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# The Impact of Pandemic Crisis on the Restaurant Business

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Abstract: The COVID-19 pandemic is responsible for a health crisis and, at the same time, for a sharp drop in activities of economic sustainability, particularly in tourism management, and has consequences in most countries that are still difficult to measure. The objective of this research is to identify restaurant entrepreneurs' perceptions about the future, government measures, strategies they will apply, and lessons learned for the future after the mandatory lockdown of restaurants and hospitality establishments related to pandemics. The framework was developed through content analysis with line-by-line coding applied to questionnaires collected online from Portuguese restaurant entrepreneurs. The results reveal the existence of common concerns to all entrepreneurs in the restaurant business for the post-pandemic period, about the measures that the governments should implement, and about the strategies and lessons learned for the future. Resilience in face of the future, fear of a lack of appropriate government measures, strategies designed for markets with greater immediate availability, and the creation of working capital are visible concerns in the restaurant business.

**Keywords:** restaurant business; pandemic crisis; post-crisis management; economic sustainability; tourism management



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# 1. Introduction

Over the last ten years, the Portuguese restaurant industry has experienced enormous growth, associated with the growth of tourism in Portugal, especially in the Algarve coastal regions, Lisbon, and Porto. Further, Portuguese wines, Portuguese cuisine, and Portuguese chefs have become internationally renowned, which has resulted in an increase in the number of wine tourists and gastro tourists. According to Bank of Portugal [1] data, in 2018 the share of the accommodation, catering, and similar sectors represented 10% of companies in Portugal, 9% of people in service, and 3% of turnover.

The restaurant business sector plays an essential role in the economy of a country even though many small and medium-sized restaurants fail during their first four years of activity, which is an example of the need for strategies to financially sustain their business beyond five years [2]. Other authors have also pointed out the importance of a survival strategy for the restaurant sector and for re-establishing consumer confidence [3–5].

Economic sustainability is the additional income provided to local inhabitants to compensate them for the presence of tourists and what that can result in. It can also be defined as the improvements to the local economy that the development of tourism can produce in the long term, taking into account all the impacts that affect the different sectors and the economy of local industries [6]. Núñez-Rios, Sánchez-García, Rojas, and Olivares-Benitez [7] also evince that organizational sustainability and sustainable performance continue to be a challenge for small and medium-sized companies because their resources and organizational structure are very limiting. Unsustainable economic growth generated

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by a strong fiscal stimulus or a combination of tax reductions and increases in expenditure can lead to catastrophic and long-lasting effects on macroeconomic stability in some countries [8].

The recent health crisis caused by COVID-19 quickly turned into a financial downturn due to the restrictions imposed by most countries to control the expansion of this pandemic [9]. This unexpected crisis has particularly affected the tourism industry, and as a result, the restaurant business has been one of the most affected [10]. Restaurants were forced to either close or operate with many limitations, and in Portugal, only takeaway and delivery services were allowed.

Although restaurateurs have experienced and survived many crises in recent decades, this new pandemic will have devastating effects on the world economy, never before experienced in modern times [5,11]. For the first time in history, the world is facing a crisis that has suspended the future of all types of restaurants, with an extraordinarily important weight on the world economy and especially on destinations with a greater tourist and gastronomic vocation, as well as the thousands of people who work in and depend on this industry to survive [12,13].

Economists, professional managers, and restaurant associations warn that, depending on the duration of the pandemic until the re-establishment of normality, in the best-case scenario, thousands of people will lose their jobs due to cost reductions and that, in the worst-case scenario, thousands of spaces, whether recently opened or older, may permanently cease activity [10]. According to Batat [14], the government was asked to declare a state of emergency and other entities were asked to be benevolent in the face of the bankruptcy risk that most small businesses would face due to COVID-19 and the subsequent predictable economic crisis.

According to Kim, Kim, Lee, and Tang, by understanding the characteristics of this pandemic, the financial impacts on the restaurant business can be minimized if counterstrategies are applied. Thus, analysis of the impacts on this sector is essential in order to strengthen financial resilience and sustainability during and after this crisis [5].

Thus, the objectives of this research are to understand how entrepreneurs see the post-pandemic period, to ascertain which governmental measures they would like to see implemented, to understand which strategies they plan to adopt, and to understand what lessons these entrepreneurs are learning for the future while living through the pandemic period. The research questions that this study attempts to address are:

- (1) What are the main concerns that restaurant entrepreneurs have for post-pandemic period?
- (2) What governmental measures do restaurant entrepreneurs aim to see implanted?
- (3) What strategies do restaurant entrepreneurs want to adopt?
- (4) What are the main lessons for restaurant entrepreneurs?

