



# Business Adaptive Strategies in Crisis: The Case of Restaurants in Portugal during Covid-19

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## Abstract

**Title:** Adaptive Business Strategies in Crisis: The case of restaurants in Portugal during Covid-19

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The following thesis, presented in the form of a case study, focuses on three segments of the restaurant industry: chef-owned restaurants, restaurant groups and individual restaurants. This case study analyses the different responses to the pandemic crisis by the restaurants interviewed in each segment, explaining the different strategic adaptations to the pandemic. Thus, a brief characterisation of the industry is given, the main impacts of Covid-19 on the sector are exemplified and, subsequently, the establishments' responses to changes in the market and consumer behaviour.

During the pandemic, the restaurant industry has undergone several changes as a result of the restrictions imposed by the government for almost two years. The side effects of the pandemic have translated into a series of severe obstacles, from the drastic reduction in tourism, which has deprived restaurants of a vital source of income, to the forced closure of establishments as a measure to contain the virus, putting the survival of countless businesses at risk.

Following the case, theoretical concepts are presented as a teaching tool for a better understanding of the case, such as Wenzel's strategic responses to crises, the resource-based view and dynamic capabilities. Finally, in the resolution proposal, practical suggestions are presented, linking the theory presented with the examples of the case, this case being more aimed at management students, both masters and undergraduate.

## Resumo

**Título:** Estratégias Empresariais Adaptativas em Crise: O caso da restauração, em Portugal, durante a Covid 19

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**Palavras-chave:** estratégia; restaurante; chef; Covid-19; negócio; capacidades dinâmicas; recursos; crise

A seguinte tese, apresentada na forma de estudo de caso, centra-se em três segmentos da restauração: restaurantes de chef, grupos de restauração e restaurantes individuais. Neste estudo de caso são analisadas as diferentes respostas à crise pandémica pelos restaurantes entrevistados, de cada segmento, explicando as diferentes adaptações estratégicas perante a pandemia instalada. Assim, dá-se uma breve caracterização da indústria, exemplifica-se os principais impactos da Covid-19 no setor e, posteriormente, as respostas dos estabelecimentos às alterações do mercado e dos comportamentos do consumidor.

Durante a pandemia, a indústria da restauração sofreu várias mudanças resultantes das restrições impostas pelo governo durante quase 2 anos. Os efeitos colaterais da pandemia traduziram-se numa série de obstáculos severos desde a redução drástica do turismo, que subtraía à restauração uma fonte vital de receitas até ao encerramento forçado de estabelecimentos como medida de contenção do vírus, colocando a sobrevivência de inúmeros negócios em risco.

Seguido do estudo de caso, são apresentados conceitos teóricos, como ferramenta pedagógica, para uma melhor compreensão do caso, como as respostas estratégicas às crises de Wenzel, a visão baseada em recursos e as capacidades dinâmicas. Por último, na proposta de resolução são apresentadas sugestões práticas, interligando a teoria apresentada com os exemplos do caso, sendo este caso mais direcionado para alunos de gestão, tanto de mestrado como licenciatura.

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## A Case Study on Restaurants in Portugal during Covid-19

### **Companies Overview**

Through a holistic approach that takes into account the various dimensions and agents comprising the restaurant sector, a meticulously structured criterion was followed in the selection of interviewees, with the aim of capturing a broad spectrum of perspectives that reflect both the tradition and innovation inherent in restaurants. The division of the subjects of analysis included chef-owned restaurants, representing haute cuisine and providing a unique culinary experience; restaurant groups, demonstrating the impact of large-scale operations; individual restaurants, representing tradition and community outreach; and innovative digital players in the industry, highlighting the crucial role of technology and digitalisation in meeting the challenges posed by the Covid-19 pandemic.

The chef-owned restaurants include Daniel Estriga, who heads the Conceito restaurant and chef Vítor Rocha, owner of the Taberna Criativa restaurant, each with a team of 7 and 5 employees respectively. Chef Estriga opened the Conceito restaurant aged at just 23 in 2011, bringing with him the influence of a family heritage linked to handmade pastries. His professional career has been marked by his collaboration with distinguished chefs Bertílio Gomes and José Avillez. At Conceito, chef Estriga emphasises refined cuisine, favouring high-quality local products. Chef Vítor, with over three decades of experience and an entrepreneurial background in the hotel sector, including at the Sheraton Hotel, opened his own restaurant in 2016. Internationally recognised, the restaurant attracts global customers and has been honoured with several awards, standing out in 2021 as one of the top 10% of restaurants in the world by TripAdvisor.

The restaurant groups include chef Chakall's group, renowned for its vibrant culinary offerings, and the Ibersol group, a colossus in the Portuguese industry, with a wide network of establishments in the fast-food range. At the same time, the study incorporated the Nata Lisboa franchise network, which distinguished itself with more than 20 establishments spread across Portugal and beyond, prior to the pandemic.

Chef Chakall's group was comprised of more than 10 restaurants, with more than 200 employees across the various establishments, from vibrant Lisbon to other key locations such as Porto. It stood out in culinary literature, with numerous awards for its best recipe books. Chef Chakall, an Argentinian imbued with a gastronomic spirit from an early age, emerged from the culinary family atmosphere of his mother's restaurant to rise to stardom in the

gastronomic world. The group encompasses a variety of establishments ranging from pizzerias to Mexican culinary houses, reflecting its rich Latin American roots.

About the Nata Lisboa group, which opened in 2011, its distinctive motto is "The world needs nata", elevating the emblematic pastel de nata beyond Portugal's borders, establishing a strong presence in global cities such as Peterborough, Vienna, Bilbao, Istanbul and Luanda, as well as a robust presence in Portugal. Recognition through awards such as "Portuguese Brand of the Year" by Time Out Lisboa in 2012, as well as being the most internationalised Portuguese brand in the restaurant sector, underline a successful business that acts as an ambassador for Portuguese culture.

With regard to the Ibersol group, following information from the 2020 and 2021 accounts reports, in terms of its operational scale, the group managed a diversified portfolio of well-known brands in various culinary categories, from fast food to more sophisticated dining options. Its brands included international franchises such as Burger King, KFC and Pizza Hut, as well as regional concepts such as RIBS. In 2019, the Ibersol group achieved total revenues of 261 million euros in Portugal, representing more than 50 % of total turnover. Furthermore, upon analyzing the group's financial performance, it was observed that 2021, with a turnover of 348.6 million euros, reflected a growth of 23.7% compared to the previous year, and a contraction of 25.8% compared to 2019. Pizza Hut, with this sub-brand being the focus of analysis, had a presence of 98 units in 2019, representing around 30% of all units in Portugal, employing an average of 20 staff per unit. This significant presence was evident in sales to 12 million customers, with a delivery service covering 1.75 million homes. With staff costs accounting for 31.7 % of turnover in 2021, there was a notable reduction from 36.9 % in 2020. This containment is even more marked when you consider the absolute reduction in staff costs from 152 million euros in 2019 to 106.5 million euros in 2020.

At the same time, the inclusion of a local restaurant, Hamburgueria Hã, made it possible to explore the dynamics of survival on a more intimate scale and closer to the daily reality of most businesses in the restaurant sector. Founded in 2015, this burger restaurant located in Lisbon's emblematic Parque das Nações operated with seven dedicated employees before the pandemic crisis, comfortably seating between 30 and 40 people.

Finally, a look at the agents of innovation: Alvaro Meyer, CEO of Volup, a startup that pioneered the premium food delivery service in Portugal, distinguishing itself not only for its exclusive portfolio of prime restaurants, but also for its competitive commission structure; the CEO of Zomato in Portugal, Nuno Fernandes, a leading platform for evaluating and discovering restaurants, before the pandemic; the Founder of Please, Filipe Marçal, an

innovative delivery tool, market leader in the city of Aveiro, which has revolutionised the way local restaurants connect with their customers; and finally, a former Glovo employee, whose experiences have provided valuable insights into the operational challenges during the pandemic period.

### **Restaurant Sector (Pre and During Pandemic)**

The restaurant industry in Portugal plays a fundamental role in the economic fabric, with tourism being one of the main drivers behind this sector. Tourism's remarkable contribution to the Portuguese economy is reflected in the encouraging figures for 2019, in which the tourism sector reported tourism revenues of over 18 billion euros, with a CAGR (2015 - 2019) of over 17.5%, as indicated by INE in the *Relatório de Turismo in Portugal 2020*. At the same time, before the pandemic, in 2019, the restaurant sector accounted for around 2% of Portugal's GDP and was responsible for 5.2% of the country's employment, according to the *Síntese Estatística Setorial de Restaurantes e Similares by the Gabinete de Estratégia e Estudos*.

Initially, in 2019, the sector was characterized by robustness, with 76,171 companies and 283,438 people working, culminating in a turnover of 10,570 million euros. However, the advent of the global health crisis has set up a scenario of palpable retraction: in 2020, we see a contraction to 73,973 companies (-2.88%) and 262,340 workers (-7.45%), with a sharp drop in turnover to 7,123 million euros (-32.62%), and, in 2021, to 71. 882 companies (-2.82%) and 257,573 professionals (-1.82%), with an increase in turnover to 8,333 million euros (+16.98%), according to the *Síntese Estatística Setorial de Restaurantes e Similares by the Gabinete de Estratégia e Estudos*.

At the same time, the *Inquérito de Análise à Atividade Turística* carried out by AHRESP, in 2021, reports that 52% of companies recorded sharp falls of more than 40% in turnover in April, compared to the same period the previous year, and an alarming 20% predicted falls of more than 75% in May. In addition, the survey revealed that 32% of companies would not be able to meet routine costs, and 26% considered insolvency as a possible consequence.

