

Crisis Management: How Local and Foreign Restaurant in

China Response to COVID-19?

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Abstract: The purpose of this study is to examine the crisis response of restaurants in China, illustrates how local and foreign restaurants deal with this unprecedented situation, and develop strategies for crisis management. Foot traffic to casual dining and fast-food restaurants has decreased since the start of lockdown policies. And many restaurant operators don't expect to turn a profit or even break-even in the foreseeable future. This paper used descriptive research using qualitative and quantitative data collected from the public and private sectors. The data was analyzed to conclude food restaurants' specific measures for food safety and food security during COVID-19. With social distancing in place, big brands, fast food chains re-ed services in line with the government agencies' requirements and line with protective measures when people visit restaurants in-person. The paper provides recommendations and specific measures restaurants, policymakers, researchers, and practitioners with a suggestion about yet unexplored research avenues.

Key words: COVID-19; food safety; food security; fast food restaurants; China **JEL code:** M3

1. Introduction

Compared with the SARS epidemic in 2003, the COVID-19 outbreak in 2020 has a wider geographical distribution and a faster spread in China. The relevant protective measures adopted by the Chinese government are also stricter (Xinhua, 2020). The impact of the epidemic on the catering industry has exceeded that of SARS in 2003 in terms of ponderance and scope (He, n.d.). Since the outbreak of the epidemic, Chinese restaurants have faced the biggest difficulty in the 21st century.

The COVID-19 epidemic has a disastrous impact on the chain restaurant industry. For example, the chain catering industry faces a large number of closures due to the sharp decline in consumer demand (He, n.d.). However, four different chain restaurants take corresponding measures to deal with the spread of the COVID-19 epidemic. McDonald's USA company-owned restaurants closed seating areas, including self-service beverage bars and kiosks, and using the takeaway platform such as drive-thru, walk-in take-out McDelivery to serve customer (McDonald's, 2020a). In China, McDonald's restaurants implement "no contact to pick up food at the store" to reduce interpersonal contact during ordering and picking (McDonald's, 2020b). Also, McDonald's and Burger King joined the Chinese food delivery service Ele.me, to deliver food to the frontline medical staff at more

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than ten hospitals in Wuhan (Wpowell, 2020). For local chain restaurants such as Wufangzhai and Jinxiaoyue, they use dine-in and take-out coexistence to combat the epidemic (Wufangzhai, 2020). The difference is that Jinxiaoyue is worried about the takeaway platform's food safety and uses self-delivery to deliver to groups and hospitals for meals.

In the face of COVID-19's huge blow to restaurants, what actions should restaurants take to reduce the risks involved and adapt to survival and transformation under the epidemic has become a problem for local and foreign chain restaurants. Food safety is an essential concern for consumers. For delivery services, chain restaurants adopt five major COVID-19 epidemic prevention measures such as temperature checking, wearing masks, restaurant disinfection, continuous hand washing, and lunch box disinfection management (McDonald's, 2020b). It is safer for the Chinese to place an order with McDonald's "Mc Safe Delivery Card" in the take-out, indicating production, the name of the delivery personnel, and their body temperature in the receipt. Most restaurants using platform application launched "contactless delivery", customers can choose to have the delivery personnel deliver the food to the designated location instead of taking the food face to face.

Kim et al. (2020) state that restaurants can understand the disease's characteristics, predict the magnitude of the economic impact, and simulate potential prevention strategies based on each company's available resources to minimize the financial impact of unexpected epidemic outbreaks on the catering industry. Also, restaurants can adopt cooperation with governments and organizations, launch marketing campaigns, and adjust the restaurant's positioning from limited service to full service (Kim et al., 2020). So, the purpose of this study is to examine the crisis response of restaurants in China, illustrates how local and foreign restaurants deal with this unprecedented situation, and develop strategies for crisis management.

2. Literature Review

2.1 The Impact of COVID-19 on Food Safety and Food Security

According to Food and Coronavirus Disease 2019 published by the Center for Disease Control and Prevention, there is no evidence that COVID-19 is related to handling or eating food (CDC, 2020). COVID-19 is spread from person to person through respiratory droplets when people cough, sneeze, or talk (WHO, 2020a). People may contract COVID-19 by touching their mouth, nose, or eyes after touching surfaces or objects that carry the virus (including food or food packaging). However, this is not the only way the virus spreads. Besides, the risk of contracting COVID-19 through food and packaging or treated drinking water is low (WHO, 2020b). Although workers in select food production and processing sites have been infected with COVID-19, there is no evidence that the virus is transmittable to consumers through food or packaging processed by workers in such sites.

Regarding the Beijing salmon infection COVID-19, Zhong Kai, a food safety expert, said that the probability of infecting COVID-19 through raw salmon is extremely low, which is an unnecessary risk (Ma, 2020). The possibility of salmon carrying COVID-19 is almost zero. Since the COVID-19 cannot replicate outside the body of warm-blooded animals, it most likely infected more people the moment the salmon got in contact with humans first, and then human-to-human transmission occurred. So far, there is no evidence that the COVID-19 is spread directly through eating and drinking.

