The sit-down restaurant industry's blueprint for recovery

By Grace Harding

24 Jul 2020

Just one year ago, the food and beverages industry contributed R6m monthly to the SA economy and employed more than 500,000 people. The majority of these businesses are SMMEs - small entrepreneurial successes.

Fast forward 12 months and it is unlikely any of these businesses will make a profit. At least 70% have had to retrench employees to save costs and 40% have not received any form of government loan or support. (Fitch SA Consumer & Retail Report Q3 2020)

Free-Photos via Pixabay

Sit-down restaurants are limping

Since opening on June 29th, most are trading below 50% of usual turnover. This loss of cash-flow has depleted businesses and individuals of any reserves and timing is now critical. Without immediate action, these losses are likely to be permanent.

There are many contributing factors:

• No alcohol sales

• Curfew of 9pm

• Customers uncomfortable eating out

• Customers have lost their jobs – the dire economic state of our country is going to have the biggest impact on our industry

• Implementation of lock down regulations (reduced capacity due to social distancing regulation requirements)

Roadmap to recovery

The R|C is presenting a blueprint for its own recovery, but we need the ear and the support of the relevant government departments (including the Departments of Small Business Development and Tourism) to make this a reality. We need less experienced restaurant owners to be mentored by more experienced owners. We need to set up a task group of diverse skills – both private and public.

The immediate support the industry needs:

• Speed up and resolve the delays in UIF and TERS pay-outs – thousands of employees are not yet back at work as restaurant owners cannot afford full staff complements

• Allow restricted alcohol sales for licensed sit-down restaurants

• Amend the current curfew time to 10pm

• Reduce VAT by 5% - and keep it that way until June 2021

• Introduce tax incentives for SMMEs that are able to grow employment

• Work with banks to reduce credit card and cash deposit fees for one year

• Reduce rates and utilities costs charged by landlords by 50% for one year

• Impose on utility providers not to demand payments while restaurants were/are unable to trade

• Continue PAYE deferments and provide an incentives claim system to aid the long-term ability of entrepreneurs to employ people without shouldering tax burdens

• Collaborate with key financial institutions to to tailor products to those industries hardest hit by Covid

• Create qualifying criteria for these relief benefits and develop online applications where an automated scorecard can assist with the allocation of funds.

The domino effect

There is a domino effect - as SA business leader Vusi Thembekwayo has explained – and the impact of restaurants closing down includes:

• Greater demand on government for UIF grants

• Reduced taxes

• Taxi business is impacted due to reduced number of commuters; this in turn causes an increase in taxi fares for others

• SMMEs who support restaurants (bakers, farmers, small wholesalers, bookkeepers) lose income

• Retailers suffer

• More stores close down

• Landlords find themselves with empty properties

• Many centers are owned by pension funds which exacerbates the reliance on government pension contributions

• Crime increases.

Of the estimated 15,000 sit-down restaurants in South Africa (Euromonitor 2017), only 1,500 are part of a franchise group; the majority are entrepreneurs navigating this devastating crisis alone.

Based on ruinous revenue losses related to government-ordered closures, economic realities, and projections, the sit-down restaurant industry's survival is dependent on a targeted collaborative response. An unprecedented crisis of this scale requires that we work together.

ABOUT THE AUTHOR

Grace Harding is spokesperson for The Restaurant Collective (R|C).