FOOD SERVICE INDUSTRY RESPONSE TO THE COVID-19 PANDEMIC

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Abstract

The aim of the paper is to present the ways in which entrepreneurs in the food service industry react to the pandemic, evaluate the efficiency of their actions, and suggest the most effective solutions to the market disruptions caused by the COVID-19 pandemic in Poland.

The study used the descriptive analysis method, Pearson correlation survey method, and logical inference. Based on literature analysis and observations, questions were formulated for a survey for Polish entrepreneurs in the food service industry. The sample of surveyed entrepreneurs was selected by systematic random sampling from a group of entrepreneurs who promoted their enterprises through social media channels between 2019 and 2020.

Among the surveyed enterprises, there is a positive correlation with undertaking activities concerning online brand image development and satisfaction with profits. Introducing their own deliveries during the pandemic, food service enterprises showed a negative correlation with profit growth. Enterprises that chose not to run their own supply networks, but consistently develop their brand image online, showed a positive correlation with increased satisfaction with earned profits.

Analyzing the results of the study one can find some correlations. Enterprises which do not run their own supply networks, but instead consistently work on their brand image in the network and cooperate with enterprises operating in accordance with the sharing economy model, are doing well in times of the crisis. Enterprises that conduct their activities in accordance with the described assumptions showed a strong positive correlation with increased satisfaction with their net income.

Keywords: COVID-19, food service, restructuring, internet marketing, sharing economy.

JEL codes: D1, D2, D4.

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Introduction

Reflections on the rapidly growing world economies, changes in their proportional growth rates, and advancing globalization (Sulmicka, 2016) were among the most discussed topics in the world of economics until 2020. Reality began to change dramatically with the outbreak of COVID-19 worldwide (Cucinotta and Vanelli, 2020). The direction that economic discourse at the global level began to take was primarily concerned with responding to the negative effects of the introduction of public health restrictions in the countries affected by the pandemic. The new situation faced by many countries reformed the existing laws that governed many markets. Nearly 90% of the world’s countries have imposed lockdowns designed to limit human contacts, which for some companies has reduced business revenue to zero (Abdulkadir, 2020).

Markets and consumer preferences have been rearranged in favor of sectors and companies rendering services online. Enterprises in other fields began to find ways to become recognizable on the internet, which proved to be extremely difficult for many types of businesses, because of the capital-intensive and time-consuming processes required. Entrepreneurs were forced to rebrand\(^1\) (restructure), i.e., to reorganize the functioning of their enterprises and products. The goals of the above-mentioned reforms are to adapt the offer of companies to the new market needs, which in times of the pandemic means maximizing the usefulness of the product in terms of its sale by avoiding social contact. Many of the industries negatively affected by the restrictions are not able to restructure their businesses in such a way as to acquire customers and make sales using the tools available on the internet. Among the sectors able to make changes is food service. It is able to make online sales and complete the entire transaction while maintaining all standards under the new restrictions on avoiding social contact. It is critical for food service enterprises to revamp their business operations to maximize the utility of their products in an online transaction environment and to use internet marketing correctly.

The COVID-19 pandemic crisis should be viewed as a business cycle phase, according to the discourse of economic theory related to business cycle theory (Pałaszewski, 2009). An entrepreneur taking action to reorganize a functioning organization should take the above into account, meaning a reasonable response to market conditions. Crisis, as a phase of the business cycle affecting a given sector, regardless of the cause, will progress (recovery), which should be taken into account when planning organizational restructuring. Changes made in the enterprise should be applicable in subsequent phases of the cycle and should also be forward-looking.

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\(^1\)A term used with great frequency by the Office of the Prime Minister of Poland in the 2020-2021 pandemic. The Polish government has adopted a policy of appeasing entrepreneurs who have been deprived of part of their revenue overnight; often it has been reduced to zero. By way of meeting the demands and delivering speeches related to the aforementioned policy, politicians have often mentioned the word “rebranding” in an attempt to persuade entrepreneurs to restructure their companies so that they can maximize their utility in the market in times of reduced social contacts (ISBNews, 2021).
The aim of this study is to present ways in which entrepreneurs react to the negative effects of restrictions on business activity in the food service industry caused by the COVID-19 pandemic in Poland. The study also aims to determine whether the entrepreneurs from the food service industry use online marketing tools efficiently; cooperate with the sharing economy companies; and build their own food delivery channels to customers. In addition, the paper aims to suggest the most effective solutions for food service entrepreneurs in the next phases of the market exposed to the COVID-19 pandemic disruption.

