How Small Business Restaurants That Survived the Pandemic Are Moving Forward

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The restaurant business is tough in the best of times. As another summer of COVID looms, affecting dining and travel plans, the best of times has not returned. Still, within the industry, there's a bit of cautious optimism – and no small amount of pride – just for having survived.

"It's better, but it's still not right," said Keith Laudeman, owner of the Lobster House in Cape May, New Jersey. The seafood stalwart and longtime fixture in the seaside tourist town faces a third summer of a labor shortage and is grappling with rising costs from inflation and supply chain issues, he said. "Everything's more expensive, from insurance to lobster tails."

The National Restaurant Association in March estimated that 90,000 restaurants nationwide had closed permanently since March 2020. About three-quarters of restaurant owners told the association that business had gotten worse in the winter of 2021. Industry forecasts suggest it will be a year or more until business gets back to normal. While the association projects $898 billion in sales this year, inflation means that in real dollar terms, that actually will be lower than the pre-pandemic total of $868 billion in 2019.

Even in the face of these pressures, restaurants that survived the pandemic or opened despite it should benefit from pent-up demand and from some of the emergency innovations they made during long lockdowns, when dining out wasn't an option. That means more technology, pared-down menus and most likely higher prices, said Sabre Real Estate Advisors associate director and restaurant expert Kyle Inserra, also a former owner of Larchmont, New York's Pequena Taqueria. "One of the main takeaways from this whole post-pandemic period for restaurants is that these owners are looking in the mirror and saying: 'You survived. What did you do?'" Inserra said. "Now they're asking what they can do better."

In most cases, flexibility was the key to survival, said Inserra, who also hosts The National Restaurant Owners weekly podcast. If that means adapting a popular salmon entree to a to-go format, shrinking the sizez of entrees or keeping the in-house digital ordering system up and running, smart operators do whatever is needed to keep going, he said.

Government support from the Small Business Administration's Restaurant Revitalization Fund to its Payroll Protection Program, as well as state aid and public-private grant programs, helped restaurants survive the darkest days of COVID, but those sources of money weren't enough on their own. Early adopters to technology for contactless payments and ordering were better equipped to tough it out, said Inserra. So were promoters of loyalty programs, limited-time menu offerings and nimble users of space that adjusted quickly to delivery-only logistics.

Pandemic-dictated tech adaptations are here to stay, and that shows a major shift from many restaurant owners' pre-pandemic attitudes. C3 by SBE senior vice president of operations Joey Simons said independent restaurants are enthusiastic about signing on for the company's tech-heavy food halls. "The pandemic altered and elevated the industry in ways we didn't think possible for the next 10 years or so," he said. "From a technological standpoint, it was a welcome change and one we were excited to navigate. And as small businesses without access to the funds to quickly source the required technology," restaurants needed technology partners like C3.

Looking back to his restaurant-owning days, Inserra saw a stark divide between pre- and post-pandemic attitudes toward investing in technology. "We were approached by several groups about contactless payments and ordering" before the pandemic, he said. "We were like, 'Nah, we don't need it.' Now, I can't think of a restaurant that doesn't offer at least some of that. The tech companies have made it more approachable and affordable, and that's leveled the playing field."

There are plenty of places to go for the restaurateurs who've hung in there, said CBRE vice president Adam Williamowsky. The swath of closures means there's high-quality real estate available, particularly for owners who want to expand and are willing to move into second-generation space, where major restaurant fixtures like range hoods and walk-in refrigeration are already in place.

But the length and severity of the economic damage to the restaurant industry will slow the pace of what might be considered a full recovery. The squeeze of labor, inflation, food pricing and supply disruption stemming partly from the war in Ukraine all have constricting effects. These will be felt most severely in areas hit hardest by pandemic shutdowns, where vacant space and reduced competition otherwise may motivate restaurant owners to expand.

Williamowsky said the permitting process for a new restaurant takes about twice as long as it did before the pandemic and wait times for major pieces of equipment like walk-in refrigerators and industrial ovens are now months long, not weeks long. “A successful business today may not mean you’re on the same growth trajectory as you were in 2019, when maybe you planned to open a new restaurant every year and build up a business of, say, six to 12 restaurants,” he said. “What’s viewed as a success now is that you have a sustainable, profitable restaurant, that you’re paying your bills and met your investors’ needs. What makes you successful is that you’ve made it through and have a vibrant, busy dining room day in and day out.”

Laudeman, whose family has been involved in the seafood and restaurant business for a century, echoed the need to redefine short-term success. “It’s going to be nice if we can ever get this thing back to normal,” he said. “I was hoping it was going to be this season, but I don’t see it.”

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