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# Are customers in or out? The status of dining in Massachusetts

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## **Are Customers In or Out? The Status of Dining in Massachusetts** *By Drs. Brendan Cronin, John Palabiyik, and Suzanne Markham Bagnera*



*Photo Source: Mark Mirko / Hartford Courant*

### **Introduction**

Effective November 30, 2020, the opportunity in Boston for outdoor dining on public space has concluded for the year (Kushner, 2020). Restaurants that have their own land, are able to continue outdoor dining. The city of Somerville has extended outdoor dining year-round through 2021 (*End of Outdoor Dining Means Uncertainty for Many Boston Restaurants*, 2020). This seasonal weather change presents yet again another challenge for restaurateurs as analysis must be completed to determine if a restaurant is able to survive on dining inside along with the external modality of curb-side, pick-up, or delivery or if it's time to hibernate for several months. As of August 2020, this research team determined that 126 restaurants had permanently shuttered their doors (Palabiyik et al., 2020). As operators try to determine their best strategy from a financial standpoint, it is helpful to better understand the expectations and concerns that consumers have about various dining options.

### **Research Study**

A recent study was conducted of residents in Massachusetts during the autumn months of 2020. The online survey had over 500 respondents. In an effort to share data in a timely manner, a selection of preliminary results is being shared to support the industry.

### **Dining Habits**

The monthly frequency of consumers dining habits in Massachusetts can be seen in Table 1. According the data collected indoor dining experienced the most significant reduction in food and beverage industry in Massachusetts. Only two percent of sampled diners indicated that

they were never using indoor dining before COVID-19. Currently, 59% of samplers are not dining indoor at all.

Table 1. Frequency of Monthly Dining in Massachusetts Pre-COVID-19 vs. Now

Frequency	PRE-COVID-19					Quarter 4 2020				
	Indoor	Outdoor	Delivery	Pick-up	Curbside	Indoor	Outdoor	Delivery	Pick-up	Curbside
Never	6	112	137	51	214	201	120	132	52	133
1-3	164	190	140	193	87	106	180	118	164	133
4-6	130	26	47	86	24	21	35	53	91	55
7-12	57	7	14	20	8	11	10	20	32	12
13+	9	1	5	7	5	1	2	7	9	7
<b>TOTAL</b>	<b>366</b>	<b>336</b>	<b>343</b>	<b>357</b>	<b>338</b>	<b>340</b>	<b>347</b>	<b>330</b>	<b>348</b>	<b>340</b>

While it has been assumed that outdoor dining is a popular choice with an increase during COVID-19, the data indicate, there is only a slight increase in frequent outdoor diners. Also, people who said they never dine outdoor before COVID-19 has slightly increased. However, people who dine outdoors one to three times a month has declined by five percent.

The options of restaurant food consumption, taking place away from the restaurant establishment, include delivery, pick-up, and curbside. Interestingly, delivery and pick-up segments has not changed much before or during COVID-19. Saying that curbside or drive through segment has a significant, approximately 50%, increase compared to before and during COVID-19.

**Comfort Level of Diners**

As restaurant owners seek to make decisions about their business operations in the coming months, it is helpful to understand the comfort level of customers when deciding how to develop an operational strategy. Table 2 indicates the comfort level with the various food consumption methods.