The scale of the impact is underlined by the fact that 40% of companies have been forced to make redundancies since the start of the state of emergency. Of this fraction, 59 % have reduced their workforce by up to 25%, and 21% have cut more than 50% of jobs. The Simplified Lay Off scheme was a strategy adopted by 81% of companies, which is a temporary

procedure for suspending employment contracts or reducing working hours, with financial support from the state. Of the companies that didn't adopt the Simplified Lay Off, 58% opted for the Progressive Resumption Support, a support mechanism for companies in a business crisis situation, allowing for a reduction in working hours with compensation, all this information according to the *Inquérito de Análise à Atividade Turística* carried out by AHRESP in 2021.

## **Covid Impact and Challenges**

The Covid-19 pandemic, with its waves of contagion and government restrictions, has brought obstacles, hitting the economy hard, specifically the restaurant sector.

The reduction in tourism was a heavy blow, particularly felt in the Algarve and Alentejo regions. These destinations, traditionally dependent on the seasonal influx of visitors, saw a sharp decrease in revenue due to border closures and travel restrictions. Tourism has suffered a setback that has affected not only restaurants, but the entire value chain related to hospitality. In 2020, the tourism sector witnessed a contraction of 50.4%, equivalent to a reduction of 16.5 billion euros for the sector. The substantial drop of 16.5 billion euros can be attributed primarily to the decrease in the export of tourism services. The pandemic's impact was also reflected in GDP, with tourism accounting for just 8% of GDP in 2020, down from 15.3% pre-pandemic, marking the lowest figure since 2000<sup>1</sup>. In addition, it can be said that there was a negative variation of 63% in overnight stays and 62% in guests, comparing 2020 with 2019, as indicated by INE in the *Relatório de Turismo in Portugal 2020*.

The high turnover of staff, which is intrinsic to the sector, has been exacerbated by the pandemic, with around 60,000 people leaving the restaurant industry to look for opportunities in other sectors<sup>2</sup>. It should be noted that, according to the establishments interviewed, it was common practice before the pandemic for workers' pay to include partial cash payments, sometimes representing up to half of their salary, without the appropriate tax declaration. This scheme, although economically advantageous in the short term for employers and employees, turned into a trap when government support measures, such as the simplified lay-off system, were implemented. The consequence was that the significant portion of salary paid "under the table" was not taken into account in the financial support calculations, creating a marked

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1 <https://www.publico.pt/2021/05/14/economia/noticia/pandemia-tirou-165-mil-milhoes-turismo-portugues-2020-1962557>

2 <https://eco.sapo.pt/2022/02/10/alojamento-e-restauracao-perderam-mais-de-76-mil-trabalhadores-em-2021/>

discrepancy between the aid received and usual earnings. This situation, coupled with the inability of many restaurants to continue paying the undeclared remuneration, left workers without sufficient resources to meet basic needs, forcing many to leave the sector.

In terms of increased operating costs, the pandemic has required establishments to significantly increase their hygiene and safety costs. In order to comply with the new public health guidelines, restaurants have had to invest in personal protective equipment, medical-grade disinfectants and ventilation systems, not to mention the need to train staff on new health protocols. These measures, although essential for reopening and safe operation, have had a substantial impact on the sector's already narrow profit margins, highlighting, according to Banco de Portugal in its *Relatório de Impacto da Covid-19 na Economia Portuguesa em 2020*, that the indebtedness of restaurant companies increased by 7.4% in 2020.

The restaurant industry also faced obstacles, particularly in the areas of supply logistics and inventory management. The imposition of health restrictions precipitated a significant contraction in distribution hours, causing suppliers to reduce the frequency of deliveries, exacerbating the complexity of maintaining adequate stocks. At the same time, the disruption in the rate of consumption led to the premature deterioration of stocks, whose expiry dates were abruptly compressed, resulting in critical storage management and cost increases due to the obsolescence of products not consumed. In addition, the global paralysis in the production of essential goods has fostered a marked shortage, accompanied by an escalation in prices, which has translated into an additional obstacle for the operational continuity of restaurant establishments, based on data and analyses provided by the OECD, in the report "*Food Supply Chains and COVID-19: Impacts and Policy Lessons*".

According to the data collected in the interview with Zomato, 2020 saw the closure of approximately 2,000 restaurants, while only 980 establishments were opened, highlighting the commercial imbalance caused by the pandemic. At the same time, restaurants located in shopping centers were the most particularly affected, due to the severe delay in the reopening of shopping centers, which was only allowed by the health authorities in the third phase of lockdown. In the wake of this, with the eventual relaxation of restrictions and the permission to reopen physical spaces, restaurant owners were forced to reconfigure their logistics. The imposition of social distancing in order to minimize the risk of transmitting the virus has forced a significant reduction in customer capacity, which has had a direct impact on revenue.

In Portugal, the government has instituted support measures with the intention of supporting restaurants during periods of forced inactivity and operational restrictions. Portugal's Council of Ministers approved a package of support for the economy worth more

than 1.5 billion euros, of which 750 million were earmarked exclusively for the Apoiar.pt programme<sup>3</sup>. This programme aimed to offer non-refundable subsidies to micro and small businesses affected by significant reductions in turnover during the first nine months of 2020. In addition, the Apoiar Restauração programme was created with a budget of 25 million euros, aimed exclusively at the restaurant sector, to mitigate the losses caused by the periods of compulsory collection due to the State of Emergency<sup>4</sup>. However, the nature of the financial aid, predominantly in the form of loans, although beneficial in the short term, has sown a horizon of uncertainty about long-term financial sustainability, as in the case of the Hã restaurant, which says that the state loan was crucial to the sustainability of the business during the pandemic, but that it is still paying back the loan today. In the case of the Nata Lisboa group, there have been reports that the support for salaries, under the layoff modality, was distributed deficiently and late, reaching only 40% of the amount set aside in the state budget, putting additional pressure on restaurateurs who had to advance salaries without having any income, deepening their debts.

The pandemic has instigated a profound revision of consumption habits in Portugal, as indicated by the *Estudo das Tendências Gastronómicas para 2021 em Portugal* by The Fork. It revealed that a vast majority of Portuguese, specifically more than 85%, recognize the impact of Covid-19 on their food choices. This period of collective introspection has led to a new appreciation of meals at home, with 62% of respondents highlighting the lack of restaurant visits as one of their top three absent activities. In response, there has been a behavioral change: 40% of consumers consider security measures before making reservations, 47% prefer terraces and 51% are leaning towards online reservations, with more punctuality. This transformation also manifested itself in an increased use of delivery services, with 66% of users making more use of these options during the crisis, and 74% expecting this trend to continue. At the same time, the crisis has emphasized the importance of sustainability. As a result, 56% of those surveyed began to value the origin and quality of food more, while 41% began to prefer buying food from more sustainable places. On the restaurant side, the emphasis on sustainability was also evident, with 67% of restaurants devoting more attention to reducing food waste. At the same time, 52% of managers increased their concern about the origin of the ingredients used, consciously opting for suppliers with ecologically responsible practices, a move adopted by 14% of establishments.

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3 <https://www.portugal.gov.pt/pt/gc22/comunicacao/noticia?i=governo-aprova-medidas-de-1550-milhoes-de-euros-para-apoio-a-economia->

4 <https://www.portugal.gov.pt/pt/gc22/comunicacao/noticia?i=setor-da-restauracao-ja-tem-apoios-superiores-a-mil-milhoes-de-euros>

## **Restaurant Resources and Strategic Actions**

This chapter will explore a variety of strategies and measures implemented by restaurants as a reaction to the crisis caused by the COVID-19 pandemic, with a view to continuing their operations in an environment marked by uncertainty and constant transformation.

### **Conceito – Estriga Chef**

The Conceito restaurant, part of the demanding fine dining segment, made the strategic decision to keep its menu unchanged in order to preserve the integrity of its gastronomic proposal, prioritizing the complete culinary experience and a commitment to service excellence, despite the restrictions imposed.

It stood out for its adaptability by expanding its reservation system, established through telephone calls, to include bookings made via Instagram, an innovation that responds to the growing trend for the convenience of digital solutions. This adjustment resulted in around 80% of reservations being made digitally, marking a significant transition from the traditional model to online interactions, with Instagram emerging as a vital channel in the restaurant's business model.

Chef Estriga has developed a multifaceted strategic response to keep his brand in the spotlight. Through the creation of his Branchbox, he gave customers the chance to enjoy a fine dining experience at home, offering a selection of products chosen and prepared by him, while maintaining the connection with his customers during restaurant closures.

In addition, his entrepreneurial sensibility was put into practice by offering specialized advice to other chefs and gastronomic establishments, generating not only a new source of income, but also reinforcing his reputation as a thought leader in the culinary community, sharing knowledge and passion for the art of gastronomy.

Complementing these actions, he was actively involved in training new talents and culinary enthusiasts, who were looking to increase their range of expertise by sharing their vast experience and passion online. At the same time, organizing private events has allowed him to bring the fine dining experience directly to his clients' homes, bypassing the restrictions imposed on restaurant operations.

## **Taberna Criativa – Vítor Chef**

In the refined fine dining segment, the Taberna Criativa restaurant adopted an exemplary attitude in terms of hygiene, investing 3,000 euros during the pandemic period. However, obtaining the AHRESP “Selo Azul”<sup>5</sup> did not represent a significant differentiator for the establishment, since its already loyal clientele was attracted primarily by the gastronomic excellence on offer, rather than by health safety issues.

