

Analysis and Prospects of Business Models in China's Emerging Catering Industry

Siying Ren^{1,a,*}

¹*International Business College, Dongbei University of Finance and Economics, Dalian, China*
a. 2021211608@stumail.dufe.edu.cn

**corresponding author*

Abstract: With the improvement of the national economic level and consumption upgrading, the catering industry plays an increasingly important role in daily life. It has become an important indicator to measure the social and economic development of a region and reflects the real situation of the living environment and investment environment of a region. The catering industry and the development of the times are closely related. the catering industry promotes the development of the times to a certain extent. Also, the progress of the times boosts the development of the catering industry, providing opportunities and challenges. This paper focuses on the development status and business model of the emerging catering industry and explores the characteristics of the relevant business model. Combined with the five-year financial statements of the emerging catering giant Haidilao Company, the company's business model is analyzed in depth to find out the factors affecting the company's financial situation. After that, this paper makes a scientific prediction for the future development of the company and puts forward reasonable suggestions.

Keywords: Emerging restaurant industry, Financial statements, Business model

1. Introduction

As a commercial entity, the food and beverage industry has played an important role in promoting the national economy and social development, so it can stimulate the consumption of citizens, drive the increase of related taxes, and effectively promote the growth of the national economy; as a labor-intensive industry, the catering industry's growth can also provide citizens with more jobs, absorb surplus labor, which is conducive to social stability and harmony. At the same time, the diversified and personalized business model of the catering industry can greatly meet the needs of citizens, improve their quality of life, and enhance their sense of well-being; the exchange of different food cultures can also promote the integration and inheritance of culture.

Compared with the traditional catering industry, the catering industry that has emerged in recent years is generated by the upgrading of consumption and changes in market demand, benefiting from technological innovation and business model innovation.

In December 2019, the COVID-19 outbreak in China, the epidemic has brought a lot of changes to people's lives and has had a huge impact on China's catering industry. It has attracted the attention of some people. Ma, researching the case study and field survey, analyzed the significant impact of the COVID-19 outbreak on China's catering industry in-depth from the three levels of the catering industry itself, the main body of the catering industry and the customers, and put forward the

strategies to promote the sustainable development of this industry [1]. Zhou and Yan take Haidilao as an example to analyze the financial dilemmas faced by Haidilao enterprises and the countermeasures during the epidemic period. These researchers put forward the coping measures and improvement methods for the enterprises during the epidemic crisis, which provide theoretical support for the sustainable development of the catering industry in a specific context [2]. Customers are the main consumers, but also the ultimate beneficiaries of the high-quality development of the catering industry. Zhang selected Chinese traditional catering chains and different customer groups and conducted a case study to find out the factors affecting the customer's preferences. This research improved the traditional catering industry marketing model of innovative strategies and methods [3]. Paying attention to the problem of customers in the catering industry, Ouyang et al. believed that with the improvement of the economic level, the customer's requirements for food, clothing, housing, and transportation have become higher, which has led to the improvement of the quality standards of the catering industry, and the competition will become increasingly fierce. They explored and analyzed the hot consumption of Internet-famous catering enterprises, discussed the importance of "customer stickiness", and made suggestions for the long-term development of such an industry in China [4]. Some researchers are concerned about the predicament of the catering industry and are committed to seeking effective strategies. Feng found that some of the traditional business management concepts and modes can not keep up with the development of the times, cutting down the competitiveness of catering enterprises. Therefore, they deeply discuss how to combine the management of catering enterprises with the needs of the development of the new era [5].

How to develop the catering industry in a long-term and sustainable way has also attracted the attention of researchers. Zhang et al. analyzed the influencing factors of the development of China's catering industry by selecting nine indicators from several provinces in China and then comparing each region's catering industry. It was concluded that management ability, regional economy, and branding ability all have different degrees of influence on the overall industry [6].

Joe analyzes the internal environment of the catering industry and China's economic environment through the surface of the rapid development of China's catering industry and explores some new strategies for the sustainable development of this industry [7]. Wang et al., explored the spatial distribution pattern of Haidilao and the external factors affecting the development of Haidilao, focus on China's food and beverage industry location selection and optimization of the layout to give advice [8]. With the rapid development of social and economic, big data has become the main theme of the times, with more and more impact on people's lives, the catering industry is also facing new challenges. How to adapt to the development of the times, to create a "big data + catering" new model is worth every industry insider thinking deeply about. Peng conducted an in-depth analysis of the current situation and found a series of marketing problems faced by catering enterprises in the era of big data. This measure is good for catering enterprises to avoid the risk of early warning [9]. Liu and Gao took Xiabu Xiabu as an example, focusing on the catering industry to carry out the "Internet +" strategy attempts, and providing suggestions for the implementation of this strategy in many traditional catering industries in China [10].