The author made the following hypotheses:

1. The creation of an online image of a food service enterprise prior to the pandemic is positively correlated with profit satisfaction during the pandemic.
2. Food service enterprises entering into cooperation with organizations based on the sharing economy during the pandemic, show a negative correlation with profit satisfaction during that time.
3. Enterprises introducing their own food supply network during the pandemic show a negative correlation with profit satisfaction during that time.

**Defining corporate restructuring in times of the pandemic**

The cause of restructuring of a company is not always a crisis in the sector or industry; there are often changes in the organizational structures of enterprises due to gradually decreasing financial liquidity. Profound changes in organizations are also sometimes the reason for the need to refresh the company’s management and operating system (Stabryła, 1995).

Due to the existing division of restructuring (Mozalewski, 2010), rebranding taking place in markets affected by the negative effects of the COVID-19 pandemic qualifies as corrective and internal restructuring. When the enterprise experiences difficulties, this type of restructuring includes changes in the area of technology and product management. In the time of the pandemic, companies that were operating with satisfactory results just a few months earlier turn out to have an inadequately diversified product portfolio and technological deficiencies for making sales. In accordance with the organization’s new operating policy in terms of technology and product, marketing activities must be undertaken. In the case of an unusual pandemic crisis, one of the few effective sources of implementing marketing plans is internet marketing and placing company assets in e-commerce (Szymański, 2013).

**Restructuring of food service enterprises**

When considering the crisis caused by the COVID-19 pandemic as part of the business cycle, it is also important to discuss precautionary protection from the negative effects associated with the crisis. In the case of a crisis situation in a market related to the physical environment, i.e., one that is not as influenced by humans as, say, the social environment (Tse, So, and Sin, 2006), it is difficult to respond appropriately. Pandemic restrictions in European Union Member States were introduced very abruptly (Meunier, 2020). There was very limited time for...
enterprises to react, especially in terms of protecting themselves from the effects of the crisis before they occurred. However, it may be worth discussing the issue of enterprises that unconsciously made decisions which prepared them for the pandemic crisis, along with actions that may be taken intentionally by food service enterprises during the ongoing pandemic crisis.

**Preventing the negative effects of the crisis**

Among food service enterprises in the market during a crisis, it is possible to distinguish businesses that are more resilient to the negative effects of a pandemic than others. These types of businesses are characterized by several common actions that, as it turns out, were not at all non-obvious to implement in the market before the COVID-19 pandemic.

Limiting contact with others due to the pandemic only intensified processes that have been the domain of globalization (Tannenbaum-Baruchi and Feder-Bubis, 2018) and changing markets for some time now. Such activities include: internet marketing, cooperation with sharing economy companies, and developing their own supply networks.

**Internet marketing**

Internet marketing is a relatively new field of marketing and its development is enhanced by the ubiquity of the internet in the world. In addition to its obvious characteristics as part of marketing science, such as direct customer outreach and building brand awareness, internet marketing, unlike other sources of outreach, is a system of two-way communication that connects consumers with sellers (Pizło and Lesicki, 2012). As a result of the tools provided by internet marketing, it is also feasible to create databases and use them. Thus, thanks to the conversion rate (Król, 2017) achieved by these tools, it is possible to acquire a group of customers at a relatively low price, compared to competitive solutions. This type of advertising proves to be a good means of communicating with customers in the pandemic era, as customers can be reached without direct human contact at a relatively low price.

The most popular internet marketing tool used in food service is social media channels. Through the intensified processes of human interaction, social media is a tool packed with viral marketing (Szewczyk, 2015), through which, in addition to paid forms of advertising, entrepreneurs have the chance to make conversation between people using these forms to reach customers, which translates into highly effective and low-cost advertising.

