

"To close, or not to close?" the question that plagues restaurant owners



By [Evan-Lee Courie](#)

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With the curfew still in place and increasing fear around the new strain and second wave of Covid-19 infections, many restaurants are struggling to operate at a profit. Pairing meals with alcohol is a major part of restaurant culture - so much so that liquor can account for as much as 70% of a restaurant's profit.

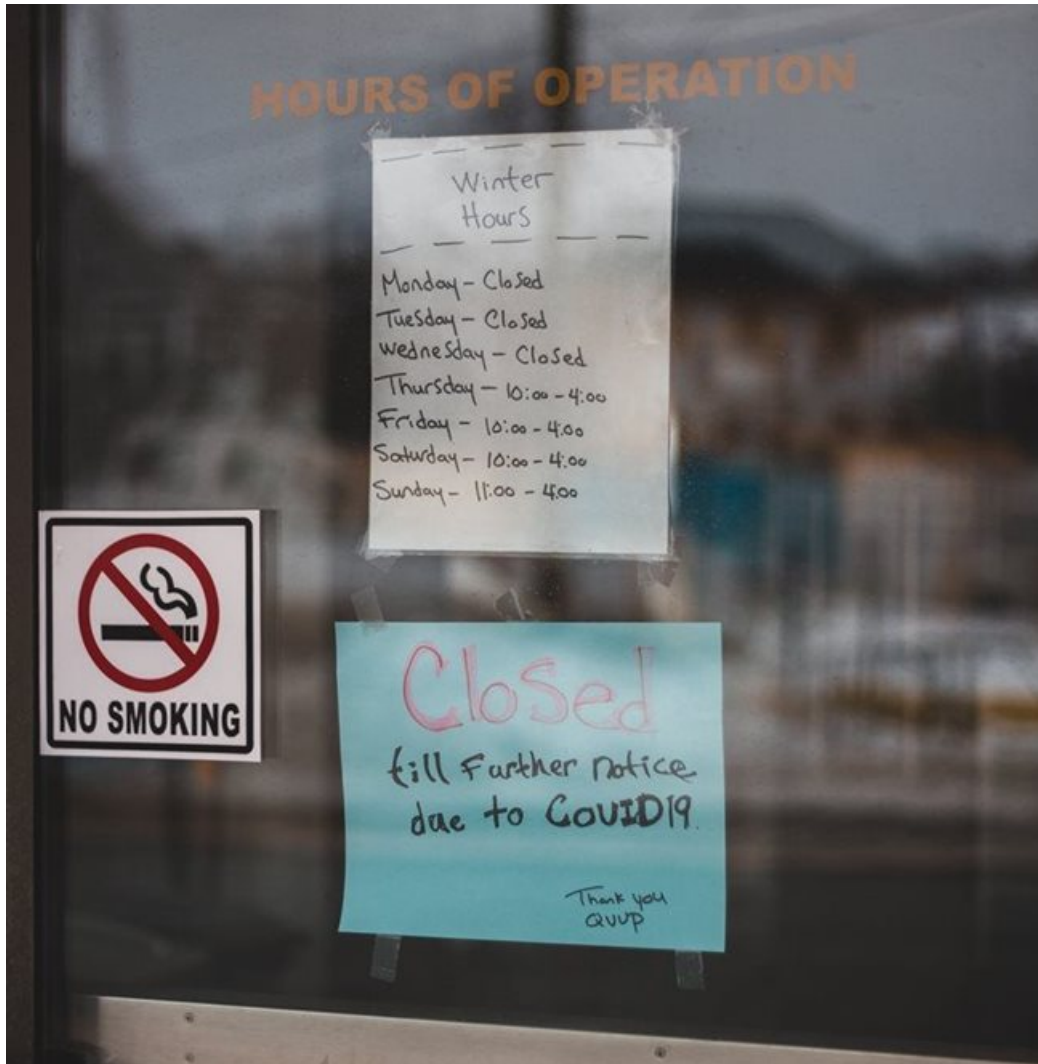


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"With no end to the liquor ban in sight - and with the current curfew of 9pm crippling dinner trade - many of these eateries are operating at a loss, and closing temporarily may prove more economical for some," says Arnold February, regional investment manager at Business Partners Limited.

Arnold February shares some insight on what restaurant owners can do to navigate through this uncertain future.

■ ***It's been said time and time again that SME's in South Africa contributes significantly to our economic growth. How has the latest lockdown impact local SMEs?***

Many businesses have seen a significant decline in turnover due to the restrictions on evening trade and alcohol sales. Online sales and takeaways has become the primary platform used to generate turnover.

SMEs reliant on evening trade and sale of alcohol as part of their product offering are struggling to break even and many have reduced trading days, trading hours and reduced their product offering.

■ ***The latest lockdown extension has come as bad news for the local hospitality industry. What advice do you have for SMEs?***

Entrepreneurs are resilient and those who survive and thrive are the ones who adapt to change.

Before closing, consider the following options:

- Increase turnover
- Offer combos and family deals
- Offer new products and specials. As a restaurant, offer cheaper meals and focus on selling convenience that is affordable to your customers
- Improve your online sales by making use of social media to attract interest and direct sales. Don't forget to list your correct contact details and latest specials
- Market your business. This includes brochures of product and services or include menus in all takeaway deliveries
- Where possible, incorporate non-alcoholic beverages as a combo to food sales.
- Assist your ambassador employees to market your products on their social media platforms. As a business owner, you would need to control it though.
- Use your space better. For example, a restaurant can replace some of the seating areas with a deli offering takeaway meals. Or a conference room/meeting room since most businesses are working from home and out of the office.
- Reduce costs
- Close during slow days.
- Reduce trade during slow times of the day
- Change the shifts of your staff and consider changing the wages structure linked to commission, especially for takeaways
- Reduce cost of sales by buying specials from suppliers
- Negotiate reduced rental costs or rental as a % of turnover. Do the same with franchisers and funders. Request some relief where possible
- Restructure debt and consolidate all debt. This may help in reducing monthly instalments
- Build trust amongst your employees and customers by implementing strict safety protocols and market these measures
- Join platforms within your industry that will allow you to get your voice heard, to share ideas and to lobby on your behalf against the current lockdown restrictions. I am aware of some WhatsApp groups and lobby groups such as the Restaurant Collective and the RASA (Restaurant Association of South Africa).



■ ***The extended ban on sales of alcohol has also caused an uproar. Pairing meals with alcohol is a major part of restaurant culture. In what instances should a restaurant consider closing its doors?***

This is a tough one. Closing a business completely is a last resort, so entrepreneurs should first consider reducing trade by closing during low trading days and times of the day. If all else fails, the following should be considered when deciding to permanently close a restaurant.

- Can the business survive until the next announcement by the President with the hope of lifting the alcohol ban.
- Does the business expenses exceed its cash flow?
- What cash flow resources are available to keep the business afloat. Without cash reserves no business can survive
- Many businesses took on more debt to survive the first lockdown in 2020. With the further lockdown restrictions, many restaurants run the risk of technical insolvency where the business liabilities exceed its assets or perceived Market value
- Seasonality of the business and expected time required to recover from the lockdown
- If the hole seems too deep and there are no more resources available, an entrepreneur must consider the losses. It's better to lose x now vs losing a lot more later. For an entrepreneur this is a personal decision that affects you on a business, personal and family level. It's a decision that each entrepreneur has to consider based on their circumstances.

■ ***Would it not make sense to still keep doors open and make less revenue than nothing at all?***

Yes, absolutely, provided that the business can survive and break through.

ABOUT EVAN-LEE COURIE

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