The operational changes, forced by the circumstances of the pandemic, brought significant challenges for Vítor. His daily tasks were characterized by the purchase of fresh produce using his own van - a distinctive practice in the sector. The contingency imposed by COVID-19 required him to revise this procedure, switching to making purchases every other day. This change presented complications in stock management, especially due to limited storage space, which required even stricter planning and meticulous management of resources.

It has also deliberately chosen not to use conventional delivery platforms in order to preserve the superior quality of its dishes and the exclusivity of the dining experience. In response, it created its own takeaway system, allowing it to maintain the bond with its loyal customers. The latter, in turn, have adapted to the new format, continuing to enjoy the culinary creations, albeit outside of the restaurant's traditional setting.

Additionally, Vítor revealed that he had managed to accumulate enough financial reserves over the years to support the entire team on layoff during a prolonged seven-month closure period, demonstrating remarkable resilience and a firm commitment to his staff, even in the face of the challenges posed by the global pandemic.

## **Chakall Group**

Chef Chakall's restaurants adopted an approach that involved maintaining the operations of all establishments, avoiding closures and layoffs, a measure made possible by applying the layoff regime. Initially, a staff rotation system was adopted, meaning that the people who were on layoff were changed, allowing 70% of the team to remain at home in the first months of the pandemic, adjusting this figure to just 30% before the second wave. Recognizing the change in consumer preferences, Chakall innovated the menu, introducing healthier options suitable for the delivery service, creating empanadas. At the same time, the

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<sup>5</sup> Distinguishes establishments that comply with the recommendations of the Directorate-General for Health to prevent the spread of the new coronavirus. These recommendations range from compliance with social distancing rules to respecting the maximum capacity of restaurants, as well as regulations to ensure personal hygiene, cleaning and disinfection of the space, use of personal protective equipment, and specific requirements for take-away and delivery services.

consolidated reputation of his brand was instrumental in renegotiating more favorable conditions with suppliers. This strategy turned suppliers into strategic partners, extending payment terms for crucial ingredients, such as flour, from conventional periods of 30 to 60 days to extensions of 4 to 5 months.

In response to the health requirements imposed by the pandemic, the group allocated a monthly budget of €2,000 for the purchase of disposable materials, dedicating around 60% of this amount to implementing safety measures against COVID-19. Strict adherence to these sanitary measures culminated in obtaining the AHRESP Blue Seal, a badge of trust and safety highly valued by consumers. The importance of specialized training was also recognized, with the group investing in Diversey outsourcing programs to ensure that all employees were well informed and applied the best hygiene and safety practices.

In addition, the use of social networks was intensified, turning them into a virtual showcase of what customers could expect in terms of the gastronomic offer. The frequency of posts was increased to one a day, establishing social media as the primary communication channel. The pandemic has underlined the relevance of digital, with 37% of new customers being attracted through these means and 70% of bookings made online. The "Clean and Safe" initiatives were also widely publicized on social media, solidifying the image of commitment to safety.

The Chakall group has notably innovated in the field of distribution, opting for an autonomous approach rather than relying on conventional delivery platforms such as Uber Eats and Glovo. The acquisition of two electric scooters, achieved through a strategic partnership that allowed the Chinese scooter brand to be advertised in exchange for the use of the scooters, was a significant step forward. This strategy made it possible to retrain part of the team, which would otherwise have been on layoff, to make 100 deliveries a day, by assigning specific employees to the delivery service and establishing the distribution area and route. It was crucial to create an efficient logistics system, using social networks to attract customers and publicize the service, as well as to manage and monitor orders. At the same time, in an unprecedented collaboration with the Lust nightclub, the "Lá no Rio" restaurant was designed, the brainchild of chef Chakall. This establishment, built inside the nightclub, showed a remarkable capacity for reinvention and adjustment to new market realities. When the chef realized that nightclubs were being rendered unusable due to their legal constitution, which, under government restrictions, did not allow them to open to the public, he adapted the space so that it could be used effectively. To this end, he designed the menu, organized the logistics of the space and set up a dedicated team to deal with the restaurant's daily operations. In addition, the Chakall

group has diversified its customer engagement strategies by implementing online workshops, led by chef Chakall, representing a promising foray into the digitalization of gastronomy services, allowing participants to hone their culinary skills from the comfort of their own homes.

## **Pizza Hut**

During the pandemic, Pizza Hut adopted severe strategies, including laying off around 10% of its staff during the trial period, reflecting the adverse impact imposed by the pandemic. Regarding the menu, given the nature of its products, which were already tailored to the delivery model, it didn't need to make any significant changes. It did, however, stand out for implementing multifaceted operational and logistical strategies to reduce costs during the pandemic period. These include the introduction of a rigorous energy policy, with high-consumption equipment only being activated at strategic times, with the aim of reducing energy consumption. They also adjusted the temperature management of commercial spaces, avoiding the use of air conditioning systems to minimize air circulation and potential contamination, a measure which, in addition to promoting safety, contributed to reducing energy costs.

In terms of inventory management, Pizza Hut transferred raw materials from physical stores to units focused on delivery, optimizing the use of existing stocks. This action, orchestrated after consultations with ASAE to extend the shelf life of products, enabled efficient utilization of existing stocks and mitigated the necessity for new acquisitions, optimizing the resources already available. Following on from this, a drastic but necessary decision was to close unprofitable premises, keeping only those with delivery capacity in operation. This action reduced the number of active venues from 100 to 32 during the first wave of the pandemic. Simultaneously, the logistical restructuring carried out by the top levels of operational management and quality control was reflected in the remodeling of the internal store circuit, with the implementation of separation lines on the production lines. This remodeling was meticulously tested and refined to achieve perfect logistics, in line with the needs imposed by social distancing and health safety measures. Complementing this operational efficiency, the astute negotiation of rents, capitalizing on its market recognition, the group has managed to considerably reduce monthly fixed charges, in a move that has brought rental costs down to a third of the values originally practiced.

The group also stood out for its strategy of valuing internal human capital by implementing regular training sessions throughout the month, focusing on risk behaviors, operational efficiency in store circuits and procedures, as well as safety and hygiene practices.

Essentially conducted by store managers, these training sessions have enabled substantial savings to be made in financial resources by dispensing with external training services.

Finally, despite the robustness of its own delivery system, the group decided to use digital platforms for strategic reasons, including the safety of its employees and the intention to penetrate new markets without increasing operating costs. Previously, Pizza Hut had chosen not to deliver to social housing estates, a precautionary decision to preserve the safety of its employees. Thus, the partnership with digital platforms proved to be an innovative solution that allowed it to circumvent this limitation, extending its delivery service to these areas and broadening its customer base.

### **Nata Lisboa**

The pandemic has required restaurants to make significant adjustments, including simplifying their menus. This approach has resulted in a decrease of around 20% in the variety of products offered in the sector, as reported in the interview with Zomato, exemplified by the elimination of items such as risotto in some establishments due to their logistical challenges in delivery. In the case of Nata Lisboa, following this trend, it focused on reinforcing only the offer of classic products, such as coffee and pastel de nata, its strengths, prioritizing operational efficiency.

In addition, the group revealed that each franchise had to invest an average of 10,000 euros to adapt to the new circumstances. This investment included everything from the purchase of equipment to disposable materials. He also stressed that, during the reopening process, his primary goal was to be at the forefront of applying health protocols. This included the reorganization of spaces to allow for social distancing, the daily preparation of equipment for disinfection, and the proper use of masks and gloves during all operations. This effort was aimed at meeting the preference of customers, who chose hygiene as the decisive criterion for choosing an establishment. With the ambition of gaining a prominent position in the market by rigorously implementing safety measures, the group developed an environment that exceeded common expectations. At the same time, the digitalization of the brand was another front of action, with a particular focus on unifying the online presence of its franchises. Before the pandemic, the group had an almost non-existent digital presence, which changed radically with the focus on social media to create a cohesive image and message among all franchisees.

## **Hã Restaurant**

Hã restaurant adopted a prudent and strategic approach to the challenges posed by the COVID-19 pandemic. Initially, it sent all its staff on layoff, a containment measure adopted in the initial months of the crisis. It then opted to resume operations with a minimum number of employees, ensuring a reduced delivery service, in an attempt to balance operational needs with financial sustainability. Initially reticent about delivery due to the high commissions and the desire to keep prices affordable, the restaurant ended up establishing an exclusive partnership with Uber Eats. This collaboration allowed it to launch unique promotional campaigns and offer exclusive products. At the same time, an effective email and SMS marketing strategy was implemented, drawing on the marketing expertise of the restaurant's manager, to promote the takeaway service and Uber Eats membership, illustrating a proactive adaptation to new market dynamics. He also recognized the importance of adapting the menu strategy to the reality of delivery. The simplification and adaptation of the menu to the digital format was a response to the need to avoid consumer dispersion and to boost sales. Thus, it launched an exclusive burger for sale only through Uber Eats, omitting it from the restaurant menu, and selected a limited number of the most profitable burgers, simplifying the choice for customers in the face of the wide range of possibilities.

On the other hand, a significant effort has been made in terms of protective measures against COVID-19, with an investment of between 5,000 and 10,000 euros in protective materials, including the intensive use of gloves. Notably, the restaurant has assigned an employee exclusively to monitor and ensure compliance with safety regulations, an unusual measure in the sector due to the lack of human resources during the pandemic. In addition, Hã turned its terrace into a strategic asset, enhancing it in a crisis context by obtaining permission to expand the outdoor space. This measure not only increased the restaurant's capacity to welcome customers, offering a safer and more attractive socializing experience, but also strengthened the business's resilience in the face of social distancing restrictions, increasing revenue potential.

