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BUSINESS

What a reopened California will look like — and businesses' odds of survival



Plastic partitions separate diners on Tuesday in Bangkok. (Lillian Suwanrumpha / AFP / Getty Images)

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Businesses in California may start opening again as soon as Friday. But it won't be business as usual.

working to hash out exactly what that will mean for reopened businesses, but the basic principles are familiar enough by now: Staff and customers must wear masks; the number of people allowed in an establishment must be reduced to allow for six-foot spacing when possible; anything that people touch needs to be disinfected, frequently.

Restaurants and retail are likely to reopen with these restrictions within weeks, according to recent guidance from Gov. Gavin Newsom and health officials. Businesses involving close contact and larger crowds — movie theaters, bars, hair salons, gyms — will need to wait months. And those that involve mass gatherings, like sporting events and concerts, are unlikely to reopen until the threat of the novel coronavirus has largely passed.

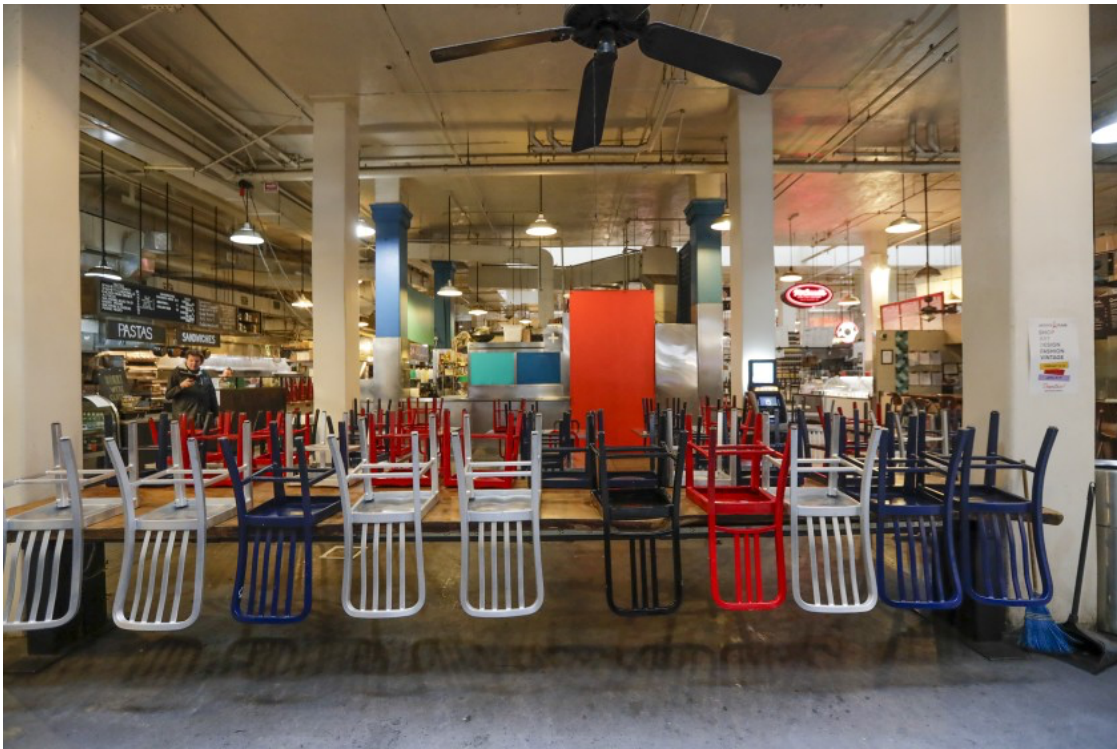
But can businesses even afford to open their doors under these restrictions? Or can they figure out new ways to turn a profit?

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The answer depends on the sector. Retail stores might be able to sell enough under social distancing — assuming anyone is looking to shop. Movie theater owners say they can still keep the lights on with half-capacity crowds, but not if there aren't any new movies to screen. Restaurants, which operate on margins as slim as spaghetti in the best of times, might just muddle through as long as the booze flows.

But tango lessons? Dodger games? That's a little more complicated. Here's what experts and business owners across the consumer economy are thinking a reopened world will look like — and how it'll affect their bottom lines.

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Upturned chairs at L.A.'s Grand Central Market, where takeout has continued during the lockdown but seating is banned. (Irfan Khan / Los Angeles Times)

Newsom, a former restaurateur himself, has been most explicit with his ideas for what [a post-lockdown restaurant might look like](#): masks and gloves on staff, temperature checks at the door and, most important for the bottom line, half capacity to encourage social distancing.

