

Is there a way back for the Irish restaurant business?

The Covid-19 crisis has had a chilling effect on the restaurant sector in Ireland, but many of its problems existed before the outbreak.

Restaurants in Ireland were already struggling before Covid-19, but if we are looking to see their return post-Covid-19, then issues like rent, VAT, oversupply and insurance need to be tackled.

Earlier this week the Restaurants Association of Ireland, a trade body for the sector, launched its [9-point plan](#) to help save and recover the restaurant industry currently shuttered due to Covid-19.

It pointed out that more than 90pc of restaurants are currently closed and that 120,000 jobs at permanent risk in the next two months.

Among the proposals were actions on rent and a suggested zero percent VAT rate for tourism and hospitality for during the crisis and 12 months after before reverting to 9pc for a five-year period.

Few options on the menu

However, according to Gerardo Larios Rizo, head of Hospitality Sector, Business Banking at Bank of Ireland, the restaurant sector in Ireland was already struggling and many were closing down before the Covid-19 outbreak struck.

A poignant article in [The Irish Times](#) in January pointed how rising rents and the overall cost of doing business were causing well-regarded and popular restaurants across Ireland to close their doors. One business was hit with a 50pc rent hike, increasing rent from €80,000 to €120,000.

Rizo said that issues that were affecting the sector before the pandemic struck included high rents, high wage costs and difficulty sourcing staff, oversupply of restaurants, high insurance costs and a 13.5pc VAT rate that was imposed in January 2019. Prior to the VAT increase, the rate had been 9pc since 2011 when it was reduced as part of a temporary measure to stimulate jobs.

“The extension of the social distancing measures would mean a large number of restaurants would need to re-evaluate their model which relies on high volume low value transactions,” said Rizo

“Reducing the seating capacity/density would make it difficult for the volumes to be delivered and therefore make operations unsustainable as restaurants can to some extent manoeuvre their staffing, their purchases and some expenses, however rates, rent and insurance will not come down.”

Rizo said that the take-away or home delivery model, which is being embraced by some restaurants, presents a lot of challenges in terms of margins and profits.

“Prices need to be lower in a take-away model to remain competitive.”

Rizo said that delivery through Deliveroo or Just-Eat can be expensive for the operator in terms of set up costs and on-going expenses.

He also pointed out that restaurants risk possible reputational damage as provision of meals outside the restaurant takes control out of the restaurant as other parties are involved.

Rizo concluded that the biggest issue ultimately for the restaurants sector is rent.

“To summarise this, the problem is not only going to be the VAT or staffing but landlords who are unlikely to adjust down the rents to a level that would allow businesses to survive while demand is muted or soft.”

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The impact of Covid-19 is being felt across all business sectors. These impacts are leading to a number of financial needs for Bank of Ireland customers, including the provision of emergency working capital, prioritising loan decisions for impacted customers, payment flexibility on loan facilities, and the provision of trade finance and foreign currency products. Please refer to Bank of Ireland’s Covid-19 [supports for business page](#).