## **Innovative Agents**

### **Glovo**

It was highlighted a surprising trend during the pandemic, in which some restaurants opted for a radical measure: the complete closure of their physical spaces, transferring production to home kitchens. This strategy, although rudimentary in nature and not universally applicable to all segments of the industry, represented an audacious move, drastically reducing the costs associated with maintaining a traditional commercial space.

### **Please**

It has developed strategic partnerships with several restaurants with the aim of providing free meals to healthcare professionals in hospitals. This action, with Please assuming the distribution costs, not only contributed significantly to supporting those on the front line of the fight against COVID-19, but also offered the restaurants an opportunity to gain positive visibility.

### **Volup**

Volup highlighted initial resistance on the part of prime segment restaurants to adopting the delivery concept, a hesitation stemming both from the segment's lower level of digitalization and concerns about the suitability of their dishes for the home delivery model. To facilitate the transition to this new paradigm, Volup worked closely with these restaurants to redefine their menus and select products that were well suited to the format. A particularly successful transformation was seen with partner restaurant Kanasaua, which, by implementing an exclusive menu for delivery, saw a significant increase in the volume of orders, from a mere 3 per month to an impressive 70. In this adaptation process, Estriga's concept restaurant also innovated by introducing items such as homemade bread and homemade ketchup, responding directly to its customers' wishes.

### **Zomato**

Faced with restrictions on physical spaces, restaurants have been forced to find new ways to engage and capture the attention of consumers. According to the data collected in the interview with Zomato, there has been a considerable leap in restaurant activity on social

media, with a 33% increase in their presence between 2019 and 2021, reflecting the growing importance of digital platforms as a means of direct and effective communication with the public.

Zomato, recognizing the difficulties faced by micro-enterprises in the sector, has adopted a collaborative approach, reflected in an attitude of business solidarity, refunding the amounts paid for unused services. This measure allowed establishments to have the necessary working capital to continue their operations. In addition, the platform took on a consultative role, offering guidance and operational support to its partners, guiding restaurants through forums to clarify doubts and provide operational advice, as its sales team was not operating.

Notably, according to the data collected in the interview with Zomato, the pandemic has also encouraged collaborative initiatives between brands and restaurants. Renowned brands in the on-trade, especially coffee and wine, adopted marketing strategies that involved offering products to restaurants at no extra cost, in exchange for visibility and advertising. These partnerships, often exclusive, allowed restaurants to cut their costs while the brands expanded their presence on the market free of charge.

An interesting phenomenon, reported in the interview with Zomato, was the union between neighboring restaurants which, despite competition, shared resources to make deliveries. Thus, establishments in the same neighborhood pooled all their employees and personal vehicles, including bicycles, to make deliveries to regular customers at their homes in the local area, representing an alternative option to paying commissions on digital delivery platforms.

In addition, many family-run restaurants have opted to lay off workers from outside the family nucleus, prioritizing the management of operations by the family members themselves. This approach has resulted in more active participation by the owners' descendants, contributing significantly to business sustainability and cost savings.

## Research Note

The next section explores a series of methodologies and theoretical frameworks that aim to provide the analytical substrate for an in-depth understanding of the case study previously outlined. These theoretical constructs were carefully selected in order to complement and expand the analysis of the restaurant sector in Portugal, thus providing the necessary tools for a holistic and rigorous interpretation of the data.

## Strategic Responses to Crisis

In the complex landscape of strategic management in times of crisis, the methodology adopted by Wenzel, Stanske and Lieberman is an ode to the art of resilience and foresight. The authors advocate "strategic agility" as the cornerstone of crisis navigation, arguing that the speed and adaptability of a company's response are as critical as the substantive nature of the actions taken (Wenzel, Stanske, & Lieberman, 2020).

At the heart of their thesis is the concept of "strategic reframing". Wenzel et al. argue that, in the midst of a crisis, companies must engage in a rigorous reassessment and recalibration of their strategic imperatives. This reframing is not a mere reactionary change, but a thoughtful and strategic realignment with the new contours of the business landscape that emerge in the aftermath of a crisis (Wenzel, Stanske, & Lieberman, 2020).

In his study on organizational dynamics in the face of crises, Matthias Wenzel introduces an analysis framework that categorizes companies' response strategies into four main archetypes: Retrenchment, Persevering, Innovating and Exit. Retrenchment: This strategy involves contractionary measures, such as cutting costs, with the aim of stabilizing the organization financially in the short term. Although it can provide immediate relief, this approach can limit the company's ability to innovate and grow in the future. Persevering: This is characterized by maintaining the status quo, in an attempt to preserve existing operations and resources until the crisis subsides. This strategy relies on the resilience of the organization's current structure, but can be risky if the crisis persists for a prolonged period. Innovating: Encourages the company to actively seek out new opportunities by investing in innovation and reconfiguring its operations. This approach can not only help the organization survive the current crisis, but also position itself advantageously for future growth. Exit: This represents the decision to cease operations or divest from specific market segments that have become unsustainable. Although drastic, this strategy may be necessary to preserve resources that can be better used for other opportunities.

Thus, the strategic crisis response methodology is not a static set of prescriptions, but a dynamic and evolving framework that interweaves agility, strategic reformulation and scenario planning. It is a doctrine that seeks to enable companies to face the unpredictability of crises with the dual objective of survival and strategic advantage (Wenzel, Stanske, & Lieberman, 2020).

## Resource-Based View (RBV) and VRIO

The Resource-Based View (RBV) is a fundamental perspective in strategic management, which postulates that a company's superior performance derives from the unique resources and capabilities it possesses. This theory stresses that such resources must be valuable, rare, inimitable and organized (VRIO) to sustain a long-term competitive advantage (Barney, 1991).

Wernerfelt positions company resources as the epicenter of strategic management, arguing that strategic analysis should focus on internal capabilities and resources to develop competitive strategies, rather than just analyzing market positioning (Wernerfelt, 1984).

Penrose (1995) argues that it is not only tangible resources that matter, but also intangible ones, such as the knowledge and experience accumulated by the management team, which enable the company to identify and exploit new market opportunities. He highlights the importance of the diversity of internal resources, suggesting that it is the company's ability to combine and reconfigure these resources in innovative ways that creates new growth opportunities.

Robert M. Grant (1991) and Jay B. Barney (1991) offer essential complementary perspectives to the Resource-Based View, highlighting the importance of internal resources in achieving competitive advantage. Grant points out that competitive advantage emerges not only from the possession of valuable, rare and inimitable resources, but crucially from a company's ability to integrate these resources with market needs effectively and efficiently. He stresses the importance of adapting, combining and exploiting internal resources in response to market changes and customer demands as central to the development of sustainable competitive strategies. For his part, Barney (1995) extended the RBV through the VRIO framework, helping companies to analyze their resources in terms of Value, Rarity, Imitability and Organization to determine whether they can be sources of sustainable competitive advantage. Thus, Barney (1995) tries to explain that in order to identify resources that generate sustainable competitive advantages, it is necessary to answer the following questions: "Do a firm's resources and capabilities add value by enabling it to exploit opportunities and/or neutralize threats?"; "How many competing firms already possess these valuable resources and capabilities?"; "Do firms without a resource or capability face a cost disadvantage in obtaining it compared to firms that already possess it?"; "Is a firm organized to exploit the full competitive potential of its resources and capabilities?".

Thus, Barney (1995) argues that resources only confer competitive advantages when they meet four essential criteria: exploiting opportunities or neutralizing threats; not being possessed by many competing companies; being almost impossible to duplicate by competitors and, above all, recognizing resources that are simultaneously valuable, rare and difficult to imitate, if the company structures itself in such a way as to fully exploit the capabilities. This includes its organizational structure ("A firm's formal reporting structure is a critical component in organizing to exploit the full competitive potential of its resources and capabilities"), management control systems ("Explicit management control systems ensure that decisions and actions throughout the organization align with strategic objectives derived from valuable, rare, and inimitable resources") and compensation policies ("Compensation policies must be designed to motivate and reward behaviors that leverage the firm's unique resources and capabilities for competitive advantage").

Thus, to implement the RBV in practice, one must first identify all the company's resources and then catalog them, using the VRIO framework to assess which of these resources can form a sustainable basis for competitive advantage.

## **Dynamic Capabilities**

Dynamic capabilities propose to explain how organizations are able to adapt, integrate and reconfigure internal resources to face business environments characterized by rapid and constant change, such as crises. This framework emerges as a response to traditional models of competitive advantage, which have proved insufficient to elucidate the sustainability of business performance in volatile contexts (Teece, Pisano & Shuen, 1997).

Teece (2007) argues that dynamic capabilities involve the orchestration of resources for innovation and strategic adaptation, highlighting three main areas: sensing, seizing and transforming. He proposes that for a company to maintain a sustainable competitive advantage, it must constantly "sense" opportunities and threats in the business environment, "seize" these opportunities by leveraging resources in an agile and innovative way, and "transform" its operations to maintain alignment with market demands.

Pisano (2016) highlights the importance of "strategic learning", implying an ability to reflect on past actions, current results and potential future strategic directions, and "innovation", seen not only as the creation of new products or services, but also as the adoption of new processes, business models and approaches that can offer competitive advantages. In this way, it proposes that companies should not only identify capabilities that lead to

competitive advantage, but should also develop systems and processes that allow for continuous experimentation and organizational learning, enhancing survival and success in times of crisis.

Helfat and Peteraf argue that leaders play a key role in identifying opportunities, allocating resources and driving the strategic changes needed to keep the company agile and adaptable. Leadership is seen as a catalyst that enables the organization to develop and apply dynamic capabilities effectively (Helfat & Peteraf, 2009).

