

# On the Other Side of the Curve: China's Restaurateurs Face an Uphill Battle

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While cities in the rest of the world were going into lockdown, some Chinese cities already were easing out of them. As in other parts of the world, some of the hardest-hit businesses have been restaurants and other food providers. Although restaurants were allowed to reopen on March 9 in Shanghai, even a month later Shanghai consumers remained skittish about eating out, and the outlook for restaurants was gloomy. Tourism and business travel, a large source of revenue in this global financial center, were virtually nonexistent.

On March 30, I used the Chinese app WeChat to interview Anthony Zhao, the owner of three Shanghai restaurants: a mid-priced hotpot restaurant called Holy Cow (*Niu Niu Huo Guo*) and two casual Shanghaiese “home-style” restaurants called Rice Garden (*Mi Xiang Yuan*). He has many friends in the restaurant business in Shanghai and has himself been working in restaurants for twenty-five years, first as a fine-dining cook, then as a restaurant owner, as a consultant, and even as a television chef.

“The coronavirus has been a disaster for the restaurant business,” Anthony said. “Many places have closed and will not be able to open up again. Some have opened and are losing money. A few are breaking even, and a very few are making money. If the government would step in and give loans or cover their rent, it might help save them, but so far the government has been doing nothing for small businesses. But the situation now means that many restaurants will not survive. Middle-sized businesses might be getting loans, but not small ones. Some restaurants already had big debts before the coronavirus, so once it hit they had no income and weren’t able to pay rent, so they really have no chance to reopen.”

He had to close down his popular Holy Cow because he saw no chance they could get the place back up and running in six months. He doesn’t see it ever opening again. One of his Rice Garden restaurants was closed only for one month during the lockdown, and has been back in business one month, but turnover is only at about one-third of what it used

to be. Shanghaiese were still reluctant to eat out, he said. His main business was company employees getting lunch, but now they are bringing their lunch. “People are still too nervous to eat out. Even if you invite them for a coffee, many people will not meet up.”

When I asked about state aid, Anthony replied that the government had done nothing so far. Rent relief was urged by the government but not enforced. The government recommended that businesses should be given a two-month reduction of rent, but he only received a two-week reduction. Some people he knows had only gotten a seven-day reduction. Only a few people he knows who rent from private individuals had gotten a two-month-long reduction. As for his employees, he had to let them go. He introduced some to other friends who hired them, he said, but others just went back to the village and stayed there. In fact, many migrants workers have been reluctant to return to the cities, slowing the reopening of the service sector (Chen 2020).

According to media reports, some mid-sized restaurant corporations may qualify for loans (Chen 2020). Private restaurants in China, however, rarely take out bank loans and are capitalized privately through friends and family. Their risks also are privatized. Restaurant owners interviewed by a research assistant in the interior Chinese city of Taiyuan in early April also reported slow business, though this varied considerably. Owners said they relied on savings to tide them over. They also claimed their employees had their own personal savings. “We never really expect the government to help us,” one owner replied. “There are people more in need of help than us.” He also pointed out that Chinese small businesses have never seen the government as a source of aid or support. These low expectations may temper resentment against government inaction.

Restaurants in inland cities like Taiyuan also may be impacted less than cities like Shanghai where tourism and business travel are more important (or places like Wuhan where the lockdown was more severe). Some restaurateurs we

interviewed in Taiyuan were able to do a substantial takeout business. As in Shanghai, however, all owners were able to send unneeded employees home with no salaries. In China, it seems, friends, family, and the village are still the real support system for the rural-to-urban migrants who staff most restaurants, not the state (nor employers).

I asked Anthony how he saw the immediate future for restaurants in Shanghai. “The only restaurants that are going to do well now are those that are appealing to young people,” he said, “new places that know how to take advantage of social media. Small places, like cafes, and places that serve light food. Or places that have outdoor seating, since it is getting warm. These can do well. Maybe bigger places will come back eventually, but not now.”

Restaurants that want to survive now will have to rely on social media, especially the platform Douyin (a video app like TikTok). “It used to be word of mouth but now it is all Douyin.” The increasing influence of such media was one trend accelerated by the pandemic.

“Douyin fills up your fragmented time (*cui pian shijian*),” he said. “It fills this fragmented time and turns it into money.” Anthony wants to make some of that money. As soon as the coronavirus epidemic hit Shanghai, he began going around town shooting videos on Douyin. For example, he said, his friends were running a restaurant called Osteria (an Italian place that has been open nearly twenty years on Jingxian Lu / Shaanxi Lu in central Shanghai). The Shanghainese-owned Osteria has long been famous for serving raw oysters. “After the coronavirus, their business was terrible,” Anthony said. But recently Anthony started making Douyin videos at the restaurant twice a week, and that has driven up their business, he claims. “Young people who never thought about eating raw oysters are thinking, ‘Oh, wow, that’s new, I’ll go try raw oysters.’”

It might be surprising that a restaurant specializing in raw oysters would be doing good business after a major health scare, when places serving more standard home cooking were failing. Anthony ascribed their success to social media. Based on my additional contacts with restaurant owners in Shanghai,

however, it appears that some other expensive restaurants catering to the well-off urban elites also were coming back quickly, including a fancy Japanese *yakiniku* (barbecue) restaurant that opened shortly before the outbreak. It could be that the wealthy were returning more quickly to dining out than the more severely traumatized working classes. But fine dining restaurants relying on tourists or expatriates seemed likely to suffer much longer.

China may be on the downward side of the “curve” of the virus outbreak, but many small restaurant owners were facing an uphill struggle. As much as we might be looking for models for how to protect restaurant owners and workers and revive restaurants, China offers some stark lessons. Government may try to privatize risks as much as possible, letting small businesses fail and workers lose income. In large Chinese cities, local governments have long shown a desire to reduce the fragmented restaurant market (including eliminating street vendors and small migrant-owned businesses). The pandemic may only further these trends, since chain restaurants seem more likely to receive financial aid than small private ones. I’m hearing some positive stories from friends in Shanghai’s fine dining scene, and this sector may prove more durable than in cities with a more prolonged lockdown. But there is no sense that the growing social inequalities already evident in urban China will decrease. Rather than leading to a democratization or a leveling of social inequality in the urban food scene, as some hope for (Nunn 2020), the pandemic could be exacerbating previous trends toward corporatization, consolidation, and gentrification of the urban foodscape. 🍷

#### REFERENCES

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