#### 2. Literature Review

#### 2.1. Restaurants and Tourism

The restaurant and food sector is included in the hospitality sector and is an essential part of the tourism sector. A visit to a restaurant is, and always has been, much more than fulfilling a basic function of the human condition—to eat [15,16]. This experiential perspective follows the tourism trend, where increasingly demanding travelers study the destination and its products and services before deciding to visit it [17,18]. Considering the growing importance of the local cuisine as an attribute of a destination, it is crucial to understand what factors contribute to the gastronomic experience and how these factors influence travelers' satisfaction [19].

Restaurants can play a fundamental role as a distinctive element in the competitiveness of destinations because they link food to tourism. In this way, gastronomy can be used as a tourist orientation factor, and restaurants are valuable cultural elements sharing this role with other segments of the cultural industry [20]. Thus, restaurants are used to power tourist destinations, especially those with a greater gastronomic presence [21,22].

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Restaurants operate in a highly competitive business environment, and it is essential that each one develops a distinct gastronomic experience for customers who are increasingly demanding and eager for new sensations [23,24].

## 2.2. Crisis Management in Restaurants

Good management in the restaurant business is based not only on long-researched operational ratios but also on market and competition analysis techniques, such as benchmarking [25,26]. Crises in restaurants can be internal (poor management, poor service, and low-quality products) or external (economic, political, and health issues). The solution to internal crises involves corrective measures, but in external crises, entrepreneurs do not have control over the business environment and are, therefore, dependent on government support and measures to overcome the crisis [27,28]. In times of crisis or post-crisis, competitiveness among market players increases as demand decreases [29,30].

Although there have been other global crises such as the severe acute respiratory syndrome (SARS) health crisis in 2003 and the subprime economy in 2008, which had major impacts on the tourism industry, the present crisis has different outlines, as there was a mandatory lockdown which has never happened before [10,31–33].

## 2.3. Characterization of the Portuguese Case

Associated with the increasing number of food and beverage establishments, which has been boosted by the growth of the tourism industry, is the establishment of Portuguese cuisine and its autochthonous products, as well as the recognition of a new generation of chefs. Thus, it is not by chance that the quality of restaurants in Portugal has increased considerably in recent years, which is reflected in an increase in the number of starred restaurants in the Michelin Guide. This is considered worldwide and, especially in Europe, as the greatest recognition that can be attributed to a food and beverage establishment [34].

Restaurants and similar services accounted for 79% of companies in the tourism sector, 62% of turnover, and 73% of the number of people working in the sector. The Lisbon Metropolitan Area added 45% of the sector's turnover, followed by the North and Algarve regions (20% and 13% respectively). The Algarve and the Autonomous Region of Madeira were the regions where the sector was most relevant, representing 20% and 11%, respectively, of the turnover of the companies based there [1].

# 2.4. The Voice of Restaurateurs during the Pandemic Crisis

According to a study by the Portuguese Restaurants and Hotel Owners Association, [35], 75% of restaurants stopped working for about two months, and only 25% were partially active, using takeaway and/or delivery. It also states that 70% will not be able to pay salaries if there is not timely government support, 30% of the companies were considering insolvency, and 60% clearly stated that the governmental support is not adequate to their needs and indicated non-refundable funding as a priority. This study also affirms that the impact on employment and invoicing is tremendous and that it is necessary to determine more complete measures for direct support to companies' cash-flow so that they can survive and maintain jobs.

# 2.5. Preparing for the After-Crisis Period

Although different scenarios can be drawn, both more optimistic or more pessimistic, no one can really predict when the world will return to normal after the COVID-19 pandemic. This pandemic has reached each part of the world at a different pace and, specifically, each country, where different measures have been implemented. In almost all countries in Europe at the moment, the opening of catering spaces is beginning to be allowed, even though with restrictions on the capacity and rules about the area per table, as well as reinforced hygiene measures.

