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# Croatia



**The consequence of the COVID-19 on the restaurant businesses and adaptations to transition from dine-in to takeaway.**

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**Abstract**

The adaptations restaurants had to take during the covid-19 pandemic in order to remain in business as a crisis management response. The pandemic has affected the world in many ways enforcing movement restrictions and social distancing. The restaurants businesses had suffered immensely due to different governments setting the stay-at-home rules which made them think of new adaptations to transition from dine-in to takeaway. Results have suggested that the restaurant businesses should act in practicing crisis management to have less damage and faster recovery in the case of future crises.

**Key words:** Crisis management, Covid-19, Pandemic, Lockdown, Takeaway, Delivery, Dine-in, Transition, Adaptations, Restaurant response.

## **Covid-19 effect on the restaurants**

The outbreak of the COVID-19 pandemic has shaken the entire world into something that was greatly unpredictable. As the entire economy has experienced a significant decrease with numerous businesses being forced to close and even more people losing their jobs, many scholars have drawn scenarios predicting the end of the pandemic, however, the exact prediction of when the world will go back to the times before the covid is hard to forecast. The pandemic has influenced and affected the world in different ways and paces, meaning that each country had different methods and solutions to deal with COVID-19, thus different measures have also been enforced (Madeira et al., 2020). This explains the situation while in February 2021 the UK was in complete national lockdown another country such as Bosnia and Hercegovina during the same time period allowed its citizens somewhat freedom of movement, as they could enjoy visiting restaurants and bars.

The entire world was greatly impacted by the pandemic however, the hospitality and tourism sector are the one which was affected the most. With numerous hotels and restaurants being forced to close the crisis created a great pause in the entire tourism industry and changed the future of many restaurant businesses which also has an effect on many people whose families depend on the industry for living and surviving (Niederberger, 2020).

To specifically talk about the restaurant business, some have managed to reopen their business by introducing the delivery/takeaway systems. The statement refers to specifically dine-in restaurants, as most of the fast-food operations already possess the delivery/takeaway systems. In order to be successful and continue business operations, above simply transitioning from dine-in to takeaways, there are many models and adaptations which restaurants had to undertake which will be explained later in the research. For the restaurants, whose business model is based on fine dining, and the delivery was never practiced, the challenge was even greater as they had to introduce many new systems and test whether they will be successful or not (Norris, 2021).

As there are many safety measures that people must be conscious of during these times of distress many managers and business owners have to put the welfare of employees and customers as a top priority. For those restaurants that had to close eventually, this statement was most often cited as

reasoning. On the other hand, restaurants that have transitioned to delivery/takeaway systems have said they have a desire to support their suppliers and employees (Krupnick, 2020).

The importance in this case of the pandemic is to understand that such is a crisis that has impacted many different sectors of the business. A crisis can take many different shapes and forms which is the reason why businesses must implement crisis management into their corporate operations. The purpose of crisis management is to create detailed flexible plans that can be understood and rehearsed by all who are involved in the operation (Parsons, 1996). By practicing crisis management within an organization, a business is effectively being prepared for the potential threat which may occur at any given time and thus have a faster recovery with the least possible damage.

In July 2016, a crisis had occurred to Southwest Airlines as they had experienced a major technological problem; they had a power outage which had a duration of 15 hours and led to 250 000 delayed travellers and 2000 cancelled flights. The company is known for its creativity and innovation and they won coveted Triple Crown for the Best on Time Record, Best Baggage Handling, and Fewest Customer Complaints. The key behind the success was the company's response to the crisis. They have identified the key problems of the impact and solved it by efficiently communicating with all stakeholders which resulted in minimizing the impact of the crisis. The company took a strategic approach by responding to all customers on social media and informing over different channels about the progress they are doing by being transparent, honest, and genuine (Boamah, 2019).

Crises can cause major layoffs in the restaurant business which is the reason why it is crucial to take them seriously by taking necessary precautions in order to generate less possible damage. Many small and medium sizes businesses have a greater risk of failing which is most evident during their first four years of doing business as during that period they are still in a phase of developing and customising to the market. There are different types of crisis that can affect a restaurant ranging from internal and external factors. For an internal crisis, the solution can be found by taking corrective measures, however, in the case of external crisis, such as health, political, and economic issues, it is impossible for managers to control the business environment

which is why they often depend on the help from the government (Parsa & Gregory 2020). In the modern case of the COVID-19 pandemic, in many countries, the government has offered furlough to help and sustain the employees. However, from the restaurant point of view, that is not enough to sustain the business which is why managers must find different solutions in order to continue the operation. If a business is facing the need for closing its doors for an undefined time period due to a certain event, scholars estimate that 40% of such firms will never re-open if closed for two years (Baker, 2009).