Table 2. Massachusetts Diner Comfort Level

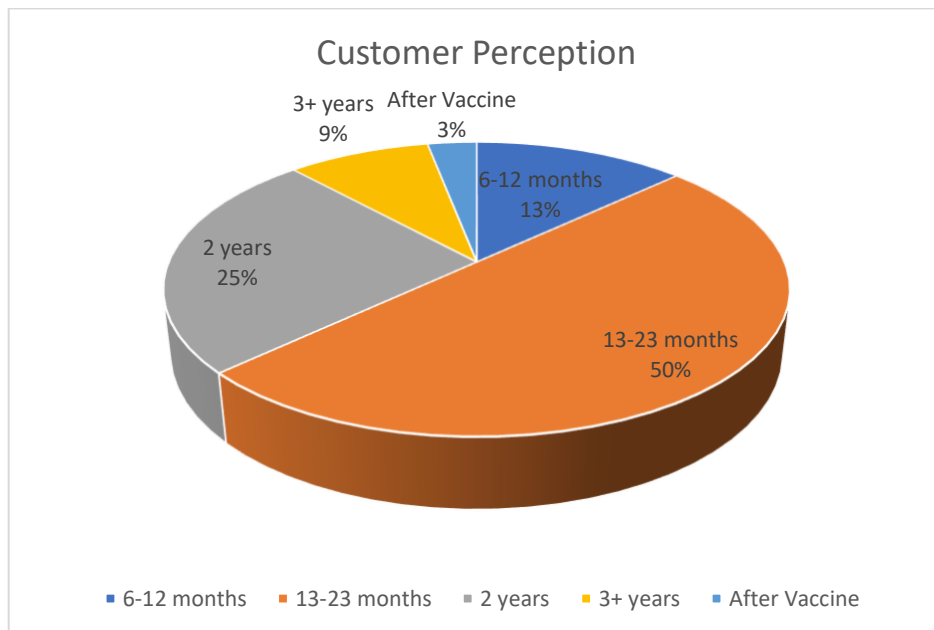
	Very Uncomfortable	Uncomfortable	Neither/Nor Uncomfortable	Comfortable	Very Comfortable	TOTAL
<b>Indoor</b>	169	81	48	42	20	<b>360</b>
<b>Outdoor</b>	41	80	57	126	54	<b>358</b>
<b>Delivery</b>	21	21	66	127	112	<b>347</b>
<b>Pick-up</b>	18	34	49	148	106	<b>355</b>
<b>Curbside</b>	16	19	55	137	123	<b>350</b>

According the data, diners are found to be 99% uncomfortable with indoor dining. Curbside is a leader for providing a 70% comfortable rating for food consumption options. Basically, people are comfortable with any form of dining except indoor.