Many chefs and famous entrepreneurs have expressed their concern about reopening, not only because of the restrictions imposed but, above all, because of the absence of cus-

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tomers, who will initially be anxious about going to restaurants. Chefs like Joan Roca, who heads the kitchen of the 3-Michelin-star restaurant El Celler de Can Roca in Spain, says that the solution for the moment is to rethink the business model and to offer low-priced menus so that they can survive [36]. The restaurant Noma (2-Michelin-star), in Denmark, once considered the best restaurant in the world and owned by Chef René Redzepi, has been transformed into a wine bar that sells hamburgers in order to survive [37]. Martín Berasategui, who owns the Martin Berasategui 3-Michelin-star restaurant in Spain, among other starred restaurants owners, agrees with the measures that have been taken, stating that the biggest challenge is for customers to lose their fear of going back to restaurants [38]. For José Avillez, the highest-profile Portuguese chef, who is in charge of the 2-Michelin-star restaurant Belcanto in Portugal and employs around 500 workers in the various restaurants that he owns, the restaurant, hotel, and tourism sectors, in general, will take a long time to recover after the pandemic crisis, and he is sure that the concept of luxury in the restaurant business will certainly change [39].

Another study carried out on strategies to deal with the crisis of fine dining restaurants in Germany states that the most appropriate measures are takeaway service, selling vouchers, the closure for maintenance works, and/or the use of solidarity campaigns [40].

#### 3. Materials and Methods

#### 3.1. Context

Data were collected through an online qualitative questionnaire, which proved to be the most suitable, given the contingencies related to the pandemic confinement. The format was similar to an interview, which was impossible to accomplish for qualitative data collection. The questionnaire was released with a non-probability sampling method based on a voluntary response sample of restaurant business entrepreneurs during March 2020, and 227 questionnaires were validated from a universe of about 33 thousand restaurants and similar businesses. This corresponds to a representative sample of the population for a degree of confidence of 85% and a margin of error of 5%.

## 3.2. Participants

The sample included 13% business managers and 87% business owners. The number of years of activity of the respondents' restaurants, according to the categorization used by Banco de Portugal [41] in the characterization of the restaurant and similar sector, was distributed as follows: up to five years of activity (28%), six to ten years of activity (21%), and more than ten years of activity (51%). The data obtained do not exactly match the country's reality, i.e., 43%, 14%, and 43%, respectively, in each category.

With regard to the types of establishment, the sample included typical restaurants (49%), fine dining restaurants (14%), bar or coffee shops (11%), fast food, hamburger shops or takeaway restaurants (7%), international restaurants (5%), restaurants in accommodation (4%), events restaurants (3%), and others (7%).

Geographically, the entrepreneurs' establishments were distributed as follows: North (31%), Centre (14%), Lisbon Metropolitan Area (35%), Alentejo (9%), Algarve (5%), Autonomous Region of the Azores (2%), and Autonomous Region of Madeira (3%). Some of the respondents have establishments in several places in the country (1%). This distribution approximately matches the distribution of restaurant and similar companies disclosed by the Bank of Portugal, namely and respectively, 28%, 17%, 37%, 5%, 8%, 1%, and 4%. It should be noted that, as in the regional distribution of Banco de Portugal, more than half of the establishments are concentrated in the Northern and Lisbon Metropolitan Area as in this study's sample.

This analysis enhances the quality of the sample obtained for statistical purposes as the data do not deviate considerably from the reality of the sector in Portugal.

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#### 3.3. Methods

In qualitative research, as it is a reflective process that reveals the strengths of a qualitative approach, to understand the perspectives of others, the process of questioning is crucial [42]. There is a temptation to quantify social phenomena, but it is the quality and richness of the responses that can help to respond to social situations [43]. Qualitative methods are the non-mathematical processes of interpretation, carried out with the aim of discovering concepts and relationships in data and then organizing them in a theoretical explanatory scheme. The choice of this method is related to the nature of the problem, and its use is typical when research attempts to understand the meaning and nature of people's experience with difficulties, so one can go to the field and find out what people are doing and feeling [44].

Grounded theory consists of finding a theory from data obtained systematically and analyzed in social research and is a way to arrive at the theory that is adequate for its supposed practices and providing modes of conceptualization. As an initial approach, a systematic discovery of the theory should be made from social research data to ensure that the theory will be applicable, that the categories identified will make it possible to understand the phenomenon, and that it cannot be easily refuted by the repetition of the analyzed experience [45].

Qualitative methods make it possible to discover the origin of a phenomenon, to code the experiences of individuals, and to verify whether a given situation can be described with a theoretical or conceptual structure associated with phenomena like feelings, thought processes, and emotions, which are difficult to extract or learn about through more conventional research methods [44,46].

