

Downtown Economics

Ideas for Increasing Vitality in Community Business Districts

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by
SAA

Issue 191
September 2020

Alternative Revenues for Downtown Restaurants during COVID-19

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Restaurants have become a key element in the business mix of downtowns throughout Wisconsin and the U.S. Their growth has helped reestablish downtown as the central social district of our communities and they have been a major employer and a visible example of entrepreneurship at work.

With the emergence of the COVID-19 pandemic, most food and beverage businesses had no choice but to close, either temporarily or permanently, or reconfigure their sources of revenue and operations to survive for an unknown period. Certain types have been able to stay open, and some have even experienced an increase in sales, but most are debating if and when they can resume business as usual. Industry analysts estimate that between 25- to 50-percent of all restaurants are closed for good.

Combining restaurants and hotels, the hospitality industry in Wisconsin has 35-percent fewer businesses now than in January 2020 (see chart). The longer this continues, the more likely these closures will be permanent.

The following are examples of how food and beverage establishments have changed their sources of revenue to maintain partial operations while ensuring the safety of their employees, customers, and their broader communities. These examples of "pivoting," however, may or may not apply in a given community due to differences in local regulations and conditions. Additionally, though combinations of tactics may be enough to keep restaurants alive

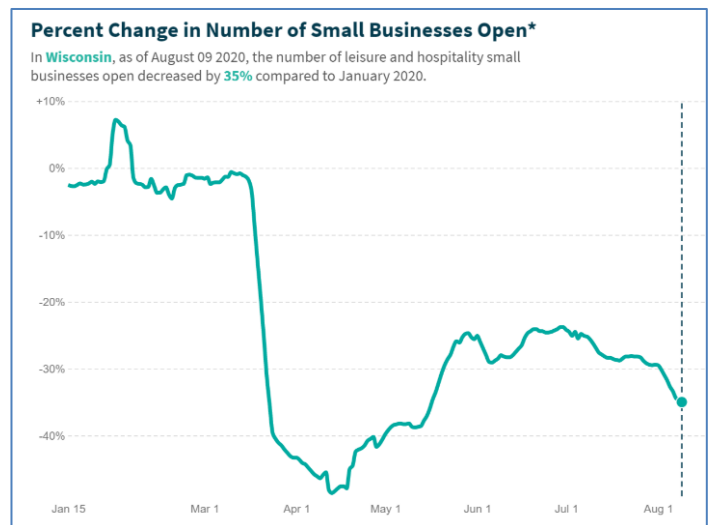
during COVID-19, it is unlikely that any singular tactic is enough to sustain a business indefinitely.

Provide off-premise dining options:

- Offer takeout from a menu that travels well. Sell alcoholic beverages and desserts. However, these sales alone can't keep a business alive.
- Offer pre-packaged meals, including value and family packages.
- Offer curbside pickup and/or drive-thru lane so patrons can avoid having to go inside.
- Offer delivery orchestrated either locally or through a national service.

Create new and safe dining space:

- Convert parking spaces to dining patios
- Reroute traffic, close off a downtown block to vehicles and set up outdoor dining on sidewalks and in street.
- Create enclosed outdoor dining booths separated by curtain walls and/or distance.



Opportunity Insights: <https://www.tracktherecovery.org/>





Temporary restaurant outdoor seating in downtown Middleton, WI

Sell retail products:

- Serve as a neighborhood general store by selling essentials like milk, eggs, chicken, deli items, but also specialty items such as bread and olive oil, spices, and sauces.
- Offer meal and cocktail kits that are versions of popular dishes and drinks that customers can prepare at home in a “take and bake” fashion.
- Sell existing inventory. The US Food and Drug Administration issued interim guidance to allow restaurants to sell food inventory more quickly.

Other sources of income:

- Restaurant chefs can teach online cooking classes for a fee.
- Partner with other businesses by selling each other’s products such as coffee, beer, spaghetti sauce, salad dressings, etc.
- Sell gift cards to generate immediate cash flow while building customer loyalty. Purchasers often spend more than the value of the card upon use.
- Alcoholic drinks to-go has been one of the most popular menu trends during the pandemic as many states lift restrictions on alcohol delivery
- Running entirely online with high-profit items that are simple to fulfill.
- Lease less expensive production space in a ghost kitchen closer to your customers.

These alternative revenue ideas assume that restaurants continue to communicate with, care for, and mitigate risks to employee’s health and safety; that they maintain communication with their customer; and that they continue to serve their communities. Service could include donating to the local food pantry or preparing meals for healthcare workers.

Conclusion:

Determining ways to increase or bring in new sources of revenue is, in large part, a financial question. It involves estimating new sales, the cost of those sales, and the cost of labor to produce those sales. Not all sales contribute equally to the bottomline. While the ideas presented here will not replace sales from indoor seating, they might help generate ideas to at least supplement income.

The University of Wisconsin-Madison, Division of Extension, has developed Excel workbooks designed in the format of the Uniform System of Accounts for Restaurants that can create a 12-month budget or longer-term projection. In addition to experimenting with the revenue-generating ideas presented earlier, these Excel tools allow for conducting “what if” analyses if considering changes to fixed and variable costs, sales per customer, and changes to an operation’s customer volume. Contact william.ryan@wisc.edu for more information.

Sources: 7SHIFTS blog, Impossible Foods blog, The Spoon-Food Technology blog, Restaurants Rise digital summit by Nation’s Restaurant News and Restaurant Hospitality.

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