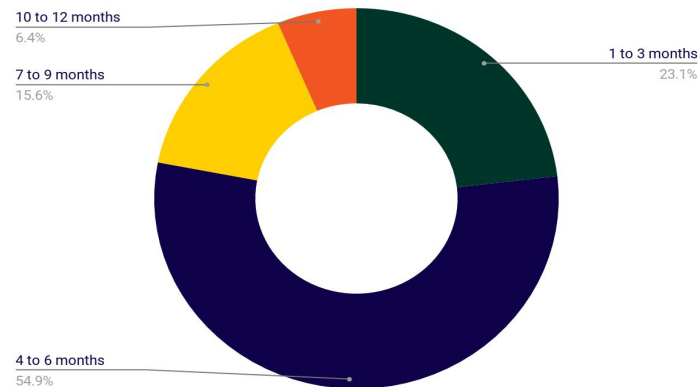
Interestingly, fewer than half the respondents were facing **cash flow issues** — but those who did, deemed it to have the most significant impact. These would include the cash flow burden of covering rent, operating expenses, or servicing debt.

While a **shortage of manpower** was expected due to governmental-imposed mandatory quarantines, it only showed a moderate impact on the way restaurants were still running. Other restaurants also cited **event cancellations** and **low walk-in traffic** as factors that impacted their business.



When asked about **how long they expected the impact of Covid-19 to last**, about half (55%) of respondents expected that they would take **four to six months** to fully recover. A minority expected the recovery period to last **ten months or more**.

Obviously, the accurate recovery period is unpredictable. At the time of publishing, the situation continues to escalate. Hence, these results are less useful as a measure of when the pandemic *will* end, and more an indication of how long restaurateurs are hoping and prepared to endure this crisis. It is telling that a quarter of respondents only expect it to last 1-3 months, which suggests optimism rather than long term downside planning.



ACTION TAKEN BY RESTAURANTS IN RESPONSE TO COVID-19

As a result of the dip in cash flow and revenue, restaurants have taken immediate measures to drive revenue and reduce costs.

Evaluation of Revenue-driving Initiatives

Of the revenue-driving initiatives, the most common were around deals. **Time-based discounts** proved to be the most popular (54% had tried), while **targeted discounts** by demographic or geography (diners who live or work near that restaurant) came in a close second (44% had tried).

However, these were reported by operators to be less effective than **one-for-one specials**, which was offered by just 28% of respondents but had the *highest effectiveness* score of any revenue initiative.

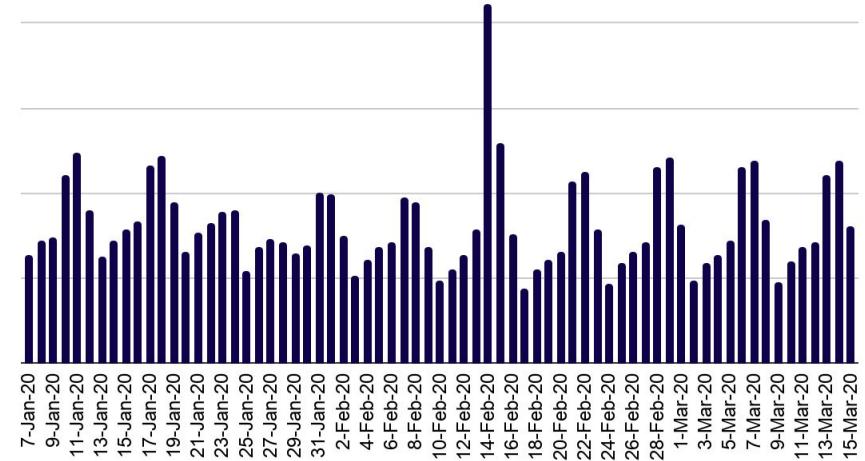


The *second-highest effectiveness* was reported to be **hosting special events**, suggesting that while dining out is rarer now, people will still take the minor risk for a good reason.