Barreto (2010) proposes that the conceptualization of dynamic capabilities should be seen as a multidimensional aggregate construct, i.e. made up of several interrelated dimensions, highlighting the propensity to perceive opportunities and threats, the ability to make timely and market-oriented decisions, and the ability to reconfigure the resource base. Thus, dynamic capability is defined as the firm's potential to solve problems systematically, which means that companies need to develop internal processes that allow them to proactively identify challenges and opportunities, evaluate strategic alternatives and effectively implement reconfiguration actions. Systematization, in this context, involves the creation of organizational routines and the allocation of resources that support continuous learning, experimentation and strategic adaptation.

Thus, the theory of dynamic capabilities can be conceptualized as a continuous process of aligning and realigning the organization's resources and competencies with the demands of a constantly changing business environment. Thus, a model is proposed that integrates the various conceptions presented by the authors, translating into the identification of emerging trends, untapped opportunities or potential threats, followed by the rapid mobilization of resources to capture these opportunities, ending with the adaptation of the structure, culture and internal processes to support the new strategy and ensure a lasting competitive advantage.

## Teaching Notes

The next section will look at the practical use of the case study in the various restaurants that were interviewed, with the aim of applying and testing strategic management skills in concrete situations in the business world, as experienced by these establishments during the pandemic crisis. The way in which they adjusted their strategies to face adversity will be examined.

To this end, a full range of teaching tools will be provided, including examples of analysis questions and their corresponding resolutions. It is important to consider that these

resolutions are representative of one of several possible interpretations, reflecting the plurality of perspectives and different time frames that characterize strategic analysis.

## **Synopsis**

The restaurant industry in Portugal, intertwined with renowned establishments and led by culinary masters such as Daniel Estriga of Conceito restaurant and Vítor Rocha of Taberna Criativa, has been severely shaken by the advent of the Covid-19 pandemic. This sector has faced many challenges, including the sudden stoppage of customer traffic and the imposition of restrictive sanitary measures that have transformed the dynamics of service. The Chakall Group, reflecting the culinary traditions of Latin America, the Nata Lisboa Group, exporter of the pastel de nata tradition, and the Ibersol Group, with its extensive fast-food network, exemplified by the Pizza Hut restaurants, as well as the cozy Restaurante Hã, have also faced this instability, seeking strategies for continuity and adaptation.

The case study describes the various negative impacts generated by Covid-19, mapping the various strategic responses designed and implemented by these players in the restaurant sector in the face of this global health crisis. Emphasis is placed on operational innovations, service restructurings and business model adaptations which, in many cases, transcend the mere response to the crisis to establish themselves as lasting advances.

## **Teaching Objectives**

The core of this academic research lies in training students for an in-depth analysis of business adaptation strategies, particularly in the restaurant sector in Portugal, under the negative influence of the Covid-19 pandemic. Students will be led through an immersive experience in the vicissitudes of real restaurant establishments, scrutinizing how they faced the pandemic storm and the strategic maneuvers they undertook to navigate a rapidly changing market and unpredictable operating conditions.

This case study is designed to enrich students' understanding by offering them a platform to explore beyond the theoretical corpus presented, encouraging the application of varied concepts in the light of their own critical analysis. It is particularly aimed at students on Management, Business Administration or Economics courses, with a keen focus on strategic and operational management modules.

Although previous professional experience is not a requirement, it can prove to be a valuable prism through which restaurants' strategic decisions can be more richly interpreted. A robust grasp of strategic fundamentals is a must, which is why it is recommended that the

lecturer initially inculcates these essential theoretical concepts. Subsequently, the case study should be introduced, catalyzing productive discussions, either in the classroom context, in collaborative working groups, or in individual projects, with the aim of consolidating knowledge and stimulating the practical application of the concepts.

### **Assignment Questions**

1. Based on the categorisation of responses to crises developed by Wenzel, according to the actions of the restaurant companies in the case, segment the different strategies implemented as Retrenchment, Persevering and Innovating.
2. According to the market segments presented in the case, identify and analyse the resources that have given them sustainable competitive advantages.
3. Briefly summarise the main impact of the pandemic on Chakall Group and Pizza Hut. How did they adopt the company's dynamic capabilities to react quickly to the impact of Covid-19?

### **Based on the categorisation of responses to crises developed by Wenzel, according to the actions of the restaurant companies in the case, segment the different strategies implemented as Retrenchment, Persevering and Innovating**

It is essential that students highlight, in the introduction, the multifaceted nature of the strategies adopted by the restaurants in the case, demonstrating that while some emphasized certain typologies, giving a more focused response to that strategic typology, the majority of restaurants adopted a hybrid approach. This should explain that Wenzel's categories are not closed compartments, but rather a spectrum where various strategies coexist and overlap.

Also in the introduction, it is necessary to highlight, in a general way, the main actions implemented by the restaurants in the case, within each category identified by Wenzel, without going into specific details of the restaurants, in order to prepare the ground for a more in-depth analysis. By way of an answer, in Retrenchment, we highlight the reduction in staff and sending them to lay off, as well as simplifying the menu; in Persevering, we highlight renegotiating with suppliers, making better use of social media, and adapting to safety and hygiene measures; finally, in Innovating, we highlight the strong commitment to delivery and creating new ways of reaching customers, such as online workshops and sending baskets to customers' homes, given the restrictions imposed.

Afterwards, students should critically and thoroughly explore the specific actions taken by the restaurants in the case, categorizing them according to Wenzel's typology, using a support table, in order to analyze and explain in more detail some of the measures implemented, interpreting the reason for their inclusion in each category:

Establishment	Action Implemented
<b>Retrenchment</b>	
<b>Vítor Chef</b>	Placing the entire team on lay-off for 7 months
<b>Chakall Group</b>	70% of the team placed on lay-off and 30% in the second wave
<b>Pizza Hut</b>	Laying off 10% of staff
	Reducing energy costs (avoiding the use of air conditioning and strategically activating equipment)
	Closure of physical stores from 100 to 32
<b>Nata Lisboa</b>	Reducing the menu, focusing on the sale of custard tarts and coffee
<b>Hã Restaurant</b>	Placing the entire team on lay-off for the first few months
<b>Zomato</b>	20% reduction in the products offered on the menu
	Dismissal of external workers to the family nucleus

*Table 1- Retrenchment Actions Implemented  
Source: Elaborated by the author*

### Retrenchment

Of all the establishments mentioned, Pizza Hut stands out as the most notable example in the application of the Retrenchment strategy. One notable example is the reduction of approximately 10% of its staff redundant, reflecting a direct measure to reduce operating costs. At the same time, the logistics restructuring exemplified an astute application of the Retrenchment strategy, by drastically reducing the number of active stores from 100 to 32 during the height of the pandemic, managing to significantly reduce its fixed costs related to maintaining underutilized physical spaces.

In addition, the Chakall group, Chef Vítor and Restaurante Hã chose lay-offs as their main short-term cost-cutting mechanism. The lay-off offered immediate relief to the companies' finances by reducing the wage bill, one of the restaurant industry's most substantial fixed costs.

Finally, Nata Lisboa's decision to reduce its menu, focusing exclusively on key products such as cream and coffee, and Zomato's observation of an industry trend to reduce 20% of menu items, reflect effective Retrenchment strategies, being a conscious approach to the need to simplify operations and cut costs, focusing resources on the most profitable and in-demand items.

Establishment	Action Implemented
<b>Persevering</b>	
<b>Estriga Chef</b>	No changes in the menu, with the focus on preserving the integrity of its gastronomic proposal
	Adapting Instagram for digital reservations
<b>Vitor Chef</b>	Investment of €3,000 to comply with health measures
	Reconfiguration of supplier delivery times, boosting the use of its own van
	Obtaining the AHRESP blue seal
<b>Chakall Group</b>	Preservation of all operational establishments, keeping them open, preventing layoffs
	Renegotiating payment deadlines with suppliers
	Allocating a monthly budget of €2,000 for disposable materials
	Obtaining the AHRESP blue seal
	Intensifying the use of social networks, creating a digital showcase for the products available
<b>Pizza Hut</b>	Optimizing existing stocks by transferring raw materials to operational stores
	Extending expiry dates with ASAE, reducing the need for new purchases
	Remodeling internal store circuits, respecting social distancing and focusing on operational efficiency
	Negotiating the amount of rent to be paid for physical stores
	Implementation of regular training throughout the month, focusing on compliance with health measures
<b>Nata Lisboa</b>	Allocation of €10,000 to adapt to new circumstances
	Digitalization of the brand, focused on unifying communication for all franchisees
<b>Hã Restaurant</b>	After opening, the minimum number of employees was guaranteed, ensuring a reduced delivery service
	Strategic implementation of email and SMS marketing, promoting the takeaway service and Uber Eats membership
	Simplification and adaptation of the menu to the digital format, avoiding consumer dispersion
	Investment of between 5 and 10 thousand euros in protective materials
	Appointment of an employee exclusively to ensure compliance with safety regulations
	Transformation of the terrace, expanding the number of seats available
<b>Please</b>	Distribution of free meals to health professionals in hospitals, in partnership with restaurants
<b>Zomato</b>	Partnerships between horeca brands and restaurants
	Neighboring restaurants have teamed up, sharing resources for deliveries

*Table 2 - Persevering Actions Implemented*  
Source: Elaborated by the author

## Persevering

The Hã restaurant stood out for its adherence to the Persevering strategy, showing a determination to maintain current operations in the face of adversity. Maintaining a reduced service with the minimum number of employees, it sought to sustain its economic activity despite the limitations imposed. By implementing direct marketing strategies through email and SMS and adapting the menu to a more digitally accessible format, the restaurant not only sought to maintain engagement with customers, but also to facilitate continuity of service. In addition, the significant investment in security measures and the expansion of the terrace aimed to ensure the viability of the business, in line with Persevering's strategy of focusing on resilience and maintaining the core business.