Due to the many different government's all over the world orders for social distancing and movement restrictions, it is calculated that the restaurant industry was one of the worst affected industries by the COVID-19 pandemic as they had to enforce different government rules of movement restrictions which led to closing of many enterprises (Gössling et al., 2020). Which is the exact reason why many businesses had to transition from dine-in to delivery/takeaway model. There are many different risks involved in the transition, as the service of the business changes significantly and many people are accustomed to ordering takeaway from their preferred fast food. In order to successfully continue the business managers and chefs have to be innovative and find creative ideas in order to attract customers and repeat business. As there are no set rules of actions and not any form of certainty, scholars argue that there must be different way for restaurants to generate revenue and profit which can be generated through creativity and flexibility (Norris, 2021).

The reason why crisis management is important to study is because it increases the preparedness for the future potential crises which leads to better organizations and response withing many businesses. By recording different data from an occurred crisis it helps in forecasting and helps in understanding different perspectives from the crisis which decrease the damage from the future outbreaks. (Norris, 2021.)

### **Restaurant key adaptations**

The COVID-19 pandemic has forced restaurants to take action in transitioning from dine-in to delivery/takeaway systems. Due to the crisis, this transition needs flexible and innovative adaptations in order for the business to be successful. As there is no "one size fits all" model that could be applied to every business, there are some suggestions that could guide the restaurants to

adapt to the new niche. The key issue is to create a customer experience which in these times is challenging due to social distancing and creating emphasis on sanitation. The modern world is based on the “experience economy” which means that the customer value more and more experiences rather than the products provided. The customers are seeking have elevated experiences in any form of the business products purchasing which will lead them to be intrigued and inspired (Pine, Gilmore 1998). In dine-in, creating “experience” is all about the presentation and communication with the customers which can be transmitted over pouring the wine, or perform a short presentation of the dish which all include close proximity in relation to the customer. As the businesses are forced to remove that relationship, they are now facing the challenges of transforming those experiences to takeaway systems (Abidin et al., 2020).

Providing experience and value during the lockdowns is based on taking a step-in thinking outside-of-the-box and implement creative thinking. Creativity can ensure the development of a new design which at its core has business performance and customer satisfaction at heart. Creativity has an impact on the performance of the business which is eventually reflected on success (Anderson et al., 2014).

When re-opening with a takeaway, one of the first concepts that the restaurants have to think about is the menu. The menu and the products that the restaurant sells to their customer is the main flow of the income. As mentioned above, creativity is crucial. The statement has to be applied to creating a new menu that will be of interest to the customers. Chefs are designers as it is their responsibility to create and design the whole depiction of the dish (Kudrowitz, et al., 2014). They are the key personnel who must find a balance in the new environment as they have to think about what the customer needs in times of crisis are. For example, having too much beef on the menu can result in having fewer customers as introducing the beef on the takeaway menu has a significant decline in demand which explains why chefs have to evaluate the items which will be more popular. This explains the strategy which indicates that the restaurants must create items which are popular on the market yet profitable. Further, they must remove items which have a short shelf life.

Thinking about the needs of the customers, research has demonstrated that many have lost motivation to cook and prepare meals which led to restaurants creating family meals (Maynard, 2020). This would include a set menu where customers do not have to think about ordering for

each and a specific member of their group, rather they trust the restaurant to deal with such matter. Stein's at Home restaurant provides a variety of dining at home meals which include quality meals for two. Above that, on their official website, they offer a variety of different meals ranging from breakfast, lobster, curry, and other menus with an option to pre-order.

The pre-order model has been demonstrated as effective during times of uncertainty as they provide structure to the whole business model which can be done in anytime space, weather it is 2 days in advance or few hours. It helps the business to stay more organized and to know in advance the specific needs of the restaurant and the customers. Customers have started to pre-order more often as by doing so they are avoiding long waits and have an ease knowing the exact time their food will be arriving, while for a restaurant this behaviour indicates a greater opportunity to managing the stock and inventory (Lai et al., 2020.) Different apps, such as Uber Eats, encourage customers to pre-order at least 1 hour in advance which gives the kitchen time to organise all the ingredients and prepare for other orders as well.

From the kitchen perspective, as the chefs have swapped the plates with different containers, they are facing container management as food items have to be separated. Further, the research has demonstrated that some food simply doesn't travel together which means that the cost increases for extra container spent. (Pershan, et al., 2020). For instance, doing steak and fries in the same container is inefficient as fries tend to become "soggy" and they lose the quality. Waxman (2020) explains that fries as a side to burgers do not travel well together meaning that the restaurant must ensure them separated in two different containers to meet customer expectations. Further, the delivery has to be efficient and has to be done in the quickest time possible, as the food has to be hot when arriving at the customers' doors.