However, when using social media advertising, time proves to be an important factor. Both practice and literature in the field of internet marketing show that promoting enterprises in this way is a time-consuming process (He, Zha, and Li, 2013). Building a relationship with the customer or even just familiarity with the brand image online, has a direct impact on the result that can be achieved through social media tools (Habibi, Laroche, and Richard, 2014). In this case, restaurants that have been developing their internet marketing activities in various ways even before the pandemic are in a winning position.
**Enterprises operating in the sharing economy model**

The model of an organization based on the sharing economy has become very popular in recent years and is one of the main enterprises acquired by investment funds. It proves that these types of companies are of interest to investors (Łukasik, 2019), which is directly reflected in the large share of these companies in the markets where they are located. A similar situation occurs in food service industry, and because of the innovative system, in which these organizations operate, meals can be delivered from food service enterprises to the customer according to the market demands during the pandemic. Enterprises delivering meals operating in the Polish food service market between 2020 and 2021 are as follows: Pyszne.pl, Uber Eats, Bolt Food, Glovo, and Wolt. The services offered by the aforementioned companies include ensuring that drivers are available to transport food from the restaurant to the customer. For the service, a commission is charged on the order value by the restaurant, and the restaurant does not have to start its own supply network, thus reducing costs and functioning in a new reality without the know-how to run its own deliveries. In addition to the services mentioned above, these sharing economy companies have another very important advantage, i.e. all of them create their own marketing channels and sources of reaching customers, which means advertising in exchange for establishing cooperation. A very important aspect concerning cooperation with companies offering intermediation services in delivering food to customers is the internal marketing tools offered by the platforms of most companies providing such services. Being familiar with the said tools, being proficient at using them, and investing in them is one of the most important marketing activities that an entrepreneur can undertake from the perspective of the market realities in 2020-2021.

Mentioning the advantages of cooperating with organizations whose business models are based on sharing economy, we should not overlook an important aspect with regard to maintaining the profitability of a food service enterprise, i.e. commissions charged for the performance of services by restaurateurs. Analyzing the market and the requirements of entrepreneurs, commissions seem to be the most significant problem and a barrier for establishing cooperation with enterprises operating in the sharing economy model.

The quarantine period turns out to be a boom for these companies (Lakshmi and Shareena, 2020), especially when food service enterprises across the country are temporarily closed and are not allowed to host guests in their establishments. The period we are in is a time when customers are using these apps more frequently. Thus, delivery app servers might be overloaded (Raj, Sundararajan, and You, 2020).

**Developing your own supply networks**

Developing your own supply networks among food service enterprises is not an easy choice, given the wide range of opportunities the market brings in the form of enterprises operating in the sharing economy. However, the listed solutions that the market brings are proving to be unprofitable for some types of enterprises.
Commissions and cooperation costs charged by sharing economy enterprises account for 30-40% altogether of the gross turnover achieved by a restaurant. In this price, food service enterprises receive a comprehensive service of delivering meals to the customer, widely developed marketing tools, participation in marketing campaigns and the possibility of selling on the online trading platform (marketplace) in apps (Hagiu and Wright, 2015).

Companies that have been developing their domestic food service markets for several years or decades have no need for using the internet marketing channels of the aforementioned organizations. Such companies are also characterized by a larger number of employees, which allows them to quickly break down the barriers of opening their own supply network and reduce the costs of such a venture. A food service entrepreneur who relies on developing their own supply network is able to reduce the cost of their business, compared to the prices offered by businesses based on the sharing economy. This solution will work best for companies with a strong foothold in their markets, a well-developed customer base, and brand recognition.

**Adaptation of food service enterprises to the crisis**

This paper analyzes the literature with regard to reaction to the crisis caused by the COVID-19 pandemic in the global food service industry and a case study relating to the domestic market. Based on these analyses and observations, questions were formulated for a survey form for Polish entrepreneurs in the food service industry. The sample of entrepreneurs surveyed was selected by systematic random sampling from a group of entrepreneurs who promoted their enterprises through social media channels in 2019-2020.

Polish entrepreneurs in the food service market were asked about: their approach to internet marketing as part of running social media channels, online branding, as well as cooperation with sharing economy companies, and the implementation of their own supply network. The entrepreneurs’ responses were contrasted with the difference in their satisfaction with the company’s net income earned during the periods of total closure of food establishments in Poland, i.e. March-April 2020 and October-November 2020.

The survey was conducted using the Computer-Assisted Web Interview (CAWI) method. The CAWI is an online survey method using autosave databases (Przewłocka, 2009). As a result, the sample selection could not be intentional and the source of reaching respondents was based on the existence of their social media channels. The vast majority of the entrepreneurs in the sample did the internet marketing of their businesses even before the pandemic. However, there are exceptions. The survey was conducted from January 30 to February 20, 2020, and the study sample consisted of 30 entrepreneurs.
The structure of the questions was intended to determine whether entrepreneurs are responding to the negative effects of the pandemic in line with global trends, whether their general satisfaction is changing over the course of the pandemic, and then whether it correlates with the actions they take. Questions about satisfaction with net income earned were formulated on a scale of 1 to 5. Pearson’s correlation coefficient was used to determine the relationship between survey results.