2.2 Government Regulations on Food Safety and Food Security

Given the challenges posed by COVID-19, the Chinese government needs to assess whether there is a need

for interim amendments or adjustments to food regulations to ensure that the food supply is not affected. Simultaneously, the authority needs to assess whether there is flexibility and food safety in implementing food laws and regulations' technical regulations.

According to the interim guidance of the Food and Agriculture Organization of the United Nations (FAO) and World Health Organization (WHO) (2020), the risk level of the food company is determined in terms of the different nature and scope of the food company. For example, the risk-based food safety inspection method can identify high-risk food sites that need to be inspected. During this epidemic, it may be necessary for the country to keep checking even the low-risk and medium-risk food establishments. Strict control is also required for places where restaurants directly or indirectly supply meat. For example, slaughterhouses need to supervise control measures before and after slaughter. Food inspectors in such areas will need personal protective equipment (PPE) and need to be aware of the importance of keeping their distance, washing hands, cleaning, and disinfecting (FAO & WHO, 2020).

Some restaurants that rely on imported food and ingredients may not need to go through the full supplier's approval due to the sharp decrease in international transportation. In this case, the government can provide a temporary authorization to sell such products, stipulating that the label can be temporarily covered (FAO & WHO, 2020). Still, everything needs to comply with food safety regulations. Regarding the salmon import incident in Beijing, the National Health Commission of the People's Republic of China (2020) introduced a press conference to prevent the import risk of COVID-19 and strengthen the supervision of imported cold chain food.

Restaurant staffs need to understand the symptoms of COVID-19 and participate in training courses on the basic principles of food hygiene and restaurant food safety, especially on the use of personal protective equipment and ensure that they do not cause pollution to the work environment (FAO & WHO, 2020). If the surrounding environment is contaminated by the COVID-19, or the food industry personnel themselves are infected with the COVID-19, they may contaminate the food due to the various stages of food production, processing and sales. Thus, during the COVID-19 epidemic period, it is particularly important to emphasize that food workers must strictly follow relevant regulations and requirements to operate such as sanitation and disinfection of food production, processing and sales environments and facilities (National Health Commission of the People's Republic of China, 2020). Food workers should also strengthen their health monitoring. Once symptoms occur, such as fever, cough, fatigue, etc. appear, they should leave their medical treatment jobs and report immediately.

Also, because restaurants are less concerned about the food supply chain's integrity when looking for new food suppliers, this opens up new food fraud opportunities. Besides the food safety management system, restaurants should also consider introducing a risk-based vulnerability assessment system to stop food fraud. The Chinese government needs to emphasize the increased risk of food fraud and warn food companies and restaurants (FAO & WHO, 2020).

2.3 Crisis Face by Restaurant During the Outbreak

During the COVID-19 outbreak, Chinese restaurants are not only facing an external crisis, but they are also suffering from an internal management crisis. According to Tse et al. (2006), SARS belongs to the physical environment as an external factor and indirectly caused human or social environment crisis and management failure. Up to now, the source of COVID-19 has not been identified. Restaurant managers are still trying to deal with the aftermath of the outbreak. According to the National Bureau of Statistics (2020), the overall industry revenue was 44.3% during the first quarter of 2020, lower than in 2019.

The aftermath of COVID-19 has led to industry layoffs and restaurant closures. For example, Burger King closed half of the Chinese franchisee on February 10th due to enormous economic pressure from the epidemic (Patton, 2020). After the outbreak of the COVID-19, many restaurants face serious cash flow problems, and the temptation for operators to engage in unethical behavior to ensure the company's survival is great. Burger King has acted unethically to endanger consumers' health to maintain the survival of its stores. For instance, a Chinese Burger King operator fined over \$500 to use expired ingredients found on March 15th (Leggate, 2020).

Also, according to PWC's survey (2020) survey, restaurants are also facing the situation of the blocked supply of raw materials and the mismatch of goods' supply and demand. Foot traffic control and lockdown policies have impeded the supply channels of commonly used raw materials and feed for food processing companies and farms. Some imported foods, such as salmon, caviar, and Arctic shellfish, are also facing supply problems caused by the prolonged customs clearance and logistics time. Therefore, facing these problems, some Chinese restaurants need to look for supply channels and raw materials to replace them to maintain restaurant operations. In some restaurants, the lack of foot traffic has led to a backlog of food. It has to adopt direct price reduction and direct sale of processed food to maintain the restaurant's operation.