Pizza Hut, for its part, has applied strategies that reflect the essence of Persevering, adjusting to the conditions imposed by the crisis without fundamentally altering its business

model. Focusing on optimizing existing stocks by transferring raw materials to operational stores for delivery services is a clear example of maximizing the efficiency of available resources. The extension of expiry dates, negotiated with ASAE, was designed to reduce the need for new purchases and optimize existing stocks, reflecting another conscious effort to maintain operational sustainability while minimizing adverse financial impacts. At the same time, the renegotiation of the rents of the physical stores and the implementation of regular training courses, focused on compliance with health measures, underlines Pizza Hut's commitment to ensuring the financial continuity of the business and unifying employees around an understanding of the essential behaviors to adapt to the conditions imposed by the crisis.

Other initiatives, such as the reconfiguration of supplier agreements by chef Vítor and the Chakall group, and the intensified use of social media for communication by Nata Lisboa, Estriga and, notably, the Chakall group, which has created a digital showcase of its available products, underline the application of the Persevering strategy. These actions, which aim to adapt while maintaining the essence of the operation, reinforce the idea that perseverance allows restaurants to continue to serve their customers and maintain their presence in the market, despite challenging circumstances. Community initiatives, such as those highlighted by Please and Zomato, including the distribution of free meals to health professionals and partnerships between horeca brands and restaurants to offer products in exchange for advertising, also exemplify the development of strategies that ensure business functionality, even in the face of adverse circumstances.

Establishment	Action Implemented
<b>Innovating</b>	
<b>Estriga Chef</b>	Sending the Branchbox with products selected by the chef
	Development of specialized training by the chef
	Consulting services provided by the chef
	The chef organizes private events at clients' homes
<b>Vítor Chef</b>	Creation of our own takeaway system
<b>Chakall Group</b>	Menu innovation with the introduction of healthy empanadas for takeaway and delivery
	Autonomous adoption of the delivery system, with the acquisition of 2 electric bikes
	Establishment of a partnership with the Lust nightclub, creating a new restaurant
	Introduction of Christmas baskets as a new offer, both for individuals and companies (Calzedonia)
	Launch of online workshops to engage customers
<b>Pizza Hut</b>	Joining delivery platforms, boosting revenues and entering new markets
<b>Hã Restaurant</b>	Joining delivery platforms, establishing an exclusive partnership with UberEats
<b>Volup</b>	Launch of exclusive menus for delivery, in the fine dining segment

*Table 3 - Innovating Actions Implemented*  
Source: Elaborated by the author

## Innovating

Among the restaurants interviewed, the Chakall group and Chef Estriga stand out for their exceptional ability to adapt and invest in innovation.

Chef Estriga exemplified this innovative mindset through various initiatives, emphasizing the importance of adaptation and reinvention in the face of crises. By launching the "Branchbox" with selected products, Chef Estriga not only responded to the restrictions imposed by the pandemic by maintaining engagement with customers, but also created a new culinary experience. This action reflects an understanding that innovating in the way products are presented and delivered opens up new revenue channels and strengthens ties with customers. In addition, by developing specialized training and providing consulting services, Chef Estriga has cleverly diversified its range of services, restaurant to a growing demand for educational and personalized gastronomic experiences, a strategy that has not only broadened its client base, but also extended the reach of the brand, solidifying the chef's reputation in the market. Holding private events in clients' homes is another example of how innovation can create unique business opportunities, transforming limitations, in this case the closure of restaurant establishments, into new services that adapt to and overcome adverse circumstances.

The Chakall group stood out for its multi-faceted approach to innovation. The introduction of healthy empanadas for delivery responded to the growing demand for healthier and more convenient food options. The independent development of its own delivery system demonstrated a strategic vision in line with Wenzel's Innovation typology, showing not only an agile adaptation to consumer preferences, but also a commitment to sustainable business practices. In addition, the collaboration with the Lust nightclub to convert the space into a new gastronomic proposal highlights the group's ability to redefine and take advantage of underutilized spaces. This approach reflects an innovation strategy that seeks not only to survive the crisis, but also to reinvent customer interaction. Finally, the design of Christmas baskets illustrates an innovative marketing strategy that goes beyond the traditional, promoting the brand in a corporate team building context, underlining a creative exploration of new markets.

In response to the emerging consumer need for delivery and takeaway options, Pizza Hut's partnership with digital delivery platforms, overcoming the restriction of deliveries in social neighborhoods for security reasons, the establishment of exclusivity at UberEats by the restaurant Hã and the creation of its own takeaway system by Chef Vítor, are striking examples of the Innovating strategy. These strategies not only respond to an immediate need, generated by circumstances such as public health restrictions, but also anticipate a lasting change in

consumer preferences, enabling the creation of new business models, redefining the concept of restaurant service.

**According to the market segments presented in the case, identify and analyse the resources that have given them sustainable competitive advantages**

The analysis should begin with the careful identification of the relevant resources for each segment, considering both tangible and intangible resources, in line with Penrose. It should be noted that in order to approach the question, it is imperative to adopt a perspective informed by the RBV and VRIO methodologies. Thus, the students' task is to catalog the resources identified in the case, dividing them by market segment. In this way, they should notice patterns of resources that have proved crucial during the pandemic for each segment.

**Identification**

In the case of restaurant groups, the geographical diversification of their establishments, together with the logic of internal compensation, where financially stronger locations support less profitable ones, are clear examples of the application of the concept of Value and Rarity advocated by Barney. These resources not only provide a solid basis for exploiting opportunities, but also a unique resistance against market threats, demonstrating a sustainable competitive advantage. In addition, the recognition and market notoriety of these groups has given them an advantageous position in negotiations with suppliers and other players in the restaurant chain. Furthermore, the ability to invest, whether in marketing campaigns or in adapting and optimizing processes, as well as the presence of top management teams, allowing for the planning and execution of long-term strategies, reflect the organization, according to Barney's framework (1995), needed to fully capitalize on these valuable and rare resources, allowing these groups to sustain and expand a competitive advantage.

The individual restaurants, most of which are micro-enterprises in the restaurant sector, with restaurant Hã serving as a case example, have capitalized on the easier access to state support aimed specifically at micro-enterprises, which has provided a more stable basis for their financial survival, allowing this segment to neutralize threats and exploit opportunities effectively, in line with Barney's ideas on creating sustainable competitive advantages. In addition, the proximity of these restaurants to their local communities proved to be an important advantage, as the loyalty of local customers was crucial in supporting these businesses.

Likewise, the simplified structure of these establishments provided exceptional responsiveness to change, as the absence of an elaborate hierarchy allowed for faster decision-making.

Chef-owned restaurants, on the other hand, relied on the possession of specialized culinary skills and knowledge, standing out as an invaluable asset because it enabled them to innovate in ways that other establishments could not, opening up avenues for the exploration of new verticals in the restaurant sector.

## **Analysis**

After identifying the resources, the students should apply the VRIO methodology to discern that certain resources stand out not only because of their intrinsic value, but also because of their rarity, difficulty of imitation and the way restaurants have organized themselves to capitalize on them. Thus, they will have to construct a supporting table, analyzing each resource under the criteria of Value, Rarity, Imitability and Organization, managing to diagram the characteristics of the various resources, by segment. This will make it possible to distinguish between resources that confer sustainable competitive advantages and those that only offer temporary benefits. Going deeper into the analysis, students should discuss how the resources identified and analyzed using the VRIO methodology have contributed to the resilience and success of the segments during the pandemic.

Restaurant groups have capitalized on unique resources that other segments have struggled to replicate, solidifying their competitive position. Diversified location has allowed them to mitigate risks associated with variable constraints and disperse geographical risk, adding value by offering access to multiple economies. It is rare because it requires a complex understanding of the market to establish itself effectively in multiple locations. It is difficult to imitate due to the need for financial capital that other segments do not have. The ability to compensate internally is valuable as it allowed the groups to maintain their overall integrity, while being almost inaccessible to smaller operators, as they didn't have a diversified portfolio for such redistribution, and the groups organized themselves to leverage the units that were operational, to the detriment of those that were temporarily closed. Market notoriety stood out as an inimitable resource, as individual establishments and chefs did not have the same recognition to influence purchasing conditions with suppliers, due to the lower volume of purchases. The rarity of market notoriety stems from the need for prolonged effort and considerable investment over several years. In addition, top management teams with advanced planning skills provided value to the groups for their organizational ability to effectively

navigate tumultuous changes, being resources that are difficult to imitate due to the complexity of the skills and experience involved, and there is an organization on the part of the groups to leverage this resource by promoting a robust corporate culture that values leadership.

Individual restaurants have found sustainable competitive advantages in resources adapted to their scale. Access to state support aimed at micro-enterprises provided a financial lifeline that many larger groups could not access directly, given their structure, and these restaurants organized themselves to maximize the benefit of the support, enhancing the sustainability of the business. This resource was complemented by proximity to the community, which served as a crucial support mechanism and was virtually impossible to emulate due to the nature of these relationships, as the restaurant groups had a more impersonal presence. The simplified organizational structure added value through its ability to respond quickly to market changes, and was difficult for the groups to match due to the many layers of bureaucracy.