The emerging catering industry has broken the business model of the traditional catering industry and is facing unprecedented opportunities and challenges. It will be a very meaningful work to study the business model of the emerging restaurant industry and its future industry development, which will also be the focus of this paper.

2. Development Status and Business Model Analysis of the Emerging Catering Industry

2.1. Development Status Analysis

The development status of the emerging catering industry can be analyzed from four aspects: economic development, consumption upgrading, scientific and technological progress, and cultural diversity: the rapid development of China's economy has boosted the development and expansion of the catering industry, providing a good economic foundation and market environment for the emerging catering industry; consumption upgrading has prompted the pursuit of diversified and personalized catering services, which has pushed forward the emergence of the catering industry; the modern information technology such as the Internet and big data has helped the catering industry to innovate its operation mode and service mode; the deep convergence of global culture has given rise to the introduction of new concepts of catering to provide resources for the diverse development.

From 2018 to today, the emerging catering industry is gradually entering a mature period of development, and catering brands continue to emerge. The 2022 New Catering Industry Research Report shows that in 2021, the new catering industry revenue was 4.69 trillion yuan, with a growth rate of 18.6%. 3.34 million new emerging catering enterprises were registered in 2021, and the rate of chaining of catering outlets steadily increased to 18%. The above data show that the emerging catering industry has entered the incremental development stage.

2.2. Business Model Analysis

The emerging catering industry adapts to the development of customer demand, consumption concepts, and dining patterns, showing "flexible and diverse business models. "Internet + cafeteria" model, "full-time + third space" model, "community group purchase + catering" model, "catering + experience" model, "shared kitchen" model, "unmanned restaurant" model, and so on. These models can greatly meet the diversified consumption needs of customer groups.

In the future, the development trend of China's emerging catering industry will focus on health and green, personalized experience and intelligent operation. As consumers attach importance to a healthy lifestyle, the future catering industry will pay more attention to food quality and nutrition, focusing on the procurement of upstream raw materials, as well as downstream food distribution; at the same time, consumers are becoming more and more individualized in their tastes and needs, calling for the catering industry to provide customized personalized services and products. The rapid development of big data and AI technology will greatly optimize the service and operation efficiency of the catering industry and realize the development of online and offline integration, which will pose a new challenge to the intelligent operation of the catering industry. Therefore, in order to meet the novelty and diversified needs of consumers, innovative new catering models will continue to emerge.

3. Analyze the Business Model and Development Status Based on Financial Analysis

3.1. Business Model of Haidilao Company

As a representative of the emerging catering industry, Haidilao's business model reflects its excellent customer concept, diversified product services, and efficient operation and management. The analysis of Haidilao's business model helps to explore the development path of the emerging catering industry (Table 1).

Haidilao's business model is divided into nine segments, covering four aspects: customers, products, infrastructure, and financial viability. It is because of the continuous innovation and optimization of the business model that Haidilao has developed rapidly, not only as a hot pot brand but also as a new catering group with a coherent front and back end. The business model presents

several highlights. Haidilao's business model presents an extremely strong supply chain integration ability, and its important partners include its subsidiaries, such as Yihai International Holding Ltd, Shuhai Supply Chain Management Co., Ltd, Shuyun Oriental Decoration Engineering Co., Ltd, and a small number of third-party suppliers and store property owners. The establishment of its subsidiaries realizes self-sufficiency in the supply chain in terms of food ingredients and decoration. The business model of Haidilao has manpower as the core resource and is rooted in altruistic thinking. The bonuses and dividends in the salary structure of employees are the concrete embodiment of the company's incentive system and sentiment marketing. The wage and salary model adopts the 358 partner model, which gives 3% of the carried interest reward to the employees with outstanding performance in the work, and 5% and 8% of the share qualification. 358 partner mechanism, which allows the employees to treat Haidilao as their home, stimulates the enthusiasm of the employees.