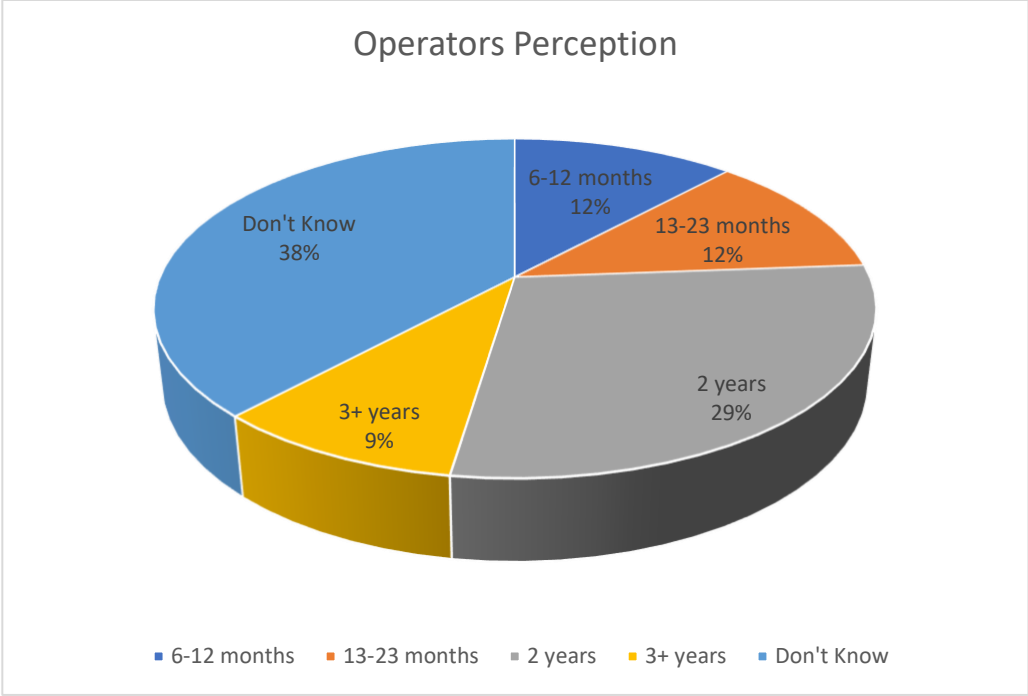


### Perception with a 360° View

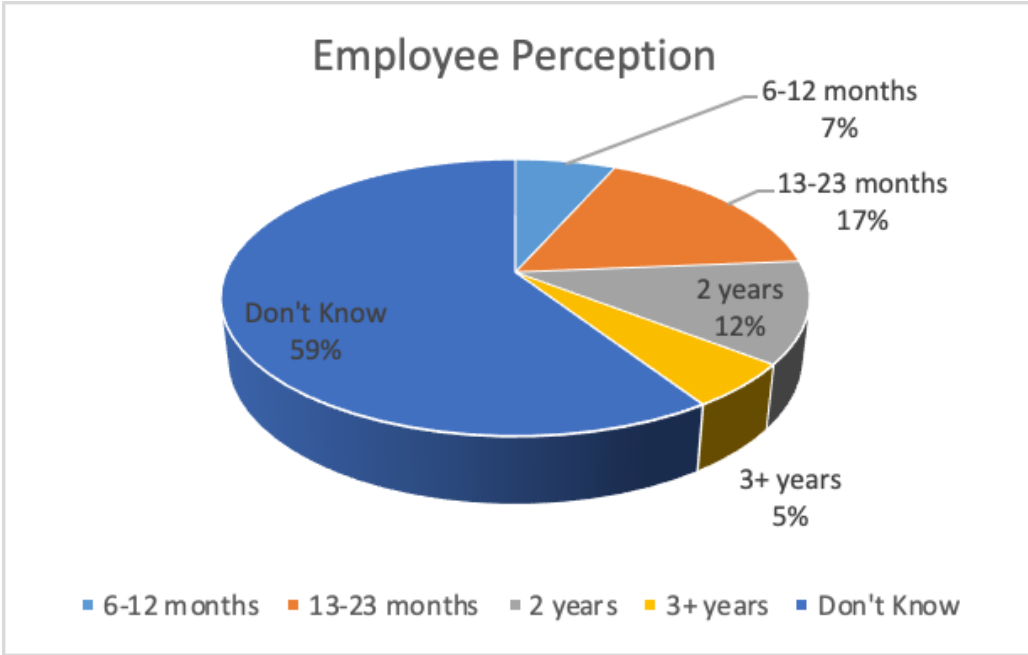
According to the data, customers are much more optimistic compared to employees and operators. 50% of the customers think that the market will come to a comfort level in one to two years. Only nine percent of the customers think it will take three or more years to return to a more comfortable level. As this study collected data prior to the recent announcement of the closer results or efficacy rates of vaccines, only three percent of customers plan to wait to resume dining until a vaccine is available.



The restaurant operators, including both owners and managers, equate to 29%, who think it will take two years to return to a previous comfort level. Approximately nine percent believe it will take three or more years. While a resounding 38% of the operators said they do not know how long it will take the market to rebound and are uncertain if the market will return to pre-COVID-19 levels.



Restaurant employees have the most pessimistic attitude, as 59% of the employees said they do not know how long it will take the industry to rebound - or if the industry will come back to pre COVID-19 levels again. A smaller group, only seven percent believe it will take less than a year, while 17% believe it will take between one to two years.



The results indicate that the restaurant industry may have difficulties finding qualified employees in post-COVID-19 era. With the significant loss of employment during the pandemic and the continued concerns of operational status as we enter into the winter months, with

additional anticipated closures, employees are having to transition to new forms of employment. The industry had the same issue, of losing qualified employees, after three previous crises (e.g.9/11, SARS, and the 2008-2009 financial recession).

