

Minimizing the impact of restaurant shutdowns, restrictions in China amid COVID-19 crisis

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The researchers analyzed sales data from more than 86,000 restaurants across nine Chinese cities. Credit: University of Houston

Shortly after the COVID-19 pandemic first broke out in Wuhan, China, in January, government-issued lockdowns and business restrictions were implemented across the country, affecting more than 1.2 billion people and all types of businesses. With social distancing mandates in full effect, the restaurant industry was particularly hard hit—forced to close dining rooms while pivoting to curbside or delivery services only.

While the financial devastation caused by the pandemic and subsequent lockdowns has been well-documented, a new study led by the University of Houston Conrad N. Hilton College of Hotel and Restaurant Management, identifies aspects of [restaurant](#) operations that benefitted the bottom line despite the turmoil.

Revenue from delivery service dramatically increased, discounts offered to customers weren't effective and there was a significant variation in [financial performance](#) across service types.

The researchers analyzed sales data collected by Meituan.com, the largest delivery service provider in China, from more than 86,000 small- and medium-sized restaurants across nine Chinese cities. The study is published in the *International Journal of Hospitality Management*.

The average annual growth for delivery sales was more than 26%. Meanwhile, the difference in delivery sales between casual dining and fine dining establishments substantially increased from 10% in 2019 to more than 64% in the first quarter of 2020. These findings suggest the need for fine dining restaurants to diversify their source of sales by adding delivery and curbside pickup, just as their less fancy casual dining counterparts were able to do.

The [data analysis](#) also revealed that discounts offered during the public health emergency failed to increase sales, indicating consumers are much more concerned about their health than price or value. Discounts are

typically a surefire way to increase revenue during normal operations, said Kim.

"In a normal situation, people are very price sensitive, but when there is a health concern like COVID-19, then they are willing to spend more money to consume food if they believe it's safe and convenient," said Jaewook Kim, lead study author and UH assistant professor who conducted the analysis with Jewoo Kim and Yiqi Wang from Iowa State University.

Average delivery time also increased, from 38 minutes to 47 minutes, indicating that substantially increased demand and enlarged delivery areas slowed the pace of delivery services.

The research team is currently performing a second analysis of sales data collected from restaurants in the United States, which currently leads the world in coronavirus cases and deaths, to compare with their findings from China. They hope the data provides partial solutions for restaurateurs trying to minimize the impacts of business shutdowns, and to help them prepare for future crises.

"The [restaurant industry](#) is so vulnerable, given such thin margins, and it's been made much worse by the pandemic, so understanding the data is very important to improving the [service](#) model and adapting to expanded delivery services," said Kim. "It's a new world now and important for restaurateurs to consider every resource available, so they need to challenge themselves to change their operational characteristics and invest capital to employ different types of [delivery](#) services."

More information: Jaewook Kim et al, Uncertainty risks and strategic reaction of restaurant firms amid COVID-19: Evidence from China, *International Journal of Hospitality Management* (2020). [DOI: 10.1016/j.ijhm.2020.102752](#)

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