Table 1: Haidilao business model canvas

Key partners	Key Operations	The Value Proposition	Customer Relationship	Customer Segmentation
	Core Resources		Channel access	
The Cost Structure		Source of Income		

The value proposition in the business model can be summarized as people-oriented, through the quality of personalized services to meet the diversified needs of customers. Through the "full-time + third space" model, to meet the needs of consumers at different times of the meal, and enhance customer adhesion; through the "catering + experience" model, customers can experience free manicures, hair ties, and cell phone charging personalized service. The business model is characterized by smooth and increasingly diversified channel access. Direct channels are dominated by self-operated stores, with a large membership system. Indirect channels are expanded through cooperation with third-party distributors such as supermarkets and convenience stores. Online channels utilize Internet platforms to increase takeaway revenues through the establishment of official websites and active marketing campaigns on social media platforms. Although the cost structure has increased the expenses for developing and manufacturing products of subsidiaries, as well as the expenses for the operation of the official website, the portion of the revenue source, in addition, to store revenue, has increased the sales of brands of subsidiaries and the sales of takeaway platforms.

3.2. Analysis of the Development Status of Haidilao Company Based on Financial Analysis

By analyzing Haidilao's financial results for 2019 - 2023, it can be said with certainty that Haidilao has strength in terms of profitability, operational capacity, and growth capacity (Table 2). Haidilao's 2023 financial report shows that its revenue amounted to more than RMB 41.4 billion, a year-on-year increase of 33.6%. This increase in revenue was mainly due to the company's increase in table turnover rate and improvement in operational efficiency. The company received more than 397 million customers in the whole year of 2023, a year-on-year increase of 43.7%. The turnover rate of 3.8 times a day indicates that there is still plenty of room for store openings. After the epidemic, the strong recovery of the consumer market and consumer base of Haidilao demonstrated the remarkable operational capability of the company.

The impact of the epidemic on the operation of Haidilao has caused a certain impact. Haidilao incurred a huge loss in 2021, but the company gradually returned to profitability in 2022 and 2023, respectively, achieving an annual profit of 1,373.2 and 4,495.4. Fluctuations in earnings reflect competition in the industry, as well as innovative business models adopted by Haidilao in the face of risk. The continuous optimization of the operating model improves the profitability of Haidilao itself.

The increase of 65.9% in revenue and 79.8% in the total number of stores in 2023 compared with 2019 shows its good market resilience and development potential. It indicates that Haidilao has a high market demand and strong business expansion capability. The company's market expansion strategy, continuous introduction of new dishes and services, and application of digitalization and technological innovation in its business model demonstrate its ability to adapt to market changes.

Table 2: Haidilao's financial analysis 2019-2023

	In 2019	In 2020	In 2021	In 2022	In 2023
Annual revenue (RMB million)	26555.8	28614.3	39036.7	31038.6	41453.3
Year-on-year growth rate	56.5%	7.8%	43.7%	-15.5%	33.6%
Total number of restaurants (units)	768	1298	1443	1371	1381
Average table turnover rate	4.8 times a day	3.5 times a day	3.0 times a day	3.0 times a day	3.8 times a day
Per capita customer spending(RMB)	105.2	110.1	104.7	104.9	99.1

4. Future Development Forecast and Recommendations

4.1. Forecast for the Development of Haidilao

The recovery of the global economy and the restoration of consumer confidence have provided a favorable macroeconomic environment for the development of the Haidilao industry. Meanwhile, Haidilao is expected to benefit from the promotion of relevant government policies. Digital transformation and the application of intelligent technology will also accelerate the innovation and upgrading of the Haidilao industry. Consumers' pursuit of high-quality services and specialty dishes will drive the continuous growth of the market scale.

Based on the financial reports of the past five years, Haidilao has maintained the average growth rate of recent years (approximately 33%) and its annual revenue is likely to continue to grow. As the market size expands, Haidilao will continue to increase the number of stores. Based on an approximate 5% increase in the number of stores per year over the past few years, approximately 70 to 90 new stores may be added in the next few years. With the innovation of the business model, Haidilao's takeaway and online business will also grow from the current approximately 10% to 20% of the total revenue, which will significantly boost the total revenue. Expansion in international markets will also be a key growth driver. Given the recovery of Haidilao's revenues and profits in 2022 and 2023, it can be predicted that the company's market size will continue to grow over the next five years, with growth rates remaining at 5% - 10%.