For example, although Valentine's Day came a week after Singapore raised the alert level to DORSCON Orange, it did not deter diners from celebrating in restaurants. Reservation numbers for 14 February 2020 exceeded Chope's year on year trend for the period by 31%. Unfortunately, only 16% of respondents had tried this outside of Valentine's, making it an underutilised revenue lever.

The Chope data on Valentine's Day traffic growing despite the DORSCON measures provides further evidence that diners will still come out for special events.

On the other end of the spectrum, a large proportion (41%) of restaurants offered **delivery or self-collect** options (likely to alleviate concerns about social distancing) but reported it had the lowest effectiveness to increase revenue.

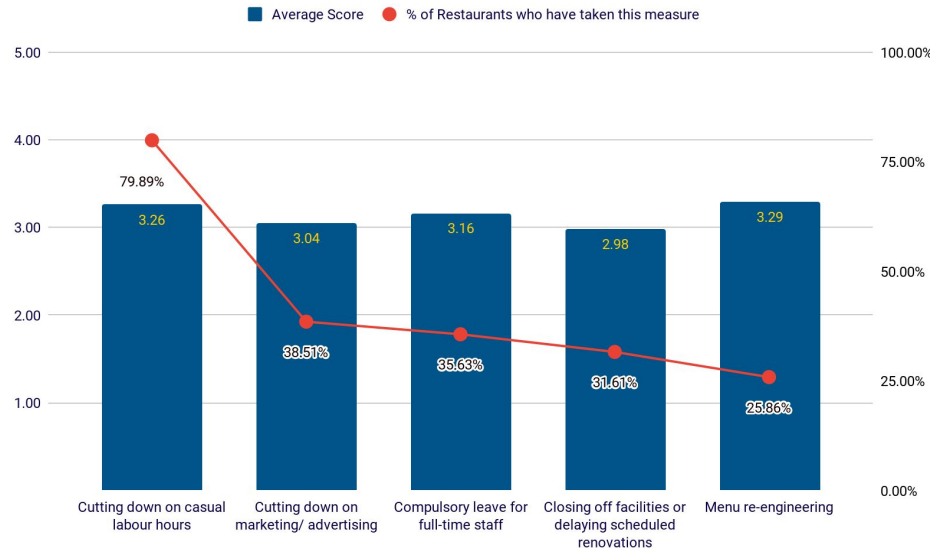


Valentine's Day reservations in Singapore stood out against downward trend for the period

Evaluation of Cost-saving Measures

Sadly as predicted, the livelihood of F&B workers has been compromised with nearly 80% of restaurants **reducing casual labor hours** and about one-third imposing **compulsory leave for full-time staff**. 38% also cut **marketing and advertising** expenditure, which creates a cyclical challenge as restaurants then found it more difficult to get word out about revenue-driving initiatives (deals, events, etc).

Interestingly, about a quarter of restaurants saw **reengineering their menu** to be a highly effective measure. Some of the ways they would have executed this would be temporarily removing items in lower demand during this season (due to advisories against consuming [raw food](#)), or reducing the variety of dishes in order to prevent wastage.