Coding is the analytic process through which data are fractured, conceptualized, and integrated to form theory. It provides analytic tools for handling masses of data and helps to consider alternative meanings of phenomena. It is simultaneously systematic and creative and identifies, develops, and relates the concepts that are the building blocks of the theory [44]. For this analysis, line-by-line coding, a combination of open and axial coding, was used to perform content analysis and contributed to the identification of key concepts [47,48]. The codification process is an integral part of a qualitative research process, although it is often underestimated both in methods and in the literature [49]. Based on a conceptualized decision-making process, the authors synthesized the main practical aspects of the study, condensing all the responses obtained for each question.

In a research process applied to business, one should bring to bear concepts associated with managerial behavior like organizational, marketing, economic, or systems concepts, and in grounded theory, one has to look for patterns and reoccurring events in data by comparing different data [50].

#### 4. Results

## 4.1. Perception about the Post-Pandemic Period

The purpose of this analysis was to assess how entrepreneurs in the restaurant business sector during the pandemic crisis perceived the post-pandemic period.

About post-pandemic period anxieties, four major themes were identified: "pessimism" within a perspective of slow and difficult recovery; "resilience", associated with starting over and acting; "uncertainty", which was observed in chaos and survival; and the "opportunities" visible in the trust and in customers, particularly in the internal market (Table 1).

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Table 1. Line-by-line coding for post-pandemic perceptions.

Selective Coding	Main Themes
seasonal, survival, period, recovery, slow, difficult, companies, survive	Pessimism
start, slow, entrepreneurs, easy, domestic market, accounts, cash-flow	Resilience
difficult, it depends, time, closed, ability, survive	Uncertainty
opportunity, owners, reorientation, models, flexibility, gastronomy, to value, roots, attract, foreign public	Opportunities
	seasonal, survival, period, recovery, slow, difficult, companies, survive  start, slow, entrepreneurs, easy, domestic market, accounts, cash-flow  difficult, it depends, time, closed, ability, survive  opportunity, owners, reorientation, models, flexibility, gastronomy, to value, roots, attract,

It can thus be seen that, with regard to the post-pandemic period, there is a certain pessimism in the responses of the participants, although there is also a feeling of resilience, allied to the willingness to act, with new opportunities and new beginnings, which are difficult to anticipate in the face of the uncertainty of the future.

## 4.2. Governmental Measures

Regarding the governmental measures to support the restaurant sector, line-by-line coding exposed entrepreneurs' needs to have support for "operational costs", "maintenance of workplaces", lines of "credit" simplified at zero rate or even with a non-refundable component and with a grace period until the start of payment, mainly for micro and small family businesses. This analysis also highlights that the request for support measures should involve less "bureaucracy" and "taxes" and that other state expenses, such as VAT or social security, should be revised (Table 2).

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**Table 2.** Line-by-line coding for governmental measures.

Line-by-Line Coding	Selective Coding	Main Themes
To support companies' cash-flow in fixed costs (rent, accountant, communications, insurance, personnel) until the end of the state of emergency.	support, treasury, companies, fixed costs, state, emergency	Operating costs
To avoid unemployment with simple measures, namely 70% of wages should be paid by social security and not by the entrepreneur, who currently has no cash fund	avoid, unemployment, measures, wages, paid, entrepreneur, fund, treasury	Maintenance of workplaces
Zero-rate credit lines, with a 12-month grace period, mainly for micro and small family businesses	credit, rate, zero, grace, payment, micro, small, businesses	Credit
In practice, so far, there are just difficulties, my request for support has no longer been covered. At the moment I will have to apply again, and I have six families waiting for their wages.	difficulties, support, applying, salaries	Bureaucracy
Taxes should be reviewed in order to be able to handle it, in addition to monetary support, for sure.  VAT, personal income tax, social security exemption. In the future, reduced VAT for restaurants.	taxes, review, support, exemption, reduction	Taxes
Source: Authors		

Regarding government measures, there is a focus on the need for tax, interest, and credit-related support to increase the liquidity of the business, allowing the payment of expenses and the maintenance of jobs, and it is desirable that the process for access to such support should be less bureaucratic.