In chef-owned restaurants, the pandemic has highlighted the importance of specialized culinary skills, adding value by offering unique gastronomic experiences, an intrinsically inimitable resource due to the personal expression and creativity involved. The rarity of this resource is evidenced by the uniqueness of the culinary experience offered, a combination of ingredients, technique and creativity that cannot easily be found in other establishments, due to the uniqueness reinforced by the chef's individual journey, which incorporates cultural influences and personal experiences. Thus, the pandemic has served as a catalyst for these establishments to refine their approach, exploiting these resources through innovative methods, such as introducing gourmet baskets and holding virtual workshops, in order to overcome the barriers imposed.

To conclude, it is important to note that some resources, despite not following a pattern common to all establishments within a segment, have proved crucial to certain restaurants' ability to overcome the crisis. Here it is necessary for students to make an individualized analysis of these examples of resources, serving the Chakall group, when it chose to invest in the acquisition of two motorcycles to carry out its own deliveries. It is also important to note that students should recognize that, although certain resources have not been competitive advantages, due to their transversal application in the various segments, they have played a crucial role in the sustainability of the restaurants. An example of this is the substantial investment in sanitizing spaces and purchasing disposable materials to comply with health regulations.

Resources	Typology	Value	Rarity	Imitability	Organization	Advantage
<b>Restaurant Groups</b>						
Diversified location	Tangible	✓	✓	✓	✓	Sustainable Competitiveness
Internal compensation	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Market reputation	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Investment capacity	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Top management teams	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Training programs	Intangible	✓	✓			Temporary Competitiveness
<b>Individual restaurants</b>						
Access to state support	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Proximity to the community	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Simplified structure	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Exclusive partnerships with delivery platforms	Intangible	✓	✓			Temporary Competitiveness
Expansion of outdoor space	Tangible	✓	✓			Temporary Competitiveness
<b>Chef-owned restaurants</b>						
Specialized culinary skills	Intangible	✓	✓	✓	✓	Sustainable Competitiveness
Private label products	Tangible	✓	✓			Temporary Competitiveness

Figure 4 - Resource analysis by segment using VRIO  
Source: Elaborated by the author

**Briefly summarise the main impact of the pandemic on Chakall Group and Pizza Hut. How did they adopt the company's dynamic capabilities to react quickly to the impact of Covid-19?**

Initially, the general context of the Covid-19 pandemic and its impact on the sector should be presented, with the information provided in the case. Here, students need to have the theoretical concept of dynamic capabilities in mind in order to be able to respond, since it will be the theoretical basis for analyzing the strategic actions taken by the groups under study.

Subsequently, students should carry out a detailed analysis of the impact that the Covid-19 pandemic has had specifically on the Chakall Group and Pizza Hut. This analysis should include a discussion of the significant reduction in revenues, changes in consumer demand, covering both quantitative variations and changes in behavior patterns, as well as the operational challenges experienced. By way of illustration, mention should be made of the closure of more than half of Pizza Hut's outlets and the need for the groups to restrict themselves exclusively to delivery services, due to government restrictions. In addition, the crisis triggered by the pandemic, coupled with the contraction in consumer purchasing power, precipitated a sharp decline in revenues, of almost 26% in the Ibersol group compared to 2019. In addition, it is imperative to elucidate the emerging complications in inventory management for the Chakall group and Pizza Hut establishments, resulting from the downturn in demand, which led to products exceeding their expiration dates. Finally, the behavioral change of customers must be addressed, who, on the one hand, have shown a preference for healthier food options, representing a challenge; and on the other, have raised safety and hygiene criteria

as decisive factors when choosing establishments, imposing on both groups the need to adapt to these new demands.

We then explore how each group responded to these challenges based on their dynamic capabilities:

Faced with the challenges brought about by the pandemic, the Chakall group adopted a posture of resilience, deciding to keep its establishments open and preserve jobs by developing its own delivery system, a choice that reflected a commitment to proactivity and innovation in the face of adversity. Thus, by recognizing the opportunity that delivery represented, avoiding dependence on external platforms that threaten the financial viability of restaurants, the group aligned its strategy with the ideas of Barreto (2010). In its strategy of systematizing processes to implement its own delivery system, the Chakall group adopted specific measures, exemplifying the practical application of the principles of competitive advantage discussed by Barreto. By assigning specific employees to the delivery service, thus guaranteeing its speed and reliability, and by using social networks to attract customers and promote the service, the Chakall group significantly extended its reach and strengthened its connection with the public. These initiatives not only optimized delivery operations, but also raised the brand's profile, demonstrating the positive impact that systematization and innovation have. On the other hand, by identifying a new market opportunity in response to emerging demands for healthier options suitable for delivery, the Chakall Group adopted an innovative approach in line with the principles advocated by Pisano (2016). This approach was not limited to the creation of a new product - empanadas - but extended to the reconfiguration of its operations and the incorporation of this product into the new delivery model. In doing so, the group not only effectively responded to a market need with a creative solution, but also set a new standard in its service, demonstrating how innovation can be applied to create additional value and sustain a competitive advantage, in line with Pisano (2016). Additionally, by redesigning a nightclub to circumvent compulsory closure, the Chakall Group exemplified in a remarkable way the practical application of the multidimensional construct of dynamic capabilities proposed by Barreto (2010). This strategic transformation highlights the group's ability to reconfigure its resources and reimagine their use, generating a new business opportunity. Firstly, the propensity to perceive opportunities is highlighted by the creative identification of a new use for a space previously intended for evening entertainment, then the ability to make timely, market-oriented decisions is evidenced by the group's innovative decision to establish a partnership with the Lust nightclub. Finally, the ability to reconfigure the resource base is

demonstrated by the effective creation of a restaurant within the nightclub space. Thus, this strategic move not only reuses existing resources in an inventive way, but also adapts the business to new circumstances, showing the group's adaptability to adversity.

In the light of Helfat and Peteraf's theory (2009), which stresses the crucial importance of leadership in developing and applying dynamic capabilities, the Ibersol Group's response to the challenges presented reflects a practical example of this perspective. The group's top management, recognizing the need to keep the company agile and adaptable, played a key role in implementing a multi-faceted approach to optimizing operations and cost efficiency at Pizza Hut. This approach included the adoption of strict energy policies and more efficient stock management, as well as the temporary closure of unprofitable locations, with a strategic redirection of the business to focus on delivery. These actions, strategically considered by the leadership, not only demonstrate strategic adaptation and the ability to restructure logistics, but also illustrate the ability to reconfigure internal resources, as evidenced by the remodeling of the internal store circuit to meet the demands of social distancing. By relying on in-house training conducted by store managers, Pizza Hut exemplifies the practical application of Barreto's (2010) concept of the potential of firms to solve problems systematically. This commitment eliminated the need to outsource the training function, ensuring that all employees were properly aligned with health and safety practices. Thus, by identifying and using internal resources, in this case managers, Pizza Hut not only optimized costs, but also responded proactively to the emerging need for strict compliance with hygiene and safety measures. This action, which includes several monthly training sessions, demonstrates the company's ability to evaluate strategic alternatives and effectively implement internal reconfiguration actions, showing strategic management in line with Barreto's (2010) theory of the importance of developing internal processes that allow challenges and opportunities to be capitalized on.

## Conclusion and Limitations

The case study examines the effects of the Covid-19 crisis on various segments of the restaurant industry, analyzing in detail the strategic measures adopted by different establishments to deal with this crisis. Students will have the opportunity to apply theoretical knowledge by analyzing a real business situation, learning about the various tactics for adapting in times of crisis. This case demonstrates how changes in the market and consumption patterns can significantly affect a company, requiring a rapid reaction by modifying processes and restructuring the business.

It was observed that common resource patterns, by segment, allowed for the development of specific strategies, although, in general, the restaurants adopted multifaceted and hybrid strategic planning. This included the implementation of cost-cutting strategies in the short term, as well as long-term resilience and sustainability actions, supported by innovation.

After analyzing the case, the impact of Covid-19 on restaurants became clear, especially due to the reduction in tourism and the measures imposed by the government, which forced establishments to close and restructure in order to comply with health regulations. Faced with this challenging situation, the biggest novelty in the sector has been adherence to the delivery concept, allowing restaurants to keep operations open and reach customers. In addition, Pizza Hut stands out by closing more than half of its spaces and focusing exclusively on stores with delivery options, implementing measures to contain costs and optimize resources. Also noteworthy is the innovative approach of the Chakall group and chef Vítor, who sought new ways of communicating and reaching customers, adapting to the restrictions imposed, creating new business models and verticals.

However, limitations were identified, such as the lack of internal documentation, including account reports and operational data, on the part of the restaurants interviewed, making it difficult to understand the impact of the measures implemented on business sustainability.

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## Appendices

### Appendix 1 - Contracting of Electricity – Ibersol Group

Year	2021	2020	2019	2018	2017
Electricity Consumption Points *	394	364	351	327	310
Global consumption (kWh)	40 157 156	39 243 448	38 652 469	35 982 997	35 482 475
Average Consumption per point (kWh / store)	101 922	107 812	110 121	110 040	114 460
Reduction - same stores 2020 (kWh)	555 691	522 314	652 842	869 886	1 056 929

\* Consumption points vary yearly, both due to opening and closing of stores and the number of units for which it was possible to obtain the figures.

### Appendix 2 – Natural Gas Consumption – Ibersol Group

Year	2021	2020	2019	2018	2017
Consumption points **	226	202	195	182	168
Global consumption (kWh)	17 277 091	16 104 476	15 807 476	14 256 886	13 857 226
Average consumption per point (kWh)	76 447	79 725	81 064	78 335	82 483

\*\* Consumption points vary yearly, both due to opening and closing of stores and the number of units for which it was possible to obtain the figures.