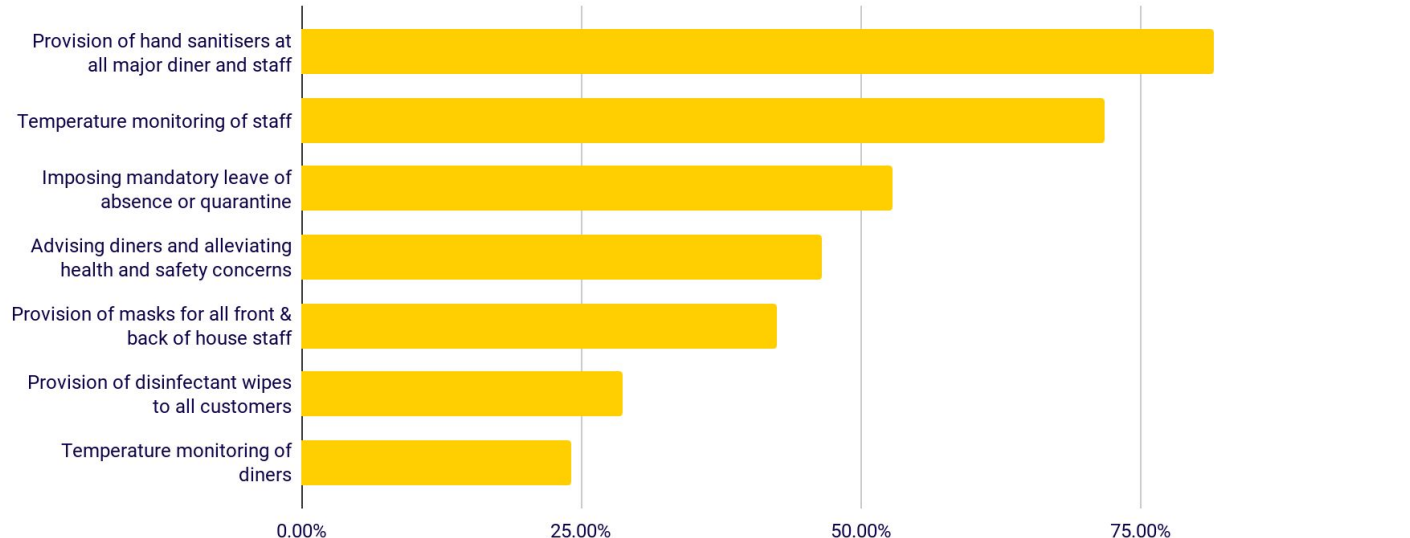
Measures Taken to Assure Diners and Staff

Restaurants overwhelmingly agreed that health and safety concerns of staff and diners came before economics, and had implemented measures to uphold strict hygiene standards.

The provision of **hand sanitisers** at all major diner and staff touchpoints were the most popular, as well as **temperature monitoring of staff**.

However, **temperature taking of diners** was considered least important, with fewer than 25% of respondents doing it.

Right on the halfway mark were **communications with diners** on safety measures, despite having low cost.



REQUESTED SUPPORT AND CALLS FOR MORE

Rental remains a large fixed expense for restaurants who are experiencing a dip in cash flow and revenue during this period of adversity. Majority of respondents are seeking rent rebates and waivers from their landlords. In Singapore, large mall landlords such as Jewel Changi Airport have led the way by offering their restaurant tenants a 50% reduction on gross rent, while CapitaLand will be giving 1,000 tenants rental rebates over two months. One hotly debated policy topic is whether such rent relief should be paid directly to operators rather than the landlords.

REQUESTED SUPPORT AND CALLS FOR MORE

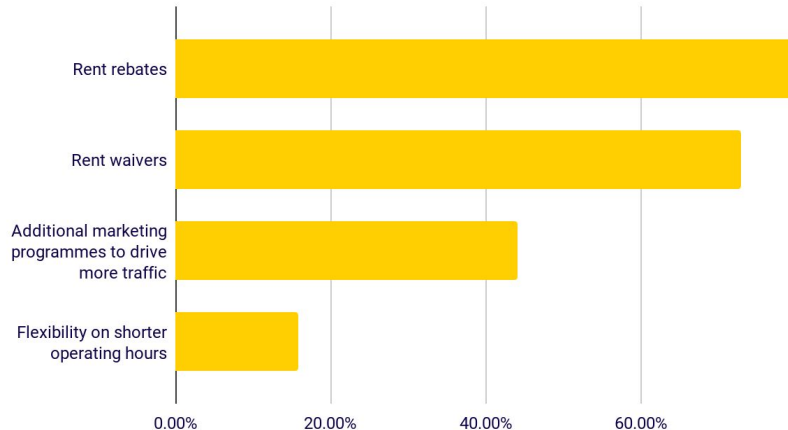
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Requested Support from Landlords and the Government