Upon closing the restaurant doors for dining-in, some restaurants managed their venue, empty spaces, and tables to create spaces to stack-up with food containers and other to-go items (Maynard, 2020). This was done to increase performance, productivity, and efficiency. With the crisis at its peak, and with movement restriction laws it is important for employees to practice social distancing as well. The kitchen is often a limited space which results with social distancing to be unavoidable. From that point, some restaurants have managed to use empty spaces for the prep work (Sprayregen, 2020).

To obey and respect the government rules, restaurants had to adjust their operational setting, meaning the employees had to meet new schedules to perform their roles (Norris, 2021). New operational hours had to be met to avoid any possible crowdedness which effectively results in social distancing and limiting human contact (Sprayregen, 2020). This action is not only in regard of government rules, but it a practice of safeness towards the customers as it lowers the risk of possible infections. Moreover, many restaurants had to find a new role for employees who are not able to serve the customers in traditional dine-in. For that reason, many opened new opportunities for employees to take care of the ‘reception’ by answering phones, checking the website orders, and handling pickup orders (Maynard, 2020). Others shifted employee roles to take action as delivery drivers which allows them to stay connected with the customers (Thorn, 2020).

New technologies are the key to reaching out to the community and the customers. In order to be more visible on the local market, restaurants have created partnerships with different platforms such as delivery apps including Uber Eats, Just Eat and others. However, according to the AlixPartners survey which was done to evaluate customer’s preferred methods of ordering food during the pandemic resulted in finding out that 43% of consumers will place an order for drive-thru, which is the most used method. The next calculation indicates that 33% of customers will order a delivery which leads the result showing that partner delivery companies are the least favourable for the customers. In this survey the customers have explained that they would rather order directly from the restaurant, rather than relying on different partner apps (Luna, 2020). In addition, according to Wingstop Inc. demonstrated that the sales have increased by 30% in April due to the free delivery (Ruggless, 2020) which indicates the effectiveness of market visibility.

Above all key adaptation methods, the most important aspect which contributes to restaurants surviving the pandemic is communication. The importance is to emphasize on informing both employees and the customers on the new set of rules and changes. This is best performed by doing social media management and posting regularly about different activities that a restaurant may imply such as providing different promotions, new menu updates, and others (Norris, 2021).

## **The future outcomes**



Outside of the COVID-19 pandemic, the business environment is everchanging and restaurants have to think about different tactics and strong decisions to adapt towards the market and trends which are often influenced by new technologies (Aguiler, 2017). As explained before, the pandemic has shaken up the entire world and above.

Thinking how to adapt to it in the present moment, it is also crucial to think what consequences it will have on the future outcome. Many business owners hope that after the lockdown the restaurants will immediately go back to the normal times and expect to experience already familiar pre-covid times. However, there are some studies that emphasize that the customers will be reluctant to immediately go back to dine-in which will result in prolonged takeaway services for the duration of the next 12 to 18 months (Ismail, 2020). Any type of forecasting is somewhat difficult to do, especially in an environment with no previous data and experience, however some scholars agree on one crucial tool which is communication. One strategy explains that communication is the key in solving future outcomes. Such being the communication with the market and the customers where the business informs both on new information in order to decrease the effect of the crisis (Telukdarie et al., 2020).

On the other hand, a study done by Madeira et al., (2021) identifies four aspects of the post covid world in regard of the restaurant those being pessimism in regard of the slow recovery, resilience in regard of new beginnings, uncertainty which depends on the time closed during the crisis, and new opportunities which indicate flexibility to attract customers. Based on that information, Madeira et al., (2021) further explain future strategies that restaurant businesses must undertake to ensure continuity. The first strategy is the restart which explains that all managers and entrepreneurs should treat the business as if it was the first day of opening which will enable the enterprise to face new market in with open hands and be prepared for new challenges. The second is to continue operating as delivery/takeaway. As some studies have shown, not all people will feel safe enough to start visiting restaurants as soon as they re-open which is why this system will enable the restaurant stay connected with the customers. It is hard to forecast whether the delivery/takeaway systems will gain the popularity in the post-covid world, however for the near future, until the businesses are stable it is an excellent method for a restaurant to demonstrate that they care not only for the dine-in customers but that they want to reach to those who do not yet feel safe leaving their homes. Based on the information which explains that overall senior people are more affected by the pandemic, it is safe to predict that they are the ones who will stay home

for the longer time period to ensure their health safety. The next strategy is to increase overall service, meaning what the restaurant provides for their customers ranging from different pricings and offers to hygiene and sanitation. Restaurants will have to give their maximums in order to avoid potential new outbreaks which will be enforced by providing excellent sanitation policy. They will have to enable different items which both staff and customers will be able to use for protection, such as hand sanitizers and different signs raising awareness of the importance of the hygiene. As explained in a research done by Lai et al., (2020) they anticipate that customers will prefer to visit the restaurants which will still practice social distancing and following government instruction on thorough sanitation.