If restaurants manage to weather weeks of lost revenue and mounting debts, how they fare under social distancing may come down to where they fall on the fanciness spectrum. Fine dining, with more spacious dining rooms and higher prices, might be able to pull it off. Strip-mall favorites and tightly packed bars might struggle harder to make ends meet.

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Niki Nakayama, chef and owner of the 26-seat Japanese kaiseki restaurant n/naka, expects her restaurant will be able to stay profitable at 50% capacity, but it will require her to cut back on the number of staff working every night.

“Maybe we would have to alternate the shifts so that everybody gets to work, but just not together at the same time,” she said.

A normal dinner service at n/naka seats about 50 guests in one evening, but Nakayama thinks her restaurant can break even by serving 20 to 25 people every

night. The restaurant has low overhead costs and the advantage of being one of the most highly sought reservations in Los Angeles. It also operates in a 1,350-square-foot bungalow, which makes distancing easier.



Bartender Bryant Orozco mixed up cocktails in a pre-COVID Madre restaurant. (Elizabeth Lippman)

Ivan Vasquez of Madre, a Oaxacan restaurant and bar with locations in Torrance and Palms, is optimistic that his more casual restaurants can survive for at least a few months at 40% or 50% capacity — especially if he leans on high-margin alcohol sales.

“I’m going to aggressively promote happy hour specials,” said Vasquez, who is petitioning the city of Los Angeles to ease restrictions so he can sell alcohol on the sidewalk patio in front of his Palms location. Alcohol, including to-go margarita kits, makes up 50% of his current revenue.

But smaller restaurants and bars will face huge challenges to stay profitable in the social distancing era, said David Combes of Botanical Hospitality Group, operators of West Hollywood’s E.P. & L.P.

“Profitability for most venues at 50% capacity will be very difficult,” he said. E.P. & L.P.’s 225-seat rooftop bar has many fixed costs, including hosts, managers, bar staff, servers and bus staff and “requires all cylinders firing for profitability,” he said.

He plans on making investments in new furniture, sanitizing stations and potted

plants to help ensure physical distancing between guests.

“We hope to be doing at least 75% of our normal revenue, but I don’t know if that’s possible at 50% capacity,” Combes said.

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“We don’t see breaking even is really possible. We’re just creating triage strategies to get as close to breaking even as possible for as long as we have these restrictions,” he said.

—*Patricia Escárcega*

Retail



Shoppers were out Tuesday at the FIGat7th open-air mall in downtown L.A., where the food court and several businesses are open. (Al Seib / Los Angeles Times)

If you’ve been to a grocery store in the past six weeks, you’ve seen a glimpse of what all shopping will be like under social distancing. The number of customers inside will be limited, everyone will be wearing masks and nightly deep cleanings will become the norm.

That model has worked for essential businesses, where demand is high and customers are willing to tolerate some risk to get necessary supplies. But nonessential

retailers like clothing and electronics stores might be forced to get creative with new ways of shopping, as industry analysts predict that [more than 15,000 stores could permanently close this year](#).

“Without a strategic plan, it’s not going to be profitable to open back up,” said Michael Brown, a partner at the consulting firm A.T. Kearney specializing in consumer and retail business. Large chains would be wise to start by opening a few stores with limited staffing, he said.

Macy’s announced a plan in late April to [reopen](#) its 775 locations within six to eight weeks, pending government approval. Stores in the South are slated to reopen first, with plexiglass barriers in front of cash registers; the suspension of hands-on services, such as bra fitting and ear piercing; limited access to fitting rooms; and a 24-hour cool-down period for clothes that have been tried on or returned. Still, the company expects its reopened stores will bring in only 15% to 20% of their typical revenue at first.

But with durable merchandise and rent payments piling up, any sales are better than no sales for retail. New technology might make safe shopping easier, said Deborah Weinswig, chief executive and founder of Coresight, a global retail and technology advisory firm. The SARS outbreak in 2003 spurred Chinese businesses to create contactless payment systems that have now become the norm in that country, she said, and the U.S. could see a similar spike in adoption now.

Retailers that have been slow to embrace using their brick-and-mortar outlets as online sales pickup points could also innovate to deal with the viral impact.

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“We should be able to shop an entire mall from one app,” Weinswig said. “Each mall in a way is ultimately a platform, and if you’re Simon [Property Group], you have many different Amazons.”

For individual stores, the recipe could be to operate more like boutiques: shorter hours, less merchandise on shelves, and a focus on personal customer service over free-range browsing. Brown cited the showroom model of some brands that began online, like Bonobos and Boll & Branch, as a possible future for more companies, allowing customers to try on freshly sanitized samples in-store and then order for pickup or delivery.



A Bonobos “guideshop” in La Brea. The brand’s stores are for trying on clothing only, making them a possible model for socially distanced retail. (Koury Angelo / Bonobos)

Some essential retailers that have kept their doors open in L.A. have been reaching back to an even older model: the full-service general store.

