

The restaurant industry has suffered a massive blow from the pandemic but is now recovering in a much different form than it existed only a few years ago. This is the assessment of Seth Grushow and Natalie Sheild, owners of Together, a Springfield based restaurant consulting company. After a year of frequent pivoting – open, then close, then open again, then restricted but open, the industry is beginning to emerge in a much different form.



In many ways, Mr. Grushow said, the changes stem not just from the pandemic but from the changing lifestyles that were magnified by the pandemic. Gen X patrons and older millennials still value the concept of table service, and they are merging as the demographic that spends the most on dining. On the other hand, Gen Z individuals and younger millennials value easy ordering and quick service and have much less interest in the set table experience. The most intriguing part of this phenomenon is that as people learned to deal with the pandemic the volume of restaurant meals expanded, not contracted. In large part this is because the younger demographic, who does like to cook, found, in food carts and other quick service opportunities a way to eat quickly and simply. This means that those quick service restaurants, actually have prospered as the pandemic begins to wind down.

This is a paradigm shift that is unlikely to change, both Mr. Grushow and Ms. Sheild agreed. While there will always be a market for the historic form of in table service in a restaurant, the growth that occurs will likely be focused on quick service. This trend will be accelerated by the growth in “ghost kitchens” which are basically a kitchen that serves only through online ordering and delivery. These restaurants have no front of house staff and require a much smaller investment in labor, a critical factor in an industry which has the highest failure rate of any small business. The latest development in this trend appears to be the growth of large ghost kitchens serving a number of food options. Mr. Grushow pointed to a project in Boise where one kitchen has the ability to serve 52 separate restaurants and will have its own ordering and delivery process. He added that some corporate restaurants are running ghost kitchens serving different lines of food out of their existing facilities, pointing to the example of a chain restaurant serving burgers running a ghost kitchen serving pizza.

Mr. Grushow also expects all restaurants to benefit from increased use of technology. “It’s much easier and more efficient for one staff member to dump a bunch of potatoes into a hopper than painstakingly peel and slice.” “It’s also much safer,” Ms. Sheild added. “We work with knives and fire, and anything that reduces the risk and makes processes more efficient is going to advance.” Mr. Grushow added that advanced technology eases training needs, making it possible to train back of house staff in less than a week on fundamental tasks and allow them to improve their skills and advance with on-the-job training.

The restaurant industry, he said, continues to battle the perception that it is filled with low paying dead end jobs. That is not the case, he added, saying that in most cases all restaurant staff are earning \$20-24 an hour, with annual wages approaching \$40 to \$50 thousand. He places the blame for the inaccurate perception in large part on the tipping system, advocating that restaurants should move to the European model where tipping is not favored, and wages are high enough to make the jobs pay a living wage.

Here again, he pointed to the quick service restaurants as potentially setting a new trend. Those restaurants typically see tips similar to the level of as table service restaurants, but in those cases, the

tips are spread among along staff, while table service restaurants see the largest portion of the tips going to front of house staff, increasing a disparity between front and back staff. He asserted that many restaurants want to do away with the tipping system but are hesitant to do it on a one-by-one basis for fear that the price increase needed to absorb tipping would place them at a competitive disadvantage. He said that it had been tried sporadically in this area, but not generally adopted (One restaurant: Rye on 3rd in Eugene) has adopted the no tipping model and continues it today.

Mr. Grushow pointed to tipping as an example of how the industry needs to start thinking on an industry wide basis. As an industry, restaurants need to focus on addressing the perception that that the working environment is bad. The industry does not make much of the fact that it has highest level of minority ownership and a remarkably high percentage of women ownership.



He said that like other industries, the restaurant business is suffering both from labor shortages and supply chain challenges. The businesses that survived the pandemic and are beginning to do well are those with a small footprint, a small labor force and quick service. “85 percent of restaurants are not like the “Top Chef” program., and those are the ones position to do well. Ms. Sheild added, however, that there will always be a demand for chefs who are artists and true chefs, but that in many cases rather than eight or nine individuals like that in a large restaurant, there may be only one.

Both speakers pointed to Springfield as a good example of how the industry can be helped. They noted that the City of Springfield has worked diligently to try to remove as many barriers to entry as possible in the permitting processes and has worked with the Springfield Area Chamber of Commerce to make the downtown area inviting for restaurants. The predictable result, he said, is that downtown Springfield is growing rapidly as a restaurant hub.

Both speakers say they remain optimistic about the industry’s future, even though it may not look much like the past. Everyone is now looking for new solutions, they said, and it is likely that many of these will lead to long-term innovations that keep the industry robust.