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Franchise Owners Parse Many Rules As They Reopen

By HEATHER HADDON

Big restaurant companies with eateries in a number of states are struggling to navigate a thicket of rules as they seek to reopen dining rooms closed by the coronavirus pandemic.

Daniel Fitzpatrick runs one of the country's largest restaurant franchise empires, with 227 Burger King and Chili's outlets across seven states. Over the past three months, Mr. Fitzpatrick said, he has spent hundreds of hours and lengthy Saturday morning calls with his staff to get restaurants into compliance with myriad new guidelines and regulations.

"It's thousands of details," said Mr. Fitzpatrick, co-founder and chief executive of

South Bend, Ind.-based Quality Dining Inc. The company had 9,000 employees before the pandemic.

Big franchisees have been engines of growth for many of the largest U.S. restaurant brands, but the rules for reopening are testing their businesses. While they have bigger operations and financial reserves than independent restaurants, the money spent to make stores ready to reopen comes out of their pockets. Figuring out what, exactly, is allowable—and when—has been a headache, they say.

The social distancing rules imposed by states, counties and cities are meant to slow the virus' spread and keep workers and customers safe. Some states are reporting a



The oldest operating McDonald's, in California. The company issued a 59-page guide to reopen restaurants.

rise in cases as they have relaxed social distancing rules, and some officials worry that restarting local economies too fast could prompt another wave of infections.

Many business owners are taking a slow approach to resuming in-person services, as reopening establishments can be as draining as keeping

them closed. Companies are spending to protect workers and customers as demand remains below prepandemic levels, pressuring some to cut services or raise prices.

Franchise owners say they have spent thousands of dollars to update their restaurants for dine-in business, and they expect many of those

costs to continue throughout the year. Restaurants are going through hundreds of dollars worth of masks a week and are hiring new staff to focus on cleaning and sanitizing.

One of their biggest challenges, they say, is parsing the sometimes conflicting, sometimes minute guidelines set

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out by governments and chain owners. McDonald's Corp. franchisees must follow a 59-page guide the chain created for reopening, while Arby's, the roast-beef sandwich chain owned by private-equity-backed Inspire Brands, issued a 96-page guide to franchisees last month, according to a copy viewed by The Wall Street Journal.

Among other things, Arby's franchisees are advised to post signs reading, "We have the meats, but only half the seats," on tables diners can't occupy. Condiment bars and service bells are ordered to be put away for now. Pizza Hut's reopening guide includes rules for ceiling fans—they must remain turned off—and the proper design for masking tape on floors to mark social distancing.

And, chains say, owners returning to dine-in service must follow federal, state and local rules, even if they diverge. "Recognize that these will change over time and may be conflicting," the Arby's guide states.

"There simply wasn't a blanket set of restrictions that applied to all," said James Miller, chief executive of Vision Investment Group, Inc., the Indiana-based owner of 42 Subway shops in three states. "I don't see us being able to recoup what we lost this year."

Of the 36 states now allowing for dine-in service statewide, 19 say restaurants can fill up to half their seats and four have lower limits, according to investment research firm Gordon Haskett. Six states restrict sit-down service to certain counties, while seven others only allow outdoor dining.

In Colorado, restaurants have a 50% occupancy cap, but the state also limits the num-

ber of customers allowed indoors to 50. For some bigger restaurants, that can mean they are allowed to serve at just 10% capacity, according to the Colorado Restaurant Association, which has asked the state to relax the law.

Rules are changing quickly. Mr. Fitzpatrick closed off tables and installed plexiglass at his 100-plus Burger Kings in Florida, which limited capacity to 25% occupancy when dine-in service began there in early May.

He had to make new adjustments when the state raised the capacity limit two weeks later. Since then, Indiana and Ohio settled on a 50% capacity rule, while Delaware last week set its at 30%.

"It's very random," Mr. Fitzpatrick said.

Industry advocates say it is the patchwork of rules, and not the rules themselves, that is causing pain.

"We would like to see a consistent standard so franchisees don't have to comply with a bunch of laws," said Misty Chally, executive director for the Coalition of Franchise Associations trade group.

Some restaurant owners are also facing costs associated with the unrest and curfews that have accompanied peaceful protests across many U.S. cities after the killing of George Floyd. Mr. Fitzpatrick said he collected 30 rocks hurled at his Burger King restaurant in Fort Wayne, Ind., two weekends ago. He boarded up the restaurant and has to pay for broken equipment, defaced walls and destroyed windows.

Mr. Fitzpatrick is eagerly awaiting the return of dine-in customers. While his Burger King locations benefited from drive-through service, sales at his Chili's restaurants fell by 75% in March and April after the coronavirus hit.

Mr. Fitzpatrick, who is waiting for New Jersey to allow for dine-in service and will tour fully reopened restaurants in Michigan this week, says he plans to reopen as many stores as possible despite the separate rules across his operation's different states.



Chain owner Daniel Fitzpatrick calls varying state rules 'very random.'