### 4.3. Strategies for the Future

In the analysis of strategies for the future indicated by the restaurant business entrepreneurs in the sector, the line-by-line coding process reinforced the intention of the entrepreneurs to "restart" the activity as if it were the first day, with all that this implies: fear, dedication, care, and a great will to win, to keep the team and start at full strength and to launch new services such as takeaway and deliveries. On the other hand, recovering old customers and capturing a new "target public" through product innovation and new forms of service were also widely mentioned in the responses. Another aspect that the participants emphasized was the need to reinforce investment in "communication" through, for example, advertising on social networks and in the strategy to enhance corporate marketing actions. Finally, it appears that many entrepreneurs see the need to increase the number of hours of service as a way to increase the average number of meals while maintaining the quality of the "service" (Table 3).

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**Table 3.** Line-by-line coding with strategies for the future.

Selective Coding	Main Themes
restart, fear, dedication, care, will, win, continue, making, changes, maintain, quality, service, welcome	Restart
start, zero, launch, new, services	Takeaway
recover, customers, collect, new, innovation, rethink, business, national	Target public
marketing advertising, social networks, promotions, leverage, business, actions, marketing	Communication
To captivate, offer, quality/price, appealing menus, competitive, reinforcement, measures, hygiene, safety, open, more hours, increase, capacity, number, meals	Service
	restart, fear, dedication, care, will, win, continue, making, changes, maintain, quality, service, welcome  start, zero, launch, new, services  recover, customers, collect, new, innovation, rethink, business, national  marketing advertising, social networks, promotions, leverage, business, actions, marketing  To captivate, offer, quality/price, appealing menus, competitive, reinforcement, measures, hygiene, safety, open, more hours, increase, capacity,

With regard to the strategies to be adopted by entrepreneurs in the sector, there is growing concern with the maintenance of jobs, and there is also a will to restart and reopen, focused on customers, through communication strategies and changes to the type of service, that should include takeaway to survive the current crisis.

# 4.4. Lessons for the Future

Regarding the lessons that this pandemic has brought to the future of the restaurant sector, the line-by-line coding process allowed four major topics to be discerned: "management", "fund", "hygiene", and "social commitment". The "management" topic is based on rethinking the catering operation in order to increase profit margins and to create a sustainable business in the long term, with more controlled investments and shorter returns and by diversifying activities. The need for a "fund" is related to a working safeguard capital for similar situations. Concerning "hygiene", participants highlighted the importance of valuing health, of implementing systems for greater perceived safety by customers, and of cleaning spaces. Finally, the topic of "social commitment" aims at the need for a re-education of the players in the restaurant business, with new habits and ways of life and betting on the motto "happy business, happy workers, happy customers" (Table 4).

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**Table 4.** Line-by-line coding with lessons for the future.

Selective Coding	Main Themes
restoration, rethought, increase, margins, profit, sustainable business, long-term, reinvent, investments, controlled, returns, short, diversify	Management
working capital	Fund
implement, systems, transmit, customers, security, sanitize, to create, tools, mechanisms, health, government, equip, train, simulations	Hygiene
to learn, human, planet, re-education, new habits, to value, health, business employees, customers, happy	Social Commitment
	restoration, rethought, increase, margins, profit, sustainable business, long-term, reinvent, investments, controlled, returns, short, diversify  working capital  implement, systems, transmit, customers, security, sanitize, to create, tools, mechanisms, health, government, equip, train, simulations  to learn, human, planet, re-education, new habits, to value, health, business

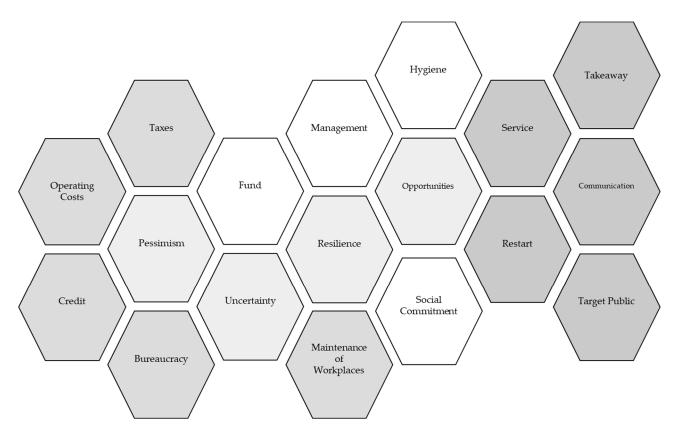
Learning for the future considers the need for changes in management and investment so that companies can be prepared for similar situations, for example with a reserve fund. The lessons for the future also include social commitment and a commitment to new and better hygiene rules that can increase customer confidence.