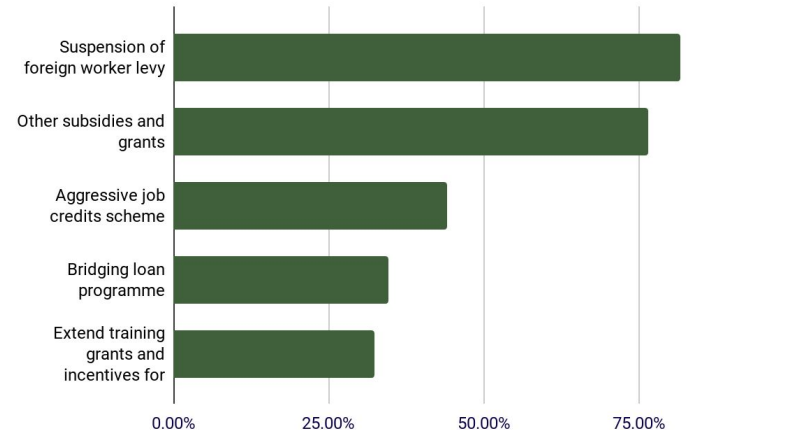
Besides easing financial woes, restaurants also hoped that landlords could provide their tenants with masks, sanitizers, and cleaning agents. They also requested for a return of a portion of the security deposit to tide them over.

In countries where [the F&B industry is heavily reliant on foreign manpower](#), suspension of worker levies may prove to be the most crucial support needed. A majority of respondents also desired assistance in the form of subsidies. Other suggestions include employee salary and medical subsidies, business cash incentives.

Desired support from Landlords



Desired support from Singapore Government



WHAT ELSE CAN RESTAURANTS DO?

How should restaurants respond to the current Covid-19 situation? Business is down, mass gatherings have been canceled, and tourist arrivals have dropped. Prof. Sheryl E. Kimes, an expert on revenue management, shares her recommendations.



1. Don't panic and stay psychologically resilient:

The normal response during times like this is out-and-out panic, particularly if you have not been through this sort of situation. Stay calm and look for solutions.

As discussed below, one of the most important things you can do to help you work through your panic is to have a contingency plan for these sorts of disruptions. This is particularly important, since Covid-19 seems to be forming as less of a catastrophic event, but rather a series of events. If you have a contingency plan, you will be able to better manage these additional 'bumps'.



2. Have a plan:

Be prepared and have a plan (some people even suggest a standard operating procedure manual) on how to respond to a recession.

Keep your thoughts on the long-term and consider the impact that your plan will have on customer satisfaction, employee satisfaction and the long-term image of your restaurant. If you lose sight of the long-term, you may end up compromising customer and employee satisfaction and hurting long-term profitability and viability.



3. Be wary of broad scale discounting:

Time and again, managers who have been through previous downturns talk about how it would take years to recover from the discounting that they engaged in during an economic downturn. If you must discount, do so in an intelligent way and consider creative packaging.

If you offer discounts, ensure that they're targeted and not made available to everyone. Based on the survey findings, restaurants in Singapore have adopted time-based and targeted discounts. For example, 54% of respondents have tried time-based discounts and 44% have used targeted discounts. This can be in the form of discounts for particular groups (seniors, students, industries) or special prices for repeat customers. This is particularly important because it helps you protect your menu prices.

Targeted discounts are favoured so that diners don't get used to your lower prices once the situation recovers. If they do, it will be very difficult to go back to your pre-crisis pricing.



4. Leverage your loyalty program:

If you have a loyalty program, now is the time to leverage it. This can allow you to send special targeted promotions to your members and to reach out to them about special events. Also, if there are rewards associated with your loyalty program, perhaps consider reducing the number of points that members need to redeem those rewards for a limited time.