**Internet marketing**

Entrepreneurs in the food service industry were asked about their interest and participation in their brand image online and on social media. A similar question was asked both before and during the pandemic. A large number of respondents were involved in creating the online images of their enterprises even before the pandemic. However, it was possible to identify a group of enterprises that, due to the pandemic, changed their approach to internet marketing in a negative way (such activities were stopped) or in a positive way (such activities were intensified). Among the enterprises, there is a positive correlation of 0.277 between undertaking activities concerning online brand image development and increased satisfaction with income, with a significance level of 0.05, thus the first hypothesis was confirmed.

**Businesses operating in the sharing economy model**

Cooperation with enterprises operating in the sharing economy model is characterized by barriers to entry. Some of them are very difficult to overcome, as they are time-consuming. Companies starting to collaborate with organizations using the sharing economy model only during the pandemic showed a negative correlation of profit growth during the pandemic of -0.127 with an assumed significance level of 0.05. Thus, it is also interesting to see to what extent long-term cooperation with these companies proved to be profitable for food service enterprises. The correlation of these companies with net profits during the pandemic showed a positive correlation at 0.071 with significance level assumed at 0.05, this correlation coefficient at positive level supports the second hypothesis. It turns out that positive correlations can be seen according to the hypotheses, but the contribution of restaurants to creating the brand image online is more significant.

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Source: survey results, own study.
Developing your own supply networks

Barriers to entry in the process of developing own supply networks, due to the time-consuming nature of the process, should affect the results of the study similarly to the examples described above. However, in this case, the importance of capital as an entry barrier in introducing this process to the enterprise should be emphasized. Enterprises introducing their own deliveries during the pandemic showed a negative correlation with the enterprise’s net profit growth of -0.311 with a significance of 0.05, supporting the third hypothesis. Enterprises developing their own deliveries before the pandemic also showed a negative correlation in this case of -0.050 with a significance of 0.05, which may indicate that these companies had a better ability to operate the company in this process during the pandemic.

Recommendation for enterprises

Analyzing the results of the study, a certain relationship can be found. Companies that have not decided to run their own supply networks, but instead consistently work on their brand image online and cooperate with companies operating according to the sharing economy model, are doing well during the crisis. Enterprises that conduct their activities according to the described assumptions showed a strong positive correlation with increased satisfaction with their net income at the level of 0.602. Thus, this type of action can be recommended for companies in the food service market in Poland.

The reaction of foreign markets

An emerging buzzword in foreign literature is home-based gastronomy tourism experience (Garibaldi and Pozzi, 2020), which means an attempt by restaurateurs to reproduce the feelings and emotions of customers at home. In different corners of the world, there have been reported cases of attempts to transfer the experience of the dining ceremony in a restaurant to the home.

During the pandemic, the Vitique restaurant in Greti, Italy, and numerous restaurants in Memphis, USA, began to offer home delivery of meals during the pandemic, along with an online meeting with the owners of the food service enterprises and the chefs to tell the story of the restaurant and the genesis of the dishes. Such solutions have worked well in regions where the culture of going out to restaurants has long been ingrained in society.

Another example of using technology to increase restaurant sales around the world was the implementation of a delivery system. During the pandemic, this trend became the domain of the global food service industry, and many entrepreneurs saved their businesses thanks to it. Regardless of the social conditions, region, or the severity of the epidemic, the system of delivering food to customers’ homes became commonplace in food service (Gomes de Freitas and Stedefeldt, 2020). In addition to the implementation of technology related to the delivery of food directly to the customer in small and micro enterprises in general, technology at the highest level has begun to emerge in the food service industry. Chains from the United
States such as Dunkin’, Domino’s, White Castle, KFC, and Five Guys have started to introduce technological innovations in the area of kitchen robotization (Luna, 2021). The aforementioned solutions, in addition to minimizing infections among restaurant personnel, help overcome rush hours, which have been a much larger problem in the food service industry since social life moved into homes.

The trend of moving the production space of food service companies to locations that are cheaper due to smaller space and less attractive locations for tourists is known in other countries as “ghost kitchen” (Hayes, 2020). Observation shows that ghost kitchens have already found their equivalents on the Polish market. In addition to reducing fixed costs in rental prices, this solution allows the enterprise to find the most advantageous location to minimize order delivery time by choosing locations close to expressways.