### Appendix 3 – Water Consumption - Ibersol Group

Year	2021	2020	2019	2018	2017
Consumption points **	394	364	351	327	310
Global consumption (m3)	194 785	192 819	192 075	191 568	189 879
Average consumption per point (m3/ store)	494	530	547	586	613

\*\* Consumption points vary yearly, due to opening and closing of stores, changes in equipment and the number of units for which it was possible to obtain the figures.

### Appendix – Ibersol Group Training – 2020



### Appendix 5 - Ibersol Group Training – 2021

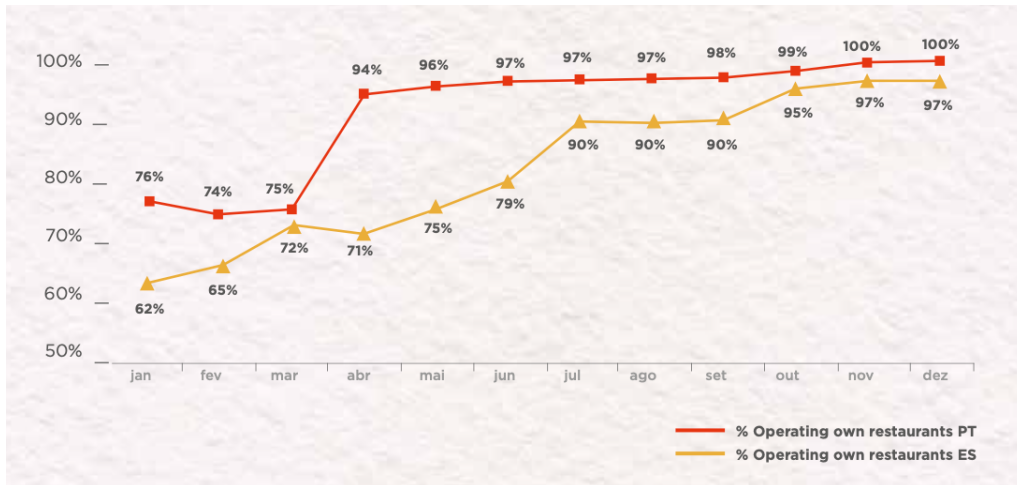


### Appendix 6 – Ibersol Group Operating Stores – 2020

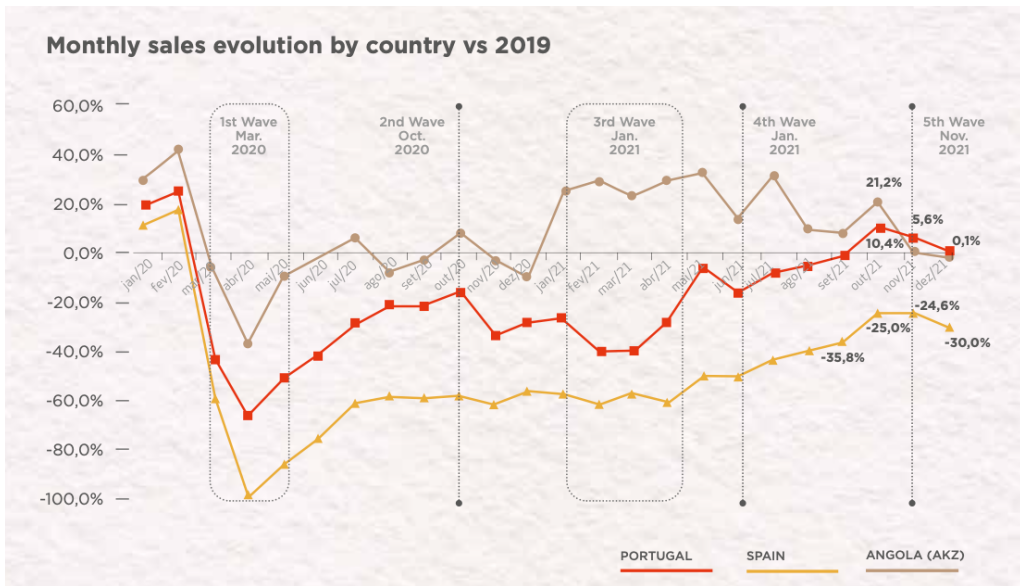
#### % Operating own stores

Mês	Portugal	Spain	Angola
April	36%	6%	60%
May	78%	24%	100%
June	94%	53%	100%
July	95%	62%	100%
August	98%	71%	100%
September	98%	70%	100%
October	98%	67%	100%
November	98%	73%	100%
December	98%	76%	100%

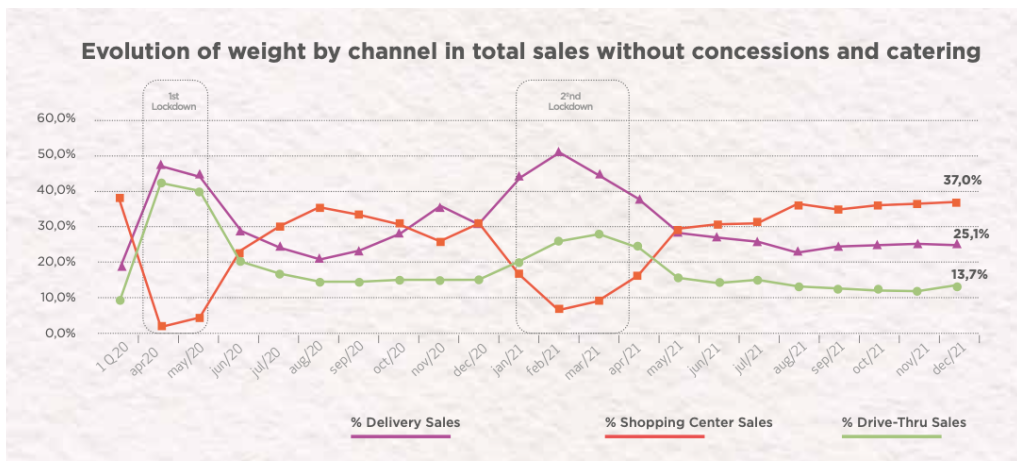
### Appendix 7 – Ibersol Group Operating Stores - 2021



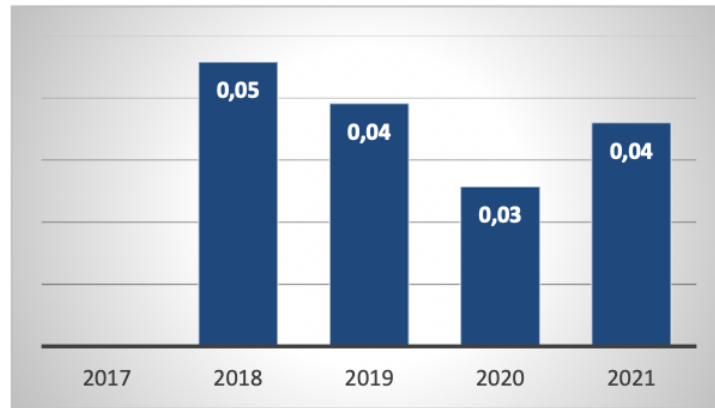
### Appendix 8 – Ibersol Group Monthly Sales



### Anexo 9 – Ibersol Group Sales by Channel



## Appendix 10 – Weight of R&D expenditure in total restaurant companies (%)



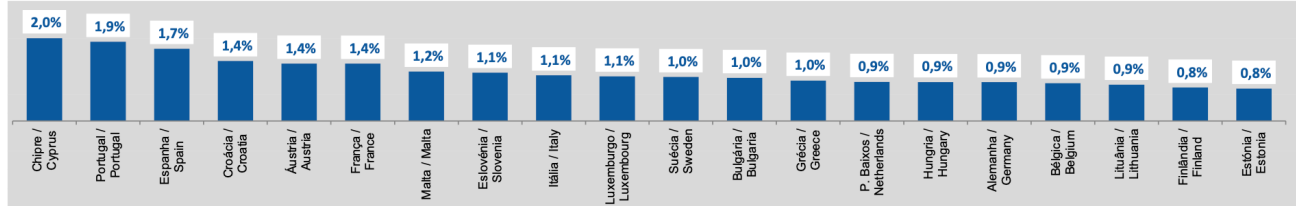
## Appendix 11 – Weight of restaurant GDP in the GDP of the Portuguese economy

### ESTATÍSTICAS DAS EMPRESAS - COMPARAÇÕES EUROPEIAS, 2021 - BUSINESS STATISTICS - EUROPEAN COMPARISONS, 2021 -

Fonte: Eurostat, Structural Business Statistics (Estatísticas Anuais das Empresas) e Eurostat, Contas Nacionais.  
 Source: Structural Business statistics and National Accounts (EUROSTAT).

#### Peso do VAB da CAE 56 no Total do VAB da Economia (preços correntes)

Share of NACE 56 GVA in total GVA of the Economy (current prices)



## Appendix 12 - Weight of restaurant Employment in the Employment of the Portuguese economy

### ESTATÍSTICAS DAS EMPRESAS - COMPARAÇÕES EUROPEIAS, 2021 - BUSINESS STATISTICS - EUROPEAN COMPARISONS, 2021 -

Fonte: Eurostat, Structural Business Statistics (Estatísticas Anuais das Empresas) e Eurostat, Contas Nacionais.  
 Source: Structural Business statistics and National Accounts (EUROSTAT).

#### Peso do Emprego da CAE 56 no Total do Emprego da Economia

Share of NACE 56 Employment in total Employment of the Economy