### **Research data**

This research measured the criteria of restaurant adaptations during the Covid-19 lockdowns. Based on the secondary research the importance of restaurants performing different adaptation methods is crucial for their survival. The primary research was completed as evidence of those adaptations applied in the restaurant businesses in England. The restaurants selected for the research are exclusively dine-in which during the lockdowns had to implement a new takeaway plan in order to continue their operations. From that, 50 restaurants have been evaluated which all had a minimum of 4,00 and higher star rating on Trip Advisor from five greatest cities of England, those being London, Manchester, Liverpool, Birmingham, and Newcastle. The Importance of evaluating 4,00 minimum star rating restaurants is crucial because in order to understand and evaluate their adaptations, they must have a satisfied customer base. All the restaurants fall into the category of two-to-three-pound sign rating which indicated that they are moderately to more expensive priced.

During the research 6 major categories were evaluated those being the menu adaptation, minimum order, pricing, offers, community outreach, and covid safety measures which is further categorized into four different subgroups to evaluate whether the restaurants implement the basic government rules on sanitation and safety, or they implement even higher measures. The categories of covid regulations are having face masks, offering contactless payment, hand sanitation, and temperature checks.

All categories have defined purpose of customer attraction and are demonstrating what restaurants are willing to do to entertain the customers during the pandemic. All evaluated restaurants have implemented the delivery system which is applied within an approximate distance from the restaurant meaning that the maximum distance a restaurant is willing to do a delivery is 5 miles. Furthermore, the research has demonstrated that 98% of the restaurants have implemented the minimum order a customer can have in order to have food delivered which on average is set to be £10-£15. The minimum order on delivery is rather beneficial for the restaurant rather than for the customer as the restaurant ensures less cost and more attention to larger orders.

The secondary research suggest that the restaurants should implement menu adaptations and develop a menu which will benefit both the restaurant and the customer, however the evidence demonstrates that 22% restaurants have implemented this practice which indicates that the majority of restaurants evaluated have not implemented any menu adaptations, leaving their original design from the dine-in to the takeaway system.

Providing different discount is an adaptation which was mostly done which states that 28% of the restaurants have implemented it in their business strategy. 28% of the restaurants have implemented a kind of discount they have offered for the customers whether that is discount on the whole menu, delivery or collection order. The majority of the discounts were applied to collection orders which states that 10 out of 14 restaurants offer this type of discount, while 3 offer discounts on the whole menu and 1 restaurant has implemented a strategy to offer a discount on the whole menu after spending the defined amount on the menu. Most popular discounts are within the range of £10 - £15, however 3 restaurants have offered a discount of 20% and one of the restaurants has offered a discount of 30% which is applied to collection orders only. Following this strategy 9 out of 50 evaluated restaurants have implemented different offers on the menu such as food boundless, set price menu and other. 4 out of 9 restaurants that are performing different offers have implemented a sort of set menu which indicated that they offer a ready menu for a defined price, while 2 restaurants implemented offering a free drink after purchasing two meals, and 1 restaurant set an offer to include free side dishes to different meals with every takeaway.

Apart from implementing covid safety measures which 100% of the restaurants have done, some have implemented further measures that they offered for their protection and the protection of the customers. 100% of the restaurants are following the governments safety measures of

implementing the rules of having face masks and often hand sanitations as well introducing performing contactless payment. However, 9 out of 50 restaurants are performing regular temperature checks which they use to regulate covid-19 symptoms.

All the restaurants were found on Trip advisor while the research was proceeded over their official websites, while the missing data that could not be found online was done by calling the restaurant and performing short questions that answer the missing data. The information was than proceeded in the excel sheets where the raw data was further evaluated, concluded and then finalized.

## **Discussion**

The results demonstrate restaurant adaptations performed for customer engagement. All the collected data demonstrated that the restaurants have not developed creative ideas to engage the customers during the times of pandemic. The restaurants should plan better organizations and develop new ideas of adaptations to takeaway during the lockdown. As the covid-19 was unexpected the restaurants had to implement new systems which would allow them to continue operations, however as the crisis management is not often practiced by many businesses not many adaptations have been implemented. Practicing crisis management gives opportunities to have a better organization and perform at a higher rate which indicates that the restaurant would have more methods of engaging with the customers and increasing their businesses. The research and the data demonstrate low results of the restaurant performance during the lockdowns during the pandemic which puts an emphasis on future development of the field. Crisis management is not only in regard of the pandemic, but also just a small part of many potential threats that businesses could face. This is the proof that a threat which was unexpected has managed to influence the entire world and has caused much damage. Practicing crisis management can be timely and costly, however businesses can not predict times of threats and taking steps in development safety plan is more beneficial that facing the threat without any type of preparedness.

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