The COVID-19 epidemic has a massive influence on the catering industry. As the COVID-19 outbreak started, restaurants have reduced in numbers, including the gathering during the Spring Festival in 2020. Crowded places and restaurants were closed. As a result, raw ingredients such as vegetable stocks dropped prices. (Chen et al., 2020). According to the National Bureau of Statistics (2019), the national catering revenue in 2019 was 4,672.1 billion RMB, of which 15.5% came from the traditional peak consumption season during the Spring Festival. In March 2019, national catering revenue was 339.3 billion RMB. However, large-scale restaurants across the country were closed, and the catering industry suffered tremendous losses due to the outbreak of the COVID-19 epidemic in the Spring Festival of 2020. According to the National Bureau of Statistics (2020), in the first quarter of 2020 (from January to March), the national catering revenue was 183.2 billion RMB (National Bureau of Statistics, 2020). Compared with the same period in 2019, the catering industry's income has shown a dramatic decrease.

If the restaurants cannot realize capital turnover through banks, they are likely to risk breaking the capital chain. At the same time, the reduction of consumers' disposable income and the irreversible pressure of mortgage and car loans will reduce consumer desire, dramatically reduce residents' opportunities to eat out, and lower their living standards. As a result, Chinese restaurants faced bankruptcy and unemployment.

2.4 Foreign Restaurants in China

Typical examples of foreign fast-food restaurants for rapid prevention and control of the epidemic are McDonald's, KFC, Burger King, and Pizza Hut. In China, McDonald's has established a special epidemic prevention and control team to ensure employees' health and safety, delivery personnel, and customers. Based on the original management system, the restaurant has further developed preventive measures for upgrading from employees, restaurants, and delivery services to operational arrangements.

McDonald's has implemented "no-contact-to-store pickup" in restaurants across the country to reduce interpersonal contact in the process of ordering and taking meals. After ordering food at the mobile phone, self-service ordering machine, or counter, regardless of dine-in or take-out, customers can pick up their food at the pickup point according to the order number.

McDonald's provided customers with disposable hand sanitizers in restaurants. Besides, it implemented disinfection measures and strengthened disinfection frequency in all restaurants' ventilation systems and customer contact facilities.

Regarding the delivery service, all delivery orders will be accompanied by a "MacDonald's Delivery Relief Card" with a mark that the food delivery personnel's name and body temperature. At the same time, "contactless delivery" is implemented. Customers can choose to have the delivery staff deliver the food to the designated location instead of a face-to-face pickup.

McDonald's prevention and control measures during the epidemic. The following observation during the experimental restaurant visit (1). Shows the green health code, then register your identity information and use an ear thermometer to measure your body temperature and record it on the table before entering the door. After that, use hand sanitizer to disinfect your hands; (2). The self-service ordering machine was closed. The clerk's recommendation is to place an order via a mobile phone is not to queue up; (3). Place an order in the McDonald's Mini Program. It will provide you with two options: for standard delivery, and the other is for delivery to a designated location, with no contact during the whole process; (4). Employees wear masks, hats, and disposable gloves throughout the entire process to ensure food safety; (5). Getting the take-out bag, the bag was sealed all the way, and the bag had the sign of the trust card.

2.5 Domestic Restaurant

Unlike the immediate establishment of epidemic prevention teams for foreign restaurants, Chinese-style fast food takes relatively simple measures against the epidemic. For example, Wufangzhai actively does an excellent job in staff training but has not developed takeaway services. If an employee is from a high-risk district, he needs to perform nucleic acid testing and conduct autonomous isolation. The disinfection of all Wufangzhai stores has commenced, and all public contact surfaces in the store are regularly disinfected. Employees must take their body temperature before starting to work. If there is any abnormality or fever or cold symptoms, immediately suspend the service and seek medical treatment. Each store is equipped with a disinfectant hand sanitizer, and all employees of Wu Fang zhai wash and disinfect their hands every 30 minutes.

Wu Fang zhai's prevention and control measures during the epidemic. The following observation during the experimental restaurant visit (1) When entering the door, one asked to undergo strict inspection as per McDonald's protocol. (2) The separation between each table is wider. (3) At the same time, the staff recommends that customers take away instead of dine-in. (4) During the preparation of food, the staff should wear protective equipment.

3. Conclusion

As the pandemic progresses, domestic or international fast-food restaurants decided to follow health protocols. They abide by the rules to use a thermometer to check their body temperature before entering the store, register their identity information, increase the safety distance between the dining seats, and encourage customers to do takeaway or delivery to reduce physical contact. At the same time, during the meal, the government is also trying to promote the use of disposable chopsticks and spoons to avoid cross-infection.

The COVID-19 epidemic in 2020 has a wide geographical distribution and a fast spread in China. The restaurant industry has a massive loss during Covid-19. Customers have been concerned about the food safety and food security of restaurants. Facing the pressure of the epidemic and consumers' health and safety, the restaurant

should strictly check the food supply chain and its staff's safety in operation. They must be obeying and adopting government policies and regulations. As researchers exploring this topic, restaurants should be strictly inspected by the assigned government sector and make strict precautions independently to ensure customers' safety.

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