Golden Saddle Cyclery, a Silver Lake bike shop, has reduced its hours and limited customers to entering the store one at a time (with a socially distanced line on the sidewalk outside), and has also entirely walled off most of the shop. Customers can ask to see — but not handle — merchandise hanging on the walls. No try-ons are allowed, and no returns.

“Before, one person could really man the bike shop, run the register while other customers browse,” owner Kyle Kelley said. “Now from the moment someone walks in, you’re basically spoon-feeding them.”

His main advice to retailers opening up: “If it’s possible, do not let anyone in your store, and do not let people touch your stuff — having to go through your store and sanitize it is one of the most stressful and frustrating things you can do in your life.”

—*Sam Dean*

Hotels



Maria Medina cleans a guest bathroom at Chicago's St. Clair Hotel, which recently improved its hygiene protocols as a result of the coronavirus crisis. (Abel Uribe / Chicago Tribune)

The impact of the coronavirus outbreak on the travel industry has been described by experts as being [nine times worse than the fallout from the terrorist strikes of Sept. 11, 2001](#). As of late April, nearly eight out of 10 hotel rooms in the U.S. were empty, according to the data firm STR, and unless demand rebounds in the next three to six months, many hotels will be forced to close permanently.

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Hotels that have not closed due to a slump in demand are removing items from the rooms that guests are likely to touch, such as notepads and room service menus, and shifting to “no contact” room service delivery. Hilton announced plans to lean on its fully contact-less digital key process, which allows guests to check in, access rooms and check out entirely from their smartphones.

TRAVEL

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In some hotels, rooms are now left vacant for 24 to 72 hours between guests to allow for a thorough cleaning, said Alan X. Reay, a hotel consultant and president of Atlas Hospitality Group. But hotels will have a hard time surviving if they operate at

reduced capacity to encourage social distancing.

“If you go for a phased approach, the economics don’t work,” he said, adding that the cost of operating a hotel with 30% occupancy is about the same as operating it with 100% occupancy, since utilities, insurance and core staffing make up the bulk of the operating budget.

Before the coronavirus crisis hit, several major hotel companies launched new brands with small rooms and large lobbies where guests could mingle and socialize.

“That won’t work in today’s post-COVID climate,” Reay said.



Marriott's Moxy Hotels, such as this one in Washington, D.C., have a combination of smaller rooms and larger public spaces that may be an awkward fit for travelers who value social distance. (Marriott International)

Reay believes travelers unwilling to fly or mingle with other guests will prefer hotels without lobbies or elevators near drive-to destinations, such as Santa Barbara, San Louis Obispo or Laguna Beach.

John Thatcher, the innkeeper at the Desert Hot Springs Inn in the Coachella Valley, has seen his business drop by about 70% since the coronavirus outbreak hit.

In between guests, Thatcher said, each room undergoes a thorough cleaning with disinfectant, including scrubbing door knobs and remote controls with alcohol. The hot mineral pool is open, but only one guest is allowed in the water at a time, and guests need to keep distance in common areas.

“We were really killing it since August and September,” he said. “It all came to a screeching halt.” Still, Thatcher said he has received a steady stream of inquiries about room availability, so he expects business to return to normal once the state lifts its stay-at-home orders.

—Hugo Martín

Hands-on Services/Personal Care



A stylist at a salon in Marietta cuts hair on the first day Georgia reopened salons, spas, gyms and bowling alleys. (Jenny Jarvie / Los Angeles Times)

In the 21 years since Molly Scargall opened Goo, her hair salon on Fairfax, she's seen the neighborhood around her transform from a Jewish high street centered around institutions like Canter's Deli to one where teens camp out overnight for the newest Supreme drop.

But reopening in the social distancing era is a new kind of change. Close-contact businesses like hair salons, barber shops, tattoo parlors, gyms and dance studios are in Phase 3 of the state's planned reopening, which Newsom has said may be months away. Once that happens, the social atmosphere of many of these small businesses will have to be replaced with strict schedules, medical-style precautions and long hours.

“Before, I could have a color client under the dryer and another client in my chair, and you could overlap,” Scargall said. “Now it’s just going to be more hours if I want to hit the same revenue.”

Goo is spacious enough to allow for social distancing, and Scargall plans to distribute masks, gloves and disposable capes. She also just ordered a forehead thermometer.

“I’m just crossing my fingers like everybody else,” Scargall said. “And luckily after being in the business for 20 years, my clients are more than clients; they’re friends and family at this point.”

In the fitness business, many in-person workouts can be spread out on a gym or studio floor. But it does, in fact, take two to tango.