**Conclusions**

The crisis, in addition to its negative effects on the sectors of the economy affected, also brings opportunities for enterprises able to respond appropriately to its effects and quickly adapt the entire organization to the new conditions. Despite the general drop in consumption in the food service industry in Poland, there are still enterprises that decide to make further investments, especially in the ghost kitchen model. The average change in satisfaction of food service entrepreneurs between March and November in Poland increased by 0.66 points on a 5-point scale. The research shows that entrepreneurs, whose enterprises survived in the market during the first period of restrictions involving the ban on the provision of services in food establishments, are more satisfied with their income during the period of reintroduction of restrictions.

The situation in the Polish food service market is very dynamic and its dynamics is the greatest risk to enterprises. Polish entrepreneurs are able to restructure their companies and consistently rebrand, but such changes always take time and excessive dynamics is never favorable for those who run such businesses.

Food service enterprises that enter into cooperation with organizations offering a sharing economy model only during the pandemic show a negative correlation with income growth (-0.127). Among the enterprises surveyed, there is a positive correlation between undertaking activities concerning online brand image development and satisfaction with income (0.277). Food service enterprises introducing their own deliveries during the pandemic showed a negative correlation with increased profits (-0.311). Enterprises that chose not to operate their own supply networks, but consistently develop their brand image online showed a positive correlation with increased profit satisfaction (0.602). The results of the study are presented in Table 2.
Table 2

Confirmation of hypotheses based on correlation counted from research results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>The creation of an online image of a food service enterprise before the pandemic is positively correlated with profit satisfaction during the pandemic.</td>
<td>0.277</td>
<td>0.05</td>
</tr>
<tr>
<td>Food service enterprises entering into cooperation with organizations based on the sharing economy during the pandemic, show a negative correlation with profit satisfaction during that time.</td>
<td>-0.127</td>
<td>0.05</td>
</tr>
<tr>
<td>Enterprises introducing their own food supply network during the pandemic show a negative correlation with profit satisfaction during this time.</td>
<td>-0.311</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Source: survey results, own study.
References


ZACHOWANIE PRZEDSIĘBIORCÓW GASTRONOMICZNYCH W OBLICZU PANDEMII COVID-19

Abstrakt

Celem artykułu jest przedstawienie sposobów reagowania przez przedsiębiorców z branży gastronomicznej, ocena sprawności tych działań oraz zasugerowanie najskuteczniejszych rozwiązań w związku z zaburzeniami na rynku spowodowanymi pandemią COVID-19 w Polsce.

W opracowaniu wykorzystano metodę analizy opisowej, metodę ankietową ko-relacji Pearsona oraz wnioskowania logicznego. Na podstawie przeglądu literatury i obserwacji sformułowano pytania do formularza ankietowego dla polskich przedsiębiorców z branży gastronomicznej. Próba zbadanych przedsiębiorców została dobrana przez losowanie systematyczne z grupy przedsiębiorców, którzy w latach 2019-2020 promowali swoje przedsiębiorstwa przez kanały social media.

Wśród badanych przedsiębiorstw występuje dodatnia korelacja z podjęciem działań rozwijających wizerunek marki w sieci oraz satysfakcją z osiąganych zysków. Przedsiębiorstwa gastronomiczne wprowadzające własne dostawy w trakcie pandemii wykazały ujemną korelację ze wzrostem zysków. Przedsiębiorstwa, które nie zdecydowały się na prowadzenie własnych sieci dostaw, ale konsekwentnie rozwijają wizerunek swojej marki w sieci, wykazały dodatnią korelację ze wzrostem satysfakcji z osiąganych zysków.

Analizując wyniki badań, można doszukać się pewnej zależności. Dobrze radzą sobie w dobie kryzysu przedsiębiorstwa, które nie zdecydowały się na prowadzenie własnych sieci dostaw, ale za to konsekwentnie pracują nad wizerunkiem swojej marki w sieci oraz współpracują z przedsiębiorstwami działającymi zgodnie z modelem ekonomii współdzielenienia. Przedsiębiorstwa, które prowadzą swoją działalność korzystając z opisanych założeń, wykazały silnie dodatnią korelację ze wzrostem satysfakcji z uzyskiwanych dochodów netto.

Słowa kluczowe: COVID-19, gastronomia, restrukturyzacja, marketing internetowy, ekonomia współdzielenia.

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