Figure 1 makes it possible to visually observe the connections found between the themes obtained for each of the four questions asked to restaurant entrepreneurs. Each of the four grey hues refers to the themes obtained from the analysis of each of the four questions. The proximity of the themes is related to the connections identified globally in line-by-line coding analysis of all answers.

The post-pandemic period is seen somewhat pessimistically by entrepreneurs as associated with the need for governmental measures that allow the payment of operational costs and taxes, such as credit that they can access with less bureaucracy. Bureaucracy is responsible for some uncertainty in the face of the post-pandemic period, as well as the need to maintain jobs and the absence of reserve funds, which is now understood as a lesson for the future.

The concern with the maintenance of jobs, among the government measures that are considered most appropriate, reveals important social commitment as a lesson for the future associated with a resilient vision of the post-pandemic period. This social commitment is also connected with a view of the post-pandemic period as a period of opportunities. Entrepreneurs who believe in resilience and new opportunities will adapt their management models in the future, thinking of a restart strategy.

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**Figure 1.** Connection between themes.

The restart strategy involves the re-creation of the type of service offered by restaurants, which will be done by providing takeaway and installing hygiene measures. These changes, combined with a good communication strategy, redirecting to a new target public, are seen as excellent strategies for the future by restaurant entrepreneurs.

## 5. Discussion and Conclusions

The relationship between economic growth and tourism is not stable over time and is highly dependent on unique events such as the Great Recession of 2007, which turned into a debt crisis in 2010. The impact of these crises is more pronounced in countries such as Portugal [51]. It is also known that long-term holidays appear to be more resistant to crises, while shorter holidays are more resistant to on/off events [52].

There are few studies that focus on internal crises and on the experience of the entrepreneur during the sequence of events leading up to the crisis and their implications for entrepreneurship, as well as studies that show how firms respond to this type of crisis. This is because most studies focus either on pre-crisis planning or on post-crisis response, so this analysis aims to contribute to an analysis of resilience and crisis management [53,54].

This analysis detected not only the entrepreneurs' perception of the ability to withstand such a shock but also their capacity to recover, which is one of the definitions of resilience [55]. This concern with economic survival in the post-pandemic period has already been revealed in the literature on crisis management in small businesses like restaurants [56,57].

The fear of a lack of adequate government measures for the restaurant business is present in previous studies of natural crises in which entrepreneurs also fear the lack of access to capital, cash-flow, and staff concerns [56].

The strategy of relying on the domestic market is in line with previous studies [58,59] that show that a dominant strategy may be to direct communication to the domestic market that has been less affected by the crisis. Making a change in the management model that

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may involve adjustments in the operational business model will allow a smaller number of jobs to be maintained in the future.

The restaurant industry should consider increasing advertising expenditure during this type of crisis in order to start recovery immediately and as a form of informative communication with its consumers, providing important safety-related tips. Thus, the focus on communication is clearly a strategy to be followed by entrepreneurs which confirms the findings of other related studies [5,57]. As for the hotel industry, restaurants should develop businesses located in large cities in a more sustainable way and in all marketing contexts, starting with products and going through prices, promotion, and distribution [60].

Results of previous research [54] have shown that restaurants use more proactive than passive strategies in response to certain types of crisis, involving regulatory agencies and customers. This can be observed in the present study, with concern about hygiene regulations as a way to provide safety to customers.

The main originality of this research lies in the fact that it began during the first moments of the awareness of the pandemic in Portugal, immediately after the first closures, allowing perceptions about the future to be evaluated and solutions to be anticipated. However, this research should be complemented with a longitudinal study on the aftermath of this pandemic crisis.

Research on COVID-19 is crucial because it leads to answers to real-life issues [61]. Knowledge about the anxieties and desires of a given business sector allows policymakers to adapt solutions to the needs of entrepreneurs, which will strengthen confidence in the economy and in the future. In terms of social implications, this research revealed that entrepreneurs in the sector are concerned about maintaining jobs, while understanding their vision of the future after the pandemic can help the state to complement the measures they have adopted with others that will help to ensure continuity and subsequently to maintain jobs.

In order to analyze the economic, socio-cultural, political, and environmental consequences of the COVID-19 pandemic, this theme should have a prominent position in non-health research in the near future, particularly in the social and human sciences, so that early evolution of emerging scientific knowledge that allows evidence-based policymaking can be achieved [61]. The fact that this study has identified the industry's awareness of the need to make business more economically and environmentally sustainable is also an important conclusion for the future.

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