5. Don't cut your marketing budget:

Often the first cost to be cut, a restaurant's marketing budget is actually an essential investment for maintaining current diners. It's important to maintain your current base to help you bounce back into action — as it is important to develop attractive packages to woo potential diners. As discussed earlier, the nature of this event is such that there may be numerous short periods of stability and growth.

Looking at Chope's Valentine's Day reservations data, it seems that people will still head out for special occasions. What dining specials or experiences can you create? Now is the time to be innovative with your approaches.



6. Develop ways of alleviating diner and staff concerns:

Not surprisingly, customers and staff are worried about their well-being and also about the uncertainty associated with the current situation. What can you do to help address those concerns?

Put yourself in your customers' shoes. They're worried about the health of their family and friends — so take every precaution that you reasonably can to reassure them that they will be safe at your restaurant. This can be in the form of an [advisory email sent to diners](#), or social media posts that ensure diners that their safety and well-being is your utmost concern, list all the measures your restaurant is taking in terms of hygiene, social distancing, and refusal of entry for patrons who are unwell or under quarantine.

[A more detailed list of best practices restaurants should adopt can be found here.](#) While these measures might have seemed unthinkable before, the longer diners are exposed to the impact of the pandemic throughout the world, they become more empathetic and even thankful for such measures.



7. Engage in win-win marketing partnerships:

Think of other ways that you might be able to reach your current and potential customers by reaching out to partners whose customer base you can also leverage. For example, consider staycation packages with hotels, or special packages with social organisations and schools.



8. Seek information from reliable sources:

It's important for restaurant operators to remember that they're not alone in times of adversity.

For a start, restaurants should look to the relevant government body in charge of the epidemic to keep themselves abreast of the situation and advice for restaurant operators. In Singapore for instance, the [Ministry of Health regularly publishes advisories that plot out recommended measures and protocols](#). They also provide print-outs that can be distributed and put up throughout restaurant premises. F&B industry groups and associations are also instrumental in providing a collective voice, having urged major landlords for support to tide its members through Covid-19.

For multi-concept groups with a presence in other markets, ensure that you keep abreast of the respective country's health and safety guidelines to fine-tune your solutions – remember, one size doesn't fit all, and what works in one market might not necessarily work in another.



9. Be alert and continue to be agile with plans

Given the fluidity of the evolving situation, continue to look out for factors that possibly make your previous cause of action irrelevant.

Remember to stay sensitive to changes and amend your plans and messaging accordingly while anticipating and planning ahead for upcoming phases as much as possible.

CONCLUSION



More restaurants have turned to **takeaway and delivery** but have found it **less effective** compared to restaurants who have tried **targeted discounts, 1-for-1 offers and even special events**



Broad discounts and extreme cost-cutting measures may hurt your **brand in the long run**



Keep your team **psychologically resilient and alert** to the changing landscape. **Practice agility** in your planning and messaging.

It's important for restaurants to set up business continuity plans that can be adapted to any form of adversity, whether internal or external. From the survey findings, it's apparent that cost-cutting measures were generally seen as more effective than those which drive revenue. Casual labor, unfortunately, was the first to go, which is why a plan is needed to ensure that restaurants take responsibility to minimize the loss of livelihood to its staff as much as possible. Revenue-driving measures such as 1-for-1 specials were perceived as the most effective, seeing as it also encourages more covers.

We encourage restaurant businesses to keep these in mind as you plan and execute your strategy for getting through this:

1. **Don't panic and stay psychologically resilient**
2. **Have a plan**
3. **Be wary of broad scale discounting**
4. **Leverage your loyalty program**
5. **Don't cut your marketing budget**
6. **Develop ways of alleviating diner and staff concerns**
7. **Engage in win-win marketing partnerships**
8. **Seek information from reliable sources**
9. **Be alert and continue to be agile with plans**

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"Sales has dropped tremendously. Nobody dines out anymore at this time."

- Director, Restaurant

"There's nothing much we can do as all customers avoid crowded areas."