4.2. Recommendations for the Future Development of Haidilao

Facing the increasingly competitive market environment, Haidilao also inevitably faces competition, including the traditional catering industry, other emerging catering brands, and cross-border catering enterprises. In the face of the challenge of competition, Haidilao announced that it will implement a new franchise business model. This approach is to maintain brand competitiveness and achieve rapid market expansion. Haidilao's new approach, helping it seize the opportunities, but also for the future of the emerging catering industry business model development provides references.

Reasonable expansion and brand building: through the financial report can be seen that at the bottom of the Haidilao history turnover showed a loss. Although the epidemic is the main factor, the impact of the blind expansion of stores can not be ignored. Therefore, before the store expansion,

relevant project leaders should fully investigate the market and combine it with the market demand for new stores opened in a planned manner. At the same time, the staff of the newly opened stores should be trained to ensure the stability of the service quality of Haidilao and establish its brand image.

Expanding channels and optimizing marketing: The diversification and personalization of consumer demand have provided emerging catering companies with room for innovation and have urged them to continuously improve channel outlets and optimize marketing channels. While continuing to strengthen the hotpot business, Haidilao can consider developing new catering brands or product lines, as well as cross-border cooperation and innovation. For example, launching special seasonal or solar terms limited hotpots, and setting up small music singing activities to improve the entertainment nature of the store to attract more consumers.

Digital empowerment and multiple services: The Internet, big data, and artificial intelligence have brought new opportunities for the emerging catering industry to optimize customer experience. Haidilao's service marketing is an important factor in its success. In the future, it can improve ordering efficiency through technological means, provide customized services through big data, and realize the new experience of a "shared kitchen" through the Internet.

5. Conclusion

By analyzing the financial statements of Haidilao for the past five years, this article mentions that Haidilao's business model is constantly improving with the changes in the market. Based on the analysis of Haidilao's existing business model and market performance, this paper points out that Haidilao has great potential for future development. However, the market is ever-changing, and the future development of Haidilao should also consider the market conditions, competitors' marketing strategies, changes in consumers' individual needs, and macroeconomic conditions at home and abroad. Therefore, Haidilao needs to flexibly adjust its strategy to continuously adapt to market changes, optimize its business model, and strengthen the application of technology and innovation.

References

- [1] Yujuan, & Ma. *The Impact of the Epidemic on China's Catering Industry and the Countermeasures in the "Post-Epidemic Era"*.
- [2] Zhou, Li, & Yan, Chang. (2022). *Study on financial dilemma and response of catering enterprises under the new crown epidemic--Taking Haidilao as an example. Management Science and Research: Chinese and English Edition*, 11(8), 264-272.
- [3] Tie, Z. . (2016). *Marketing model innovation based on consumer preferences--a case study of china's catering industry. Shanghai Management Science*.
- [4] Ouyang, Bangzhe, Xu, Xiaoqi, & Zhu, Li-Hua. 2011 *A new species of the genus Pterostilbene (Hymenoptera, Braconidae, Pterostilbene)*. (2023). *Realistic Thinking on "Customer Adhesion" of Catering Consumption Hotspots under Netflix Economy. Popular Digest* (6), 0160-0162.
- [5] Feng Lei. (2019). *Analyzing the dilemma and countermeasures of restaurant enterprise management. China strategic emerging industries: theory edition* (13), 1.
- [6] Zhang, H. Q. , Wu, W. W. , & Wang, X. F. . *Influencing factors of the development of China's catering industry. 2014 International Conference on Management Science & Engineering 21th Annual Conference Proceedings. IEEE*.
- [7] Qiaoyun, L. . (2010). *Analysis of the development prospects of china's catering industry. Value Engineering*.
- [8] Wang, Q. A. Cao, W. Tang, Y. Y. Tao, K. Lei. (2021). *Research on the spatial expansion and driving factors of domestic restaurant chains in mainland China--Taking Haidilao as an example. Journal of West China Normal University (Natural Science Edition)*, 42(4), 402-409.
- [9] Peng Lan. (2018). *The impact of big data era on marketing strategy of catering enterprises. China Strategic Emerging Industries*, 000(022), 109.
- [10] Liu, Xiao, & Gao, Yan. (2019). *"Internet + \" background of the traditional catering industry business model of the new development - to sip feed as an example. Fujian Quality Management*, 000(002), 56-57.