### **Future of the Industry**

In a nationwide Inquirer survey, nearly 80% of respondents were not comfortable with indoor dining, while more than 90% were comfortable with outdoor dining dating back to May (Ladd, 2020), which is in line with this study exclusive to residents of Massachusetts. As New England enters the winter months, outdoor dining is no longer an option for most restaurants. Owners who generated some revenue during the pandemic by converting parking lots into dining areas during the summer and fall now find themselves with only take-out and home delivery options that, in most cases, do not generate enough revenue to cover all operating expenses. According to Mike Whatley, a vice president at the National Restaurant Association, take-out has been a lifeline for restaurant owners (Bergal, 2020). The Union Square Hospitality Group, founded by Danny Meyer, has discontinued all on-site dining at its restaurants in order to focus on takeout, delivery, nationwide shipping, and virtual events (Dellatto, 2020; Jones, 2020; Warerkar, 2020). What options are available to owners to survive through the winter months?

#### **Expand Take-out Options**

One option is to aggressively market the take-out segment. Two areas of intense interest over the past few weeks are curbside pickup and delivery (Brady, 2020). Brady (2020) recommends upselling on take-out orders such as adding a beverage, or a dessert, to increase the ROI on this previously less attractive aspect of restaurant operations. Restaurant owners can use apps and social media to streamline the ordering process. This technological streamlined approach will also reduce the labor intensity of the operation at this time. Once the process is easy, customers will be more inclined to add a side of their favorite food, a favorite cocktail; consider offering discounts for large orders. Owners can get creative with packaging and tie it into their sustainability and recycling efforts. It is surprising how increasing the sales by a few dollars for each order can quickly add up to increase the overall daily revenue. Adding lighting, flags, and music to the outside décor – particularly for the holidays – makes a restaurant stand out and shows drive-by customers that you are open for business, even if no customers are sitting inside.

#### **Hibernation**

A second option is to hibernate the restaurant. Hibernation has emerged as a restaurant business term that refers to restaurants making plans to shut down temporarily ahead of the winter decline until warmer weather returns (Backman, 2020). Without the outdoor dining option and reduced comfort level for indoor dining, this strategy might be a wise decision to preserve working capital. Several Boston restaurants are already looking at shutting down temporarily. Backman (2020) noted while commercial landlords may be hesitant to forgo rent, it could be in their best interest to work with restaurant tenants seeking to hibernate for

months. These restaurants closing down completely could result in costly vacancies, so landlords may be better off agreeing to pause or reduce rent for several months than risk having their tenants go out of business completely (Backman, 2020).

### **Permanent Closure**

A third option is to close the operation permanently. Without stimulus funds, it is possible that 70% of the bars and restaurants in New York City would close permanently (Pascus, 2020). The National Restaurant Association, in September anticipated that at the conclusion of 2020, over 100,000 restaurants would experience a permanent closure (National Restaurant Association, 2020). As Boston grapples with a public health emergency coupled with myriad restrictions, local restaurants and bars of all types have tried to combat the challenges of 2020 and sadly some of the city's most notable eating and drinking establishments have permanently closed (Grossman, 2020). Nearly one-fifth of Bay State restaurants have permanently closed due to the coronavirus pandemic, according to the Massachusetts Restaurant Association, and others wonder whether they will survive the fall and winter (Szanişzlo, 2020). Out of approximately 16,000 restaurants statewide, 3,400 have closed their doors for good, said Bob Luz, the association's president, and CEO. The remaining restaurants now offer customers curbside delivery, indoor dining, or dining alfresco (Szanişzlo, 2020).

Last but not least, restauranteurs must find creative methods to stay in business. They may need to combine a few restaurants into one concept, or try using ghost kitchens, or convert restaurants into a different business model. We can expect interesting dining concepts to surface after the COVID-19 evolution.

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## Bio



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