- Director, Japanese BBQ Restaurant

"Can't yet conclude whether the impact of SARS or Covid-19 is worse. One thing's for sure — retail is higher, and is a larger portion of our fixed cost today compared to 17 years ago."

- Assistant Manager, Restaurant Group

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ABOUT THE AUTHORS

Sheryl E. Kimes

Sheryl E. Kimes is an Emeritus Professor of Operations Management at the Cornell University School of Hotel Administration and a Visiting Professor of Analytics and Operations at the Business School at the National University of Singapore. She has been working in Revenue Management since 1988 and has had the privilege of helping to educate some of the top leaders in Revenue Management.

Kimes's research interests revolve around revenue management in the restaurant, hotel, and golf industries. She has over 100 articles in leading journals, such as Interfaces, Journal of Operations Management, Journal of Service Research, Decision Sciences, and the Cornell Hospitality Quarterly.

She was awarded the CHR Award for Industry Relevance in 2010, 2012 and 2014 and was given a lifetime achievement award by the Production and Operations Management Society in 2010.

Kimes has served as a consultant to many hospitality enterprises around the world, including Chevy's Fresh Mex Restaurants, Walt Disney World Resorts, Fairmont Hotels and Resorts, Starwood Asia-Pacific, and Troon Golf. She was given the Vanguard Award for Lifetime Achievement in Revenue Management by the Hotel Sales and Marketing Association International in 2017.

Kimes earned her doctorate in operations management in 1987 from the University of Texas at Austin.

The Chope Group

Chope is Asia's premier dining platform on a mission to connect restaurants and diners through discovery, reservations, and deals. Having seated close to 24 million diners in 2019 alone, Chope understands what gets people excited about dining out, and how best to maximise business for our 5,000 restaurant partners.

Chope's demand generating diner platform is seamlessly incorporated with a suite of integrated solutions that encompass reservation, call, queue, and table management. This technology frees restaurants up to focus on what they do best: Providing their customers with the best food and service.

Founded in 2011 and currently in seven cities (Singapore, Hong Kong, Bangkok, Phuket, Shanghai, Bali, and Jakarta), Chope's usage has doubled every year for the last four years. Powering this growth is Chope's close relationships with top restaurant partners, which include The Lo & Behold Group, JUMBO Group, Soho Hospitality, Lost Heaven, Dining Concepts, Hospitality Management Asia and The Union Group. Chope's ecosystem is further enriched by key partnerships with the likes of Google, TripAdvisor, Meituan Dianping, DBS and CapitaLand.

Arrif Ziaudeen, CEO, The Chope Group

Arrif Ziaudeen was born and raised in Singapore, and completed his MBA studies at Stanford GSB. Several years later, the charismatic entrepreneur gave up a budding career in private equity and management consulting to solve the diner problem of inefficient reservation processes.

Back in 2011, while flights, hotels, and even movies could already be booked online, guests still had to call restaurants to save seats. As a diner himself, Arrif knew firsthand the frustrations of calling for reservations - having to wait till restaurants opened to reserve, unanswered calls, imperfect information, the list goes on.

Seeing the need for a more efficient reservation method and the large potential for technology in a restaurant industry still using traditional pen and paper, he began tackling the issue a little bit at a time, launching with just nine restaurants on the first version of the reservations platform.

Sarah Yap, Product Marketing Manager, The Chope Group

As Chope's Product Marketing Manager, Sarah is excited to share about the opportunities that technology unlocks to restaurants in Asia. Her experiences as a restaurant marketer help shape the products that we build as we aspire towards innovative and best-in-class solutions for the industry.

Adibah Isa, Brand Content Manager, The Chope Group

Chope's Brand Content Manager weaves creativity into communications across Chope's five markets in Singapore, Hong Kong, Indonesia, Thailand, and China. Ensuring each story is told with heart and a burst of flavour, the former journalist cut her teeth profiling restaurateurs across the globe, and reporting on food trends in Asia.