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COVID-19 AND RESTAURANT DEMAND

EARLY EFFECTS OF THE PANDEMIC AND STAY-AT-HOME ORDERS

The COVID-19 pandemic has brought unprecedented challenges to the restaurant industry. **Dr Daisy Liu**, together with her international collaborators, **Dr Yang Yang** (Temple University) and **Dr Xiang Chen** (University of Connecticut), evaluated the impact of the COVID-19 pandemic and the accompanying stay-at-home orders on restaurant demand using the U.S. restaurant industry as a case. We share their findings today to stimulate further conversation regarding this issue.

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What's in this issue:

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COVID-19 and Restaurant Demand

DR DAISY LIU

The foodservice industry is particularly vulnerable to epidemic crises, as it relies on human interaction and gatherings. This study evaluates the early effects of COVID-19 and the accompanying stay-at-home orders on restaurant demand in U.S. counties.

Two sets of daily restaurant demand data were collected for each U.S. county: foot traffic data and card transaction data. A two-way fixed-effects panel data model was used to estimate daily restaurant demand from February 1 to April 30, 2020. Results show that a 1% increase in daily new COVID-19 cases led to a 0.0556% decrease in daily restaurant demand, while stay-at-home orders were collectively associated with a 3.30% drop in demand.

The extent of these declines varied across counties; ethnicity, political ideology, eat-in habits, and restaurant type diversity were found to moderate the effects of the COVID-19 pandemic and stay-at-home orders.

This study represents a pioneering attempt to investigate the economic impact of COVID-19 on restaurant businesses. The results characterize the regional restaurant industry's resilience to COVID-19 and identify particularly vulnerable areas that may require supplementary assistance to recover. **A restaurant resilience index** was developed from our econometric results. This index can help government and other stakeholders pinpoint areas vulnerable to COVID-19.

Our study highlights the importance of developing contingency plans to improve restaurant industry's resilience to pandemics, such as nurturing off-premise market, more rigorous hygiene and safety measures, and using technologies to minimise human contact.

FURTHER READING

Yang, Y., Liu, H., & Chen, X. (2020). COVID-19 and restaurant demand: Early effects of the pandemic and stay-at-home orders. *International Journal of Contemporary Hospitality Management* (Accepted). Link: <https://bit.ly/3n5XS9I>