Makela Brizuela of Makela Tango gives instructions to students during a lesson on March 11. (Gary Coronado / Los Angeles Times)

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“If they let us open, I will suggest that we meet 10 people at a time, with masks and with gloves, and we will not be touching,” said Makela Brizuela, owner of Culver City’s Makela Tango. “It’s not the same thing as hugging a person, not the same as having a person in your arms and feeling everything, but we will be dancing from six feet apart.”

During the lockdown, Brizuela has made do by teaching tango over video calls to a die-hard group of students who have kept their memberships alive during the

closure. Quarantined by herself, she has used broomsticks to demonstrate a partner's leg movements and dedicates one class a week to discussing the music and history of tango.

She doesn't know if she'll be able to reopen after the shutdown.

"I know in three to four months, I'm going to have a debt of \$15,000. I don't know if people are going to come back or not — my life got destroyed financially, and I know many of my students are in the same boat."

—S.D.

Sports



Cruz Azul and America played a match behind closed doors March 15 at Azteca Stadium in Mexico City. (Hector Vivas / Getty Images)

Sports stadiums and arenas will be among the last businesses to reopen in the state, according to Newsom's plan. But unlike live music venues and theme parks, whose revenue is largely based on people paying to attend, sports venues have already gone a long way toward making their product virtual.

Gate revenue — tickets, parking, hot dogs and beer — is no longer the primary driver of income for teams and leagues. According to a PwC study of the North American sports industry, fees for media rights have exceeded gate revenues since 2017.

The prospect of a televised sports event with no fans might not be aesthetically pleasing, but the financial incentive to get the games back on the air is strong. The NBA and NHL would like to resume their interrupted seasons that way, and Major League Baseball expects to start its delayed season that way soon.

Playing for the audience at home also lets sports organizations avoid lawsuits from broadcasters, who might sue to get out of contracts that provide billions to the major North American leagues.

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“The loss of not coming back, not having the games broadcast and not having the television revenues and some sponsorship revenues and some pay-per-view revenues is far more significant than the loss of playing to smaller or no audiences,” said Marc Ganis, whose Chicago-based Sportscorp Ltd. advises owners in all major sports leagues.

The structure of salary caps in most American sports leagues — with the notable exception of MLB — will likely help teams financially weather the coronavirus cash drought. In those leagues, “roughly 50% of the loss will get covered by the players,” Ganis said. “If the revenues go down, the players will get less money. They don’t have to negotiate that. It’s already there.”

One less obvious place where teams stand to lose out on major revenue: real estate development.

In California, teams have acquired real estate from cities to plan commercial and residential developments that finance stadium construction. The Rams, Angels, Ducks and San Francisco Giants have such developments in process, but the recession could jeopardize the ability of those teams to secure tenants.

—*Bill Shaikin*

Movie Theaters



A screening of “Trolls World Tour” at the Mission Tiki Drive-in Theatre in Montclair. Drive-ins may enjoy a resurgence as a way to enjoy movies without the hassle of social distancing and sanitation measures. (Jay L. Clendenin / Los Angeles Times)

Movie theater owners are optimistic that once they’re allowed to open, they’ll be able to keep going even with strict social distancing in place. But they’re worried they might not have any movies worth screening.

Multiplexes will need to block out seats to create enough space between patrons, skipping rows or laying out reserved seats like a checkerboard. Some have considered temperature checks for moviegoers. Training workers in strict social distancing and sanitary standards — think gloves and masks at the snack counter — will likely become the norm, as will thorough cleanings of auditoriums between screenings.

All of that cuts into revenue, but the heads of the largest theater chains think they can make the math work.

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Sean Gamble, chief operating and financial officer of Cinemark, explained on a call with investors in mid-April that most theaters operate at 40% to 50% capacity anyway, except for a handful of peak weekend screenings.

“Even on a weekend, we’re able to handle a reduced degree of seating capacity because that still tends to be our norm,” Gamble said, enabling the company to conform with social distancing and “do so very profitably.”

But as studios continue to push back major releases, many theaters might hold off on opening until a blockbuster weekend. AMC has said it would be wise to open only “directly in advance of the release of major new movie titles.”

Some are planning repertory schedules to fill the gap. Liberty, Mo.-based B&B Theatres, which operates 50 cinemas, hopes to open with classics including “The Goonies” and “Groundhog Day” and plans to reopen its two [drive-in locations](#) on May 15, before the rest of its circuit, to get people back in the movie-going habit.

“We’re trying to bring people joyful stuff,” said B&B executive vice president Brock Bagby. “‘Groundhog Day’ is perfect right now, because people feel like they’re living in ‘Groundhog Day.’”

—*